



Hornet Infrastructure - Water Fund (EUR)

26th March 2020

Investment style

The investment aim of the Hornet Infrastructure - Water Fund is to **achieve long-term capital appreciation** with lower volatility compared to equity markets.

The investment strategy pursues an active, **value-oriented style** without tracking a benchmark.

The fund invests **worldwide in infrastructure** companies with **stable cash flows**.

The fund is a "long only" structure and continually realizes and secures capital gains. The currency exposure is actively managed.

Investment focus

The fund invests its assets solely in **equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

The **focus is on operational, regulated water utilities**, which own the infrastructure facilities and for example treat and distribute drinking water regionally or which are active in **energy production (hydro power)** or **water technology** as well as in **water environment & services**.

Fund details

NAV / Nettoinventarwert	EUR 1'068.42
Fondsvolumen / Anteile	EUR 34'612'534 / 32'396
Security number / ISIN	3.405.337 / LI0034053376
Fund domicile	Liechtenstein
Asset manager	GN Invest AG, FL-9490 Vaduz
Investment advisor	AC Partners AG, CH-6330 Cham
Depositary bank	LLB Liechtensteinische Landesbank AG, FL-Vaduz
Administration	IFM Independent Fund Management AG, FL-Vaduz
Revision	Ernst & Young AG, CH-3001 Bern
Launch / Start	11th October 2007
Fund structure / Sales	OGAW / UCITS V
Management fee	1.5% p.a.
Depositary bank / Admin.fee	0.11% p.a. / 0.175 % p.a.
Distribution	none (dividends are reinvested)
Subscriptions / Redemptions	weekly, each Thursday (16:00 CET)
Issue / Redemption price	Asset value per share (NAV + / - any commissions)

Performance in %

	YTD 2020	1 year	3 years	5 years	7 years
Hornet Infrastructure Water	-6.79%	0.73%	7.36%	21.66%	45.32%
Net annual average performance			2.40%	4.00%	5.49%

Source: IFM (fund performance cum. & p.a. after administrative costs resp. net of fees)

Risk figures

	YTD 2020	1 year	3 years	5 years	7 years
Volatility p.a.	24.90%	14.47%	10.90%	11.05%	10.27%

Portfolio Beta versus MSCI World	0.43	0.34	0.38	0.38
Alpha p.a. vs. MSCI World	2.63%	0.20%	0.65%	0.58%
Treynor-Ratio Portfolio	-0.03	-0.01	0.02	0.07

Source: IFM Vaduz AG / Bloomberg data / Alpha = risk-adjusted outperformance

Risk profile

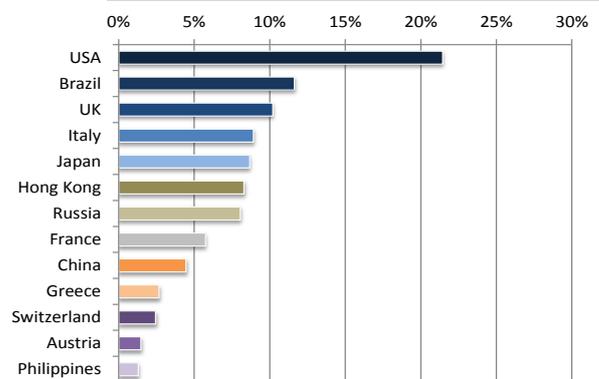
Recommended investment horizon

moderate	medium	high	3 years	5 years	7 years
----------	---------------	------	---------	----------------	---------

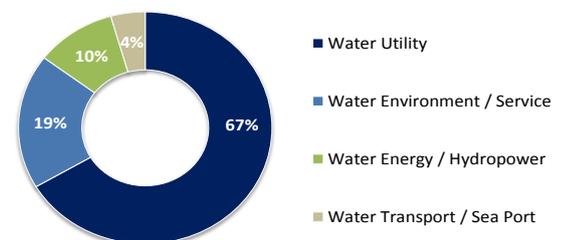
Price performance in EUR / NAV



Country allocation



Sector allocation



The 10 largest equity positions

Kurita Water Ind Rg	5.4%
ACEA N	5.1%
Guangdong Invest Rg	4.8%
SABESP Sp ADR	4.5%
Novors Sp GDR Reg-S	4.2%
Pennon Grp Rg	4.1%
COPASA	4.1%
RusHydro Sp ADR	3.9%
York Water Rg	3.8%
Hera Spa	3.8%

General market review

In March, share prices fell extremely sharply due to measures to combat the COVID-19 virus. The MSCI World Index (EUR) fell by -14.2% in the reporting period and -19.1% YTD 2020, after the World Health Organization WHO classified the virus as a pandemic. As a consequence, global trade of goods and travelling has been severely restricted. The US Federal Reserve (FED) surprisingly cut its key interest rate by 100bps to 0.25% on March 15 and has increased purchases of government bonds and mortgage bonds as well as corporate debt (new) within its unlimited QE program over the month. The ECB is also taking extraordinary measures and has launched an emergency program worth EUR 750bn for public and private credit. The BOE announced a GBP 600bn infrastructure investment program by 2025 to stimulate the economy. The leading currencies EUR / USD as well as the GBP and JPY are experiencing increased volatility together with currencies in the emerging markets.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) was again relatively stable in March with -6.9% to EUR 1,068.42 or -6.8% since the beginning of 2020. We highlight the M&A transaction at Pennon Group Plc. The UK water utility received a takeover bid of GBP 4.2bn (GBP 3.7bn net cash) from the private equity firm KKR in March for the waste management business, which accounts for approx. 30% of EBITDA, but the purchase price means over 75% of the total market capitalization. This shows not only the relative attractiveness in the water and environmental services sector in Europe and the UK, but also in the regulated water sector worldwide. The demand for stable real assets is likely to continue to rise as the risk of inflation increases. At the same time, medium-term refinancing rates are still falling, e.g. for Suez. With profits of the hedging strategy, we used the market sell-off to build up positions in the emerging markets, particularly in Brazil with discounts of 40-50%. The entire infrastructure portfolio (NAV) currently shows a discount of 14% to our calculated fair value.

Market review Infrastructure

In the infrastructure sector, the transport and energy sectors were again negatively affected. The latter in the wake of the extraordinary supply expansion of the OPEC countries, which has caused the WTI oil price to implode by -66.5% since the beginning of the year to USD 20.5 per barrel. On the other hand, the transport sector was badly affected, primarily due to the reduced demand. Airport and road operators in some cases fell by over -50%. The USD 2'000bn stimulus package approved by the US government partially calmed the markets towards the end of the month. The entire infrastructure sector lost -16.4% in the reporting month and -28.8% YTD 2020. Electricity and water utilities show more stability, since they have a relatively inelastic demand situation. Electricity suppliers in the US are currently experiencing a 7-11% year-on-year drop in sales due to reduced industrial activity.

Stabilizing water infrastructure with social impact

The current situation is not only drastic for many service and industrial companies, but also has a temporary impact for regulated water suppliers, although water consumption worldwide may not account for more than 2-4% of disposable income - but this constantly. In urban centers, private water consumption reaches approximately 2/3 of the total water volume distributed. Nevertheless, we notice an increased beta in the sector, which is mainly due to the high volatility in the interest rate area. In the United States, the 10-year US Treasury rose from 0.6% to just 1.2% in March, to come back to +0.6% after the fiscal and monetary stimulus. In Brazil, the 10-year interest rate rose from 2% to over 5.2% and back to below 4% in March. In consultation with the local regulators, major water utility companies in Brazil have announced that they will postpone low-income payments for private connections in the current situation, which means not only a loss of around 4-5% in sales and working capital, but also social solidarity and impact.

GN Invest AG

Asset Manager
Tel. +423 239 32 33

**AC Partners AG**

Investment Advisor
Tel. +41 41 711 10 20

