



## Hornet Infrastructure - Water Fund (EUR)

31st December 2016

### 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 investment 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

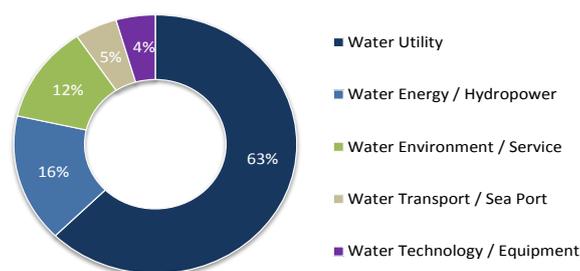
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

The focus is on **operational, regulated water utilities, which own the 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 & service.

### Fund details

<b>Net Asset Value (NAV)</b>	<b>EUR 973.60</b>
Fund volume / shares	EUR 23'769'470 / 24'414
Security number / ISIN	3.405.337 / LI0034053376
Fund domicile	Liechtenstein
Asset manager	GN Invest AG, FL-9490 Vaduz
Investment advisor	AC Partners AG, CH-6340 Baar
Depository 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 IV (since 3rd May 2013)
Management fee	1.5% p.a.
Depository bank / Admin. fee	0.15% 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)

### Sector allocation



### Performance in %

	YTD 2016	1 year	2 years	3 years
Hornet Infrastructure - Water	10.38%	10.38%	15.17%	28.33%

Source: IFM / MSCI / Telekurs (fund performance after administrative costs resp. net)

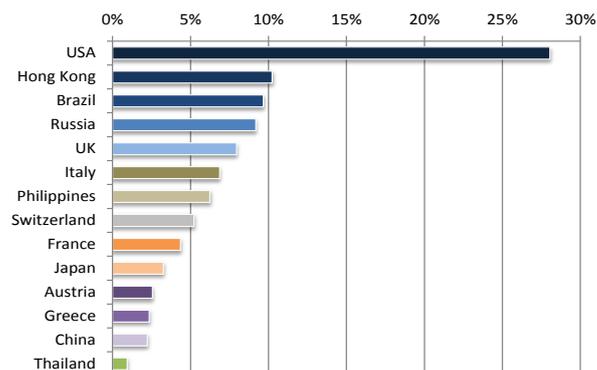
### Risk figures

	YTD 2016	1 year	2 years	since 2007
Volatility (annualised / p.a.)	12.31%	12.31%	11.45%	9.50%
Correlation vs. MSCI World	0.83	0.83	0.49	0.65

### Risk profile

Risk profile	Recommended investment horizon
moderate	3 years
<b>medium</b>	<b>5 years</b>
high	7 years

### Country allocation



### Price performance in EUR / NAV



### The 10 largest equity positions

SABESP Sp ADR	5.95%
Aqua America	4.83%
Novors Sp GDR Reg-S	4.81%
American Sts Water	4.59%
Guangdong Invest	4.56%
RusHydro Sp ADR	4.39%
Suez	4.36%
American Water Works	4.34%
Pennon Grp	4.14%
Acea	4.09%

## General market review

In the month of December, investor's sentiment for the stock markets improved once again. The European markets were able to expand with better economic indicators and foremost thanks to the expansive central bank policy. The ECB extends the bond purchase program by the end of 2017 and thus increases the total amount by EUR 540 bn to EUR 2,280 bn. Also the Bank of Japan continues to be very expansive and therefore equity markets are being supported accordingly. In contrast, only the US FED is pursuing a normalization of monetary policy. It increased the Fed fund rate by +0.25% to +0.50% due to the continuing economic growth. The 10-Y US Treasury is only marginally higher than at the end of 2015, with a current yield of +2.3%, although CPI inflation numbers rose from +0.7% to +1.7% on a year-on-year comparison.

## Market review Infrastructure

The infrastructure sector benefits not only from stronger US economic growth, but also from a relatively attractive valuation compared to other asset classes. The cyclical subsectors in the transport and energy sector are benefiting from the stabilization of the economy in China and a recovery in the commodity markets. The oil price e.g. is again trading above USD 50 per barrel after a drop to below USD 30 at the beginning of 2016. From a geographical perspective, the infrastructure companies in Brazil and Russia can thus recover optimally. In addition, the Brazilian central bank lowered its policy rate twice by 0.25% to 13.75%. In Russia, interest rates fall from 11% to 10% year-on-year.

## GN Invest AG

Asset Manager  
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## Investment Portfolio

Net Asset Value / NAV rose +0.40% to EUR 973.60, in December. The performance for the year 2016 climbed to +10.38%. Positive contributions came not only from the constructive regulated US water utilities, but also from positions in Brazil and Russia. This came against the market consensus. In both countries, the sharp decline in inflation numbers have had a positive effect on the cash flows of companies. In Brazil, e.g. the year-on-year inflation decreased from +10.71% to currently +6.77%, thus also the BRL is recovering. In Russia, inflation has declined from +9.8% to +5.4% over the same period. As a consequence, the RUB rose by more than +20% against the EUR in 2016. We therefore anticipate lower interest rates in these countries, which favors the performance of the portfolio positions accordingly.

## Attractive portfolio valuation with expected earnings yield of +7.5%

In our focused infrastructure portfolio, we are following a long-term and value-oriented investment approach. Morningstar.de has calculated a consolidated price-earnings ratio (P/E ratio) of 13.36x for our value investment portfolio, which currently implies an earnings yield of +7.5%. Compared to other investment classes in low-interest rate regions, this offers an attractive added value also in risk-adjusted terms. From a relative perspective, the NAV / price for our infrastructure portfolio is also about 30% below the valuation of the sector average, which not only illustrates our value style, but also shows the relative price potential of the globally diversified infrastructure portfolio, in the medium term.

## AC Partners AG

Investment Advisor  
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