



## Hornet Infrastructure - Water Fund (EUR)

31st December 2018

### 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

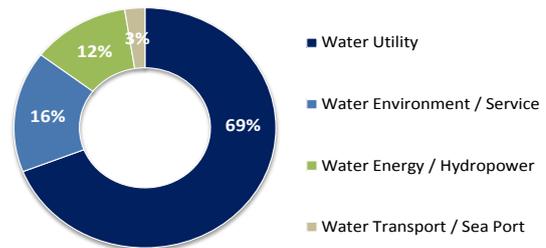
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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

<b>Net Asset Value (NAV)</b>	<b>EUR 998.62</b>
Fund volume / shares	EUR 28'377'785 / 28'417
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 V
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



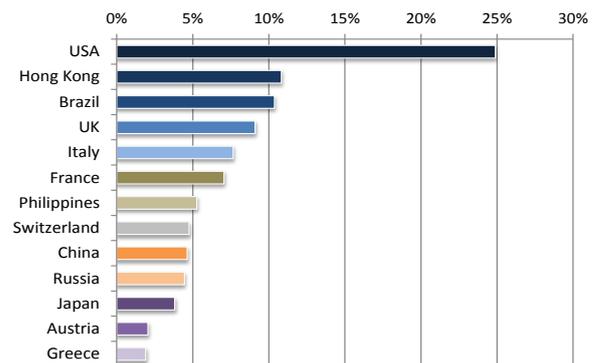
Performance in %	YTD 2018	1 year	2 years	3 years	5 years
Hornet Infrastructure - Water	1.86%	1.86%	2.57%	13.21%	31.63%

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

Risk figures	YTD 2018	1 year	2 years	3 years	inception 2007
Volatility p.a.	9.14%	9.14%	8.00%	9.69%	9.25%
Correlation vs. MSCI World	-0.36	-0.36	-0.45	0.61	0.79

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



— H Infrastructure - Water Fund (EUR)

### The 10 largest equity positions

SABESP Sp ADR	7.5%
Suez	7.1%
Guangdong Invest Rg	5.9%
American Water Works	4.6%
ACEA N	4.1%
Aqua America Rg	4.0%
Kurita Water Ind Rg	3.8%
Pennon Grp Rg	3.6%
Hera Spa	3.5%
American Sts Wat Rg	3.4%

## General market review

In the last month of 2018, global stock markets suffered significant losses. The MSCI World Index (EUR) fell 7.7%, mainly due to the strongly negative trend in the S&P 500 Index, which had one of the weakest months in stock market history. The emerging markets were able to perform better. In the US, important leading indicators point to an economic slowdown, such as the PMI purchasing manager index (ISM), which fell to 54.1 in December from 59.3 in November. In Europe, the PMI (Markit) of France dropped from 50.8 to 49.7 and the PMI of Germany dropped slightly to 51.5 from 51.8. In Brazil (PMI 52.6) and Russia (PMI 51.7), the economic situation has improved since September 2018, mainly contrary to market expectations.

## Market review Infrastructure

The infrastructure sector was unable to escape the broad sell-off on the stock markets in December, but ended the year 2018 with a significant outperformance and in positive territory. The economic concerns have particularly impacted cyclical subsectors such as the transport and energy sector. The transport index lost 16.3% (EUR) in December, down 7.9% for the year 2018. Within the infrastructure sector, stable water utilities were benefiting from the flattening yield curve - in the difficult market environment - as long-term interest rates declined due to the economic slowdown and short-term interest rates rose by +0.25% to +2.50% in December driven by the US FED fund rate hike. This strengthened the USD against the EUR together with the US advantages in terms of economic and partially structural lead over the Eurozone.

## Investment portfolio

The Hornet Infrastructure - Water Fund (EUR) NAV declined slightly by 1.19% to EUR 998.62 in December and was up 1.86% in 2018, despite the very weak market environment. In addition to the stable water utilities in the US, our positions in Brazil such as Sabesp and Cemig, in particular, rose significantly in the month under review. Our fundamental analysis of the portfolio positions shows further upside potential in the emerging markets as well as in Japan and for the entire portfolio. With the recent increase in Kurita Water, we have a quality score in Japan with an exceptionally good balance sheet and growth potential in the Asia-Pacific region. In general, performance is driven not only by the sustainable investment strategy, but also by our active investment approach, which can now capitalize on current valuation advantages relative to the overall market. Integrated risk management helps in this process.

## The business cycle favors the infrastructure sector

The leading indicator PMI of most countries and regions showed a weakening of their national economies. Also in the US, this index is continuing to weaken. As we expected a year ago, the yield differential of bond yields across US maturities declined significantly over the course of 2018, which in turn increased the likelihood of a recession occurring within the next 1-2 years. This increased uncertainty has also led to high volatility in the markets. We expect these trends to continue in 2019. This speaks in favor of an infrastructure investment in locally and regionally diversified water utilities with quality, substance and stable regulated cash flows combined with attractive valuations. The Hornet Infrastructure Water Fund optimizes these long-term performance drivers in its portfolio construction.

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