



## Hornet Infrastructure - Water Fund (EUR)

28th March 2019

### 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

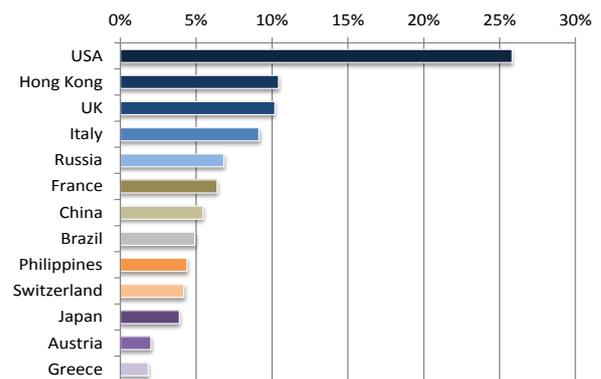
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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>NAV / Nettoinventarwert</b>	<b>EUR 1'060.71</b>
Fondsvolumen / Anteile	EUR 32'017'531 / 30'185
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
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	0.15% 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)

### Country allocation



Performance in %	YTD 2019	1 year	3 years	5 years	7 years
Hornet Infrastructure - Water	6.22%	11.04%	19.23%	32.56%	51.33%

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

Risk figures	YTD 2019	1 year	3 years	5 years	s. 2007
Volatility p.a.	10.37%	9.94%	9.09%	9.75%	9.29%
Correlation vs. MSCI World	0.87	-0.13	0.47	0.83	0.81

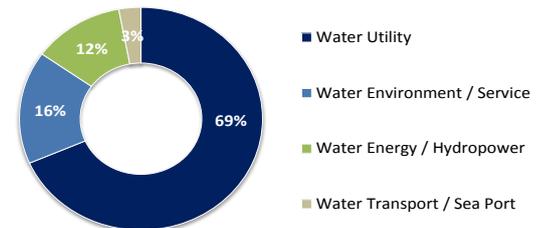
Source: IFM / MSCI data

Risk profile	Recommended investment horizon
moderate	medium
high	3 years
	5 years
	7 years

### Price performance in EUR / NAV



### Sector allocation



### The 10 largest equity positions

Suez	6.4%
Guangdong Invest Rg	5.4%
Aqua America Rg	5.1%
American Water Works	4.9%
ACEA N	4.7%
Hera Spa	4.4%
RusHydro Sp ADR	4.0%
Kurita Water Ind Rg	3.9%
Pennon Grp Rg	3.9%
Severn Trent Rg	3.6%

## General market review

Equity markets continued to perform well in March leading to a very strong Q1-2019. However, there were major performance differences at both country and sector level. This is caused on the one hand by the macrodata, which have weakened further e.g. in Germany or France and on the other hand by a strong technical stock market rebound after a weak Q4-2018. The US FED acted constructively and wants to keep interest rates in the range of 2.25-2.50% for the year 2019 and at the same time intends to give up its balance sheet reduction program. The banking sector in particular was negatively affected by the flat and falling yield curve, while the US technology sector as well as utilities and consumer stocks performed well. As the PMI indicator in China rose above the 50-point mark and markets open to foreign investors, the China Shanghai Index (CSI) 300 continued to rise, +6% in March. This despite persistent trade disputes between the US and China.

## Investment portfolio

In March, the Hornet Infrastructure - Water Fund (EUR) NAV rises +0.37% to EUR 1'060.71 and +6.22% YTD 2019 respectively. In Italy, our water utilities are performing well based on strong investment plans and growing earnings numbers. The European Central Bank (ECB) is holding the zero interest rate environment for the time being and in addition planning a new loan program for banks. However, in the second half of the month, our UK water utilities gave some performance back due to ongoing political uncertainties surrounding the Brexit. Company valuations seem to have priced in most of the risks since prices are at historically low levels in the UK. In the emerging markets, we saw some performance divergences compared to the positive market environment in the US and Europe, e.g. Brazil and the Philippines. With the current valuations of the portfolio positions in relation to the NAV, the expected upside of the fund to our fair value is currently +12.8% (in local currency).

## Market review Infrastructure

The global infrastructure sector was dominated by two forces in March. On the one hand, signs of slowing economic growth were reflected in a weaker performance of the transportation sector. In the USA e.g., the Q4-2018 GDP growth retreated to +2.2% from +3.4% in Q3-2018. On the other hand, the utilities sector is favored by the low and very favorable interest rate environment, as well as the energy sector, which has again received strong tailwind thanks to rising oil prices. The WTI has increased +33.6% so far in 2019. Therefore the global infrastructure sector continues to perform positively in March.

## Growth based on regulated investments, mainly in the US

If we look at the long-term estimates of the OECD, then the annual investment volume needed globally in the water sector is USD 900bn to meet the infrastructure need driven by population growth and the trend towards urbanization. For regulated infrastructure operators, this generally means higher regulated assets, which in turn generate regulated cash flows based on the corresponding revenue growth and the regulated returns. Currently, we see a strong upswing in the renovation and investment cycle, especially in the US, also in areas with water shortage, such as in California. Since only about 20% of the public water infrastructure in the US is managed by private companies, we see high capital investment (capex) in the distribution network, especially among the listed companies. These capex in maintenance and new connections often amount to between 20-40% of the turnover achieved. As a result, the US water sectors is experiencing a strong phase of growth.

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