



Hornet Infrastructure - Water Fund (EUR)

27th May 2022

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 cashflows and **sustainable impact**.

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. and includes ESG-criterias in the research process.

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

Fund details

NAV / Nettoinventarwert	EUR 930.09
Fondsvolumen / Anteile	EUR 26'683'352 / 28'689
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
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	0.09% p.a. / 0.175 % p.a.
Use of proceeds	EUR 19.25 as of 05/02/2022 (ex. 28.4.)
Subscriptions / Redemptions	weekly, each Thursday (16:00 CET)
Issue / Redemption price	Asset value per share (NAV + / - any commissions)

Performance in %

	YTD 2022	1 year	3 years	5 years	8 years
Hornet Infrastructure Water	-8.60%	-2.92%	-12.05%	-2.50%	16.78%
Net annual average performance			-4.19%	-0.50%	1.96%

Source: IFM (fund performance cum. & p.a. incl. distribution and net of fees)

Risk figures

	YTD 2022	1 year	3 years	5 years	8 years
Volatility p.a.	12.47%	10.66%	12.11%	10.72%	10.73%

Portfolio Beta versus MSCI World	0.42	0.37	0.30	0.35
Alpha p.a. vs. MSCI World	-7.41%	-10.48%	-5.53%	-4.12%
Treynor-Ratio Portfolio	-0.14	-0.18	-0.11	-0.04

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

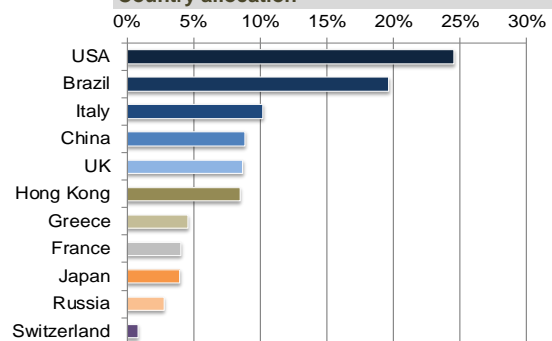
Risk profile

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

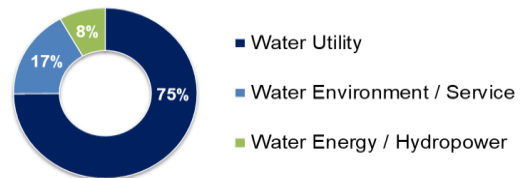
Price performance in EUR / NAV (incl. distribution)



Country allocation



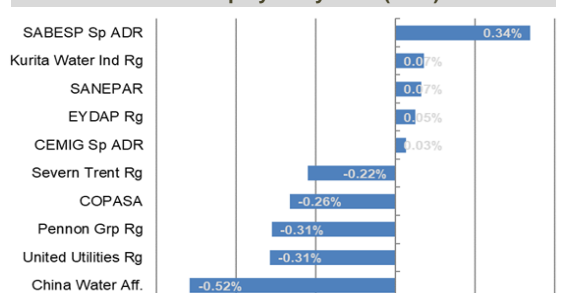
Sector allocation



The 10 largest equity positions

SABESP Sp ADR	7.0%
COPASA	5.9%
ACEA N	5.3%
Hera Spa	4.9%
EYDAP Rg	4.5%
York Water Rg	4.5%
SJW Group	4.5%
CEMIG Sp ADR	4.5%
Beijing Ent Water Rg	4.5%
Guangdong Invest Rg	4.4%

Performance driver equity / May 2022 (EUR)



General market review

In the month of May, the stock markets were weighed down by rising interest rates, geopolitical risks and sanctions, especially in the first half. Many companies also have to cope with the lockdown in the production facilities in China and are increasingly confronted with supply bottlenecks and higher inflation. Economic data was relatively stable in both the US and Europe. Despite a solid labor market, the tense situation on the supply side had a slightly negative effect. US GDP declined -1.5% q/q annualized. Measured by the CPI, inflation rates in Europe and the UK also remain high at +7.4% and +5.7% respectively. In Europe, higher energy, electricity and food prices influenced consumer behavior. Retail sales in the Eurozone fell to +0.8% from +5% in the previous month. As US interest rates stabilized around 3%, markets were able to recover to some extent. In this environment and according to statements by the ECB, the EUR gained around 2% against the USD.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) was also exposed to the high market volatility and closed the reporting month at EUR 930.09. At the end of the month, the water and environmental companies in China were able to gain ground after it was announced, that the tough lockdown would be lifted again. The US water suppliers are processing the current market environment with a rather neutral performance contribution and in some cases are showing higher fair values compared to the last valuations, despite rising interest rates. The protection against inflation comes in the medium-term based on the regulatory process. In the short term, for example, higher electricity or material prices in the water treatment process are overestimated in the quarterly figures. A similar picture can be seen with the regulated water suppliers in the UK, which underperformed in the reporting month. The water utilities in Brazil made a positive contribution to performance, especially Sabesp and Kurita Water in Japan, where we were able to increase the fair value by around 15% year-on-year.

Market review Infrastructure

Even in the volatile month of May, the global infrastructure sector is showing relative strength both against the broad equity market and against bond or nominal investments. The reason are rising energy and raw material prices, which are reflected in higher inflation figures. In this market cycle, sectors with stable input prices or margins or which are able to compensate for the higher costs via a constructive price mechanism have an advantage. The infrastructure energy and infrastructure utility subsectors are currently benefiting and outperforming, especially in the area of electricity production and distribution (grids). In the area of infrastructure-transportation, not only a volatile picture is emerging, but also one that will be shaped by the further course of the economy. In the infrastructure communication subsector - as currently the case for the entire market - the valuations are decisive. While the operating companies are able to benefit from a stable telecom business, increased M&A transactions and attractive valuations, pure network companies are compared with the multiples in the real estate sector.

Valuations are crucial again

In the current market environment, valuations have become more important and valuable again. This was less the case over the last two years of the pandemic, as the central bank provided the markets worldwide with excess liquidity, which tended to lead to higher market prices and rising prices (momentum). The tide has now turned. In a historical comparison, inflation is rising significantly and more restrictive central banks and higher interest rates are hitting stocks and bonds with above-average valuations in particular. Both in defensive subsectors and in growth-oriented strategies. Our investment analysis focuses on sustainability and valuations across all market cycles. We think, that our infrastructure fund focus on water utilities currently has major advantages in terms of valuation. According to the Bloomberg information system, the P/E ratio is 15.4x, which corresponds to an expected earnings yield of 6.5%. At the same time, the expected dividend yield in the fund is estimated at a high 5.6%. In comparison, the S&P 500 index has a P/E ratio of 20.7x and a dividend yield of 1.5%. The valuation advantage thus amounts to more than 30%.

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