Hornet Infrastructure - Water Fund (EUR)

29th September 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

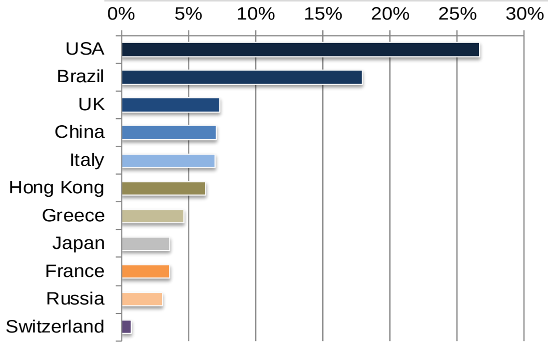
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure secto**r, such as water utilities, transportation, communication and social infrastructure facilities. and includes ESG-criterias in the research process.

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.**

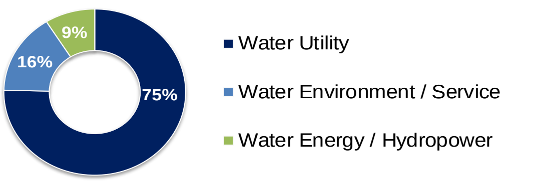
Fund details

NAV / Nettoinventarwert	**EUR 813.30**
Fondsvolumen / Anteile	EUR 26'590'844 / 32'695
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	0.09% 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)

Country allocation



Sector allocation



Performance in %	YTD 2022	1 year	3 years	5 years	8 years
Hornet Infrastructure Water	**-20.08%**	**-14.09%**	**-25.58%**	**-13.69%**	**2.65%**
Average annual NAV return (net)			-9.38%	-2.90%	0.33%

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.	**15.23%**	**14.19%**	**13.31%**	**11.64%**	**11.26%**
Portfolio Beta versus MSCI World	0.57	0.42	0.35	0.37	
Alpha p.a. vs. MSCI World	**-13.46%**	**-14.86%**	**-8.21%**	**-5.62%**	
Treynor-Ratio Portfolio	-0.31	-0.28	-0.17	-0.08	

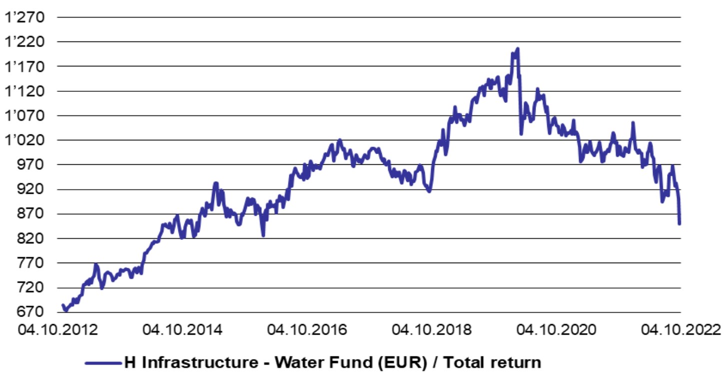
Source: IFM Vaduz AG / Bloomberg data / Alpha = risk-adjusted outperformance

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

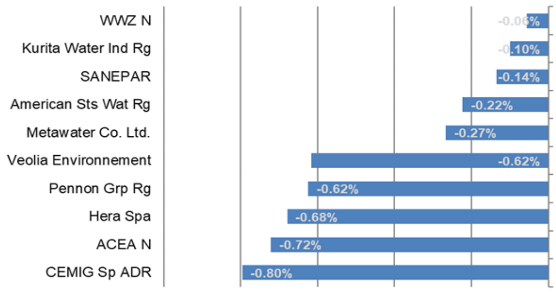
The 10 largest equity positions

SABESP Sp ADR	6.5%
COPASA	5.5%
York Water Rg	4.7%
SJW Group	4.7%
EYDAP Rg	4.6%
Cal Water Serv G Rg	4.2%
CEMIG Sp ADR	4.0%
ACEA N	3.9%
China Water Aff.	3.8%
American Sts Wat Rg	3.7%

Price performance in EUR / NAV (incl. distribution)



Performance driver equity / September 2022 (EUR)



General market review

The rapid and massive rise in interest rates in September has led to extremely sharp falls in prices on the stock and capital markets worldwide. The 10-year UK GILT (inflation-linked) interest rate has risen by over 400% to 4.1% from 1% in early 2022; it was 2.1% in September. Market interest rates have also risen in Europe and the USA since the beginning of 2022 by +236 basis points in Germany, +260 in France and +347 in Italy, respectively +226 basis points in the US. One of the main reasons is the extraordinary expansion of the money supply during the pandemic phase, which is now leading to historically high inflation rates. A normalization of the interest rate level is not the problem, but the time factor. We have seen that market interventions lead to exaggerations and understatements in the markets. The rapid rise in inflation to +10% in the euro zone and +8.3% in the USA is affecting all asset classes. At the same time, consumer-oriented and cyclical sectors in particular have to adjust to an economic slowdown.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) is also falling in this market environment. For all portfolio positions, the market prices have in some cases fallen exceptionally and disproportionately (see box 4 on the subject of our valuation model). Of course, the market prices of the water utility sector fall in the short term when interest costs or raw material prices rise quickly, but less so due to economic risks and in the medium term thanks to inflation compensation. In Brazil, our water utilities were hit in the second half of the month because of the presidential elections. However, GDP in Brazil is growing well in both absolute and relative terms; from +1.7% to +3.2% yoy. We assume that direct investments in the country will continue to increase due to the current geopolitical situation and that the undervaluations will be reduced in this region. In the Chinese market, too, there is currently little differentiation in terms of sustainability and valuation. This leads to historically extraordinarily high price/value differences with high discounts.

Market review Infrastructure

The global infrastructure sector was also hit in the extraordinary month of September and lost 12.4% (in EUR). The cyclical infrastructure-energy and infrastructure-transportation subsectors are downgraded on economic risks and a declining oil price WTI, which has fallen around 25% over the past 3 months; down 11.2% in September. Above all, the infrastructure utility subsector has priced in the current rise in interest rates, with energy utilities now increasingly being confronted with state intervention. The suboptimal energy and sanctions policy in Europe leads to political debates about possible "gas price caps" in the range of EUR 70 MWh. The German government wants to finance it with a EUR 200 billion energy support plan and is also nationalizing companies such as Uniper as part of a EUR 8 billion rescue program. In France, halving the development time for renewable energy projects is being discussed. The sector will therefore benefit from constructively regulated prices and increased investments in the medium term.

Effects of the interest rate environment on our valuation model

How are we able to anticipate short-term exaggerated falls in our portfolio positions? Our analysis refers to relative values and is based on historically normalized factors, especially when it comes to the assumption of long-term interest rate levels of the individual countries in the valuation model. Market prices moved extraordinarily in September, mainly due to negative sentiment, rising market interest rates and high inflation rates. In this historical market phase, we have to ask ourselves how the fair values of the portfolio positions have changed - simply because of the interest rate situation and all other conditions unchanged (ceteris paribus). We found that the fair values of the portfolio positions have only changed by 1-2%. This is because of the 3-phase valuation model, which considers for each position resp. country a normalized interest rate level, which depends on the medium-term inflation, the risk and the long-term interest rate level. Since we have already applied the resulting and normalized discount factors in the historically low interest rate phase, it resulted to this surprising fact at first glance - with the risk that the extraordinarily expansive central bank policy will last longer than assumed.

GN Invest AG

Asset Manager
Tel. +423 239 32 33

AC Partners AG

Investment Advisor
Tel. +41 41 711 10 20

This document has been forwarded to you upon request. It is for information purposes only and does not constitute an offer to acquire, any investment advice or recommendation and it is not an independent financial analysis. It does not replace any individual and professional advice from an investment advisor. The information has been compiled with care. However, no guarantee can be given for the correctness and completeness of the information. The prospectus as well as the annual report from the HORNET Infrastructure - Water Fund (EUR) are available for free at GN Invest AG, Vaduz or on the homepage of the IFM Independent Fund Management AG (www.ifm.li). For a detailed risk explanation, please see our fund prospectus.