



Hornet Infrastructure - Water Fund (EUR)

29th August 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

NAV / Nettoinventarwert	EUR 1'133.25
Fondsvolumen / Anteile	EUR 33'880'775 / 29'897
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)

Performance in %

	YTD 2019	1 year	3 years	5 years	7 years
Hornet Infrastructure Water	13.48%	22.29%	20.01%	31.84%	60.55%
			6.27%	5.68%	7.00%

Source: IFM (fund performance cum. & p.a. after administrative costs resp. net of fees)

Risk figures

	YTD 2019	1 year	3 years	5 years	7 years
Volatility p.a.	8.30%	9.25%	8.30%	9.80%	9.01%
Correlation vs. MSCI World	0.76	0.47	0.55	0.83	0.95
Portfolio Beta versus MSCI World		0.05	0.10	0.22	0.24
Alpha p.a. vs. MSCI World	19.18%	2.77%	1.33%	1.93%	
Treynor-Ratio Portfolio	4.00	0.35	0.13	0.17	

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

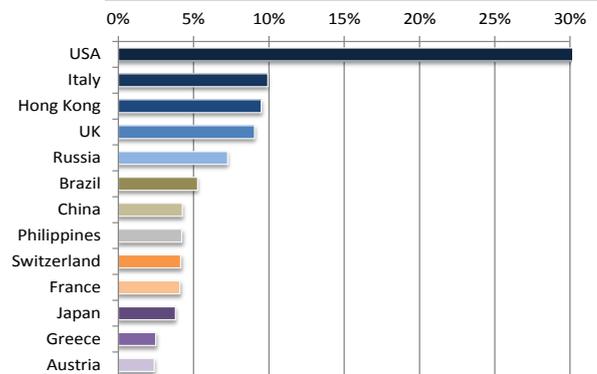
Risk profile

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

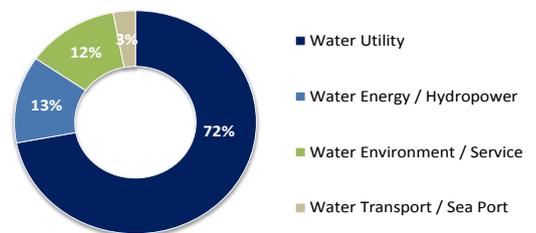
Price performance in EUR / NAV



Country allocation



Sector allocation



The 10 largest equity positions

Aqua America Rg	5.9%
American Water Works	5.7%
Guangdong Invest Rg	5.6%
ACEA N	5.2%
Hera Spa	4.7%
SJW Group	4.5%
RusHydro Sp ADR	4.4%
American Sts Wat Rg	4.2%
Suez	4.1%
SABESP Sp ADR	3.9%

General market review

In August, global equity markets were characterized by strong volatility of 2-4%. The MSCI World Index (EUR) fell by more than -2.5% over the month, though the US Federal Reserve met market participants' expectations at the beginning of the month with a rate cut of 25bps to 2% and 2.25%. Market uncertainty prevailed mainly because of the unresolved trade conflict between the US and China. However, the global economic risks were also reflected in the declining yield curve in the US, which has now been inverted for the first time since 2007, e.g. the 10-year US Treasury Bond yield was 1.49%, lower than the 2-year US Treasury Bond with a yield of 1.50%. In line with this trend, the USD is also rising, mainly against the EUR.

Market review Infrastructure

With inflation rate in the US at +1.8% and US 10-year interest rate at +1.5%, the infrastructure sector is outperforming global equity markets. Compared to the cyclical subsectors, e.g. transportation (-2.4%), the utility sector has continued to outperform with a strong performance in August. For the regulated water utilities, not only the changed interest rate and economic conditions are positive, but also the generally good profit development in the first half of 2019. As the regulated price mechanisms in the water sector include inflation protection as well as replacement investments, the operational infrastructure companies will continue to allocate capital investments into the distribution networks. The economic sensitivity of water consumption is also very low - even compared to other non-cyclical consumer goods such as clothing or food.

Investment portfolio

The Hornet Infrastructure - Water Fund (NAV) rose + 0.77% to EUR 1'133.25 in August, up +13.48% YTD 2019. In the portfolio American Water Works and American StatesWater were able to outperform with an increase of +10.6% resp. +19.5% month on month. The US water utility Cal. Water Service, which we bought in June increased by +5.4%. The position Sabesp (-12.1%) consolidated in August after more than +106% price appreciation over 12 months. The portfolio positions in China are currently consolidating due to local unrest, whereas Italian water utilities can defy political uncertainty and provided a clearly positive performance contribution.

Positive Portfolio Alpha of +1.9% p.a. over 7 years

If an investor wants to assess and evaluate the historical and expected performance of an investment, one should definitely consider the risk-adjusted performance. The alpha or the risk-adjusted excess return of the Hornet Infrastructure - Water Fund (+7% p.a. in EUR) compared to the MSCI World Index (+11.5% p.a. in EUR) over a period of 7 years stands at +1.9% p.a. after deducting all expenses and costs and calculated with a risk-free interest rate of +2.9% (current country weighting). The long-term active return of the Hornet Infrastructure - Water Fund (EUR) is based on the very low beta (systematic risk) of 0.24 as well as on the fundamental valuation and the active portfolio construction. The low systematic risks of the portfolio are therefore a major relative advantage and offer a clear added value compared to the stock market and to many passive ETFs.

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