



Hornet Infrastructure - Water Fund (EUR)

22nd February 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

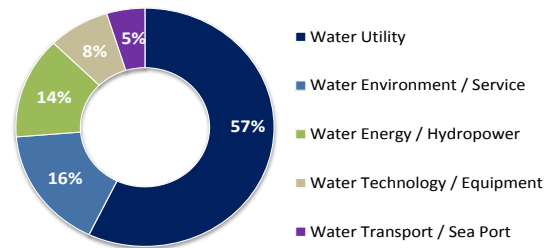
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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

Net Asset Value (NAV)	EUR 955.77
Fund volume / shares	EUR 29'230'314 / 30'583
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)

Sector allocation



Performance in %

	YTD 2018	1 year	2 years	3 years	5 years
Hornet Infrastructure - Water	-2.51%	-5.40%	8.26%	6.97%	33.13%

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

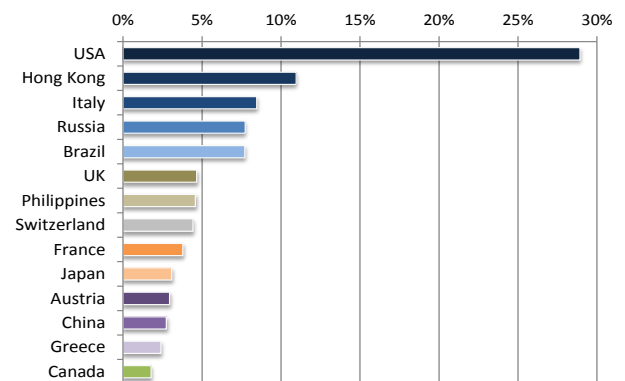
Risk figures

	YTD 2018	1 year	2 years	3 years nce 2007	5 years
Volatility p.a.	6.37%	6.93%	8.60%	10.06%	9.23%
Correlation vs. MSCI World	0.71	0.14	0.86	0.79	0.77

Risk profile

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

Country allocation



Price performance in EUR / NAV



— H Infrastructure - Water Fund (EUR)

The 10 largest equity positions

SABESP Sp ADR	5.32%
ACEA N	4.98%
Novors Sp GDR Reg-S	4.51%
China EB Intl Rg	4.21%
Suez	3.79%
Aqua America Rg	3.80%
American Water Works	3.73%
American Sts Wat Rg	3.73%
Guangdong Invest Rg	3.70%
Hera Spa	3.49%

General market review

The global equity markets corrected strongly at the beginning of February and market uncertainty has risen sharply. Both the US benchmark indices and the European stock markets have corrected more than -10% since peak at the end of January to low at the beginning of February. The markets have reduced volatility thereafter. The PBOC, which supplied the markets with liquidity over the Chinese New Year, is likely to be a major contributor for markets to calm down. However, since the global economic data for most industrial nations remain positive, we believe, that many market participants are therefore too euphoric in certain sectors. This continues to be reflected in the significant valuation differences - even in the current interest rate environment.

Market review Infrastructure

Market participants' fears of rising interest rates have already been apparent in the infrastructure sector over the past 8 to 12 months. Since the peak in Q2-2017, the sector has already corrected about -15%. The infrastructure sector should now have priced in a large proportion of the interest rate risk compared to the broad equity markets. We also believe that the USD yield curve will flatten, especially as the US Fed is going to hike Fed fund rates. A possible economic slowdown would then have a consolidation impact mainly on cyclical sectors such as transportation and energy or industrials and technology, and would relatively favor the utilities sector with its stable cash flows, as partly seen in the February sell-off.

Investment portfolio

The focused infrastructure portfolio Hornet Infrastructure - Water Fund (EUR) could not completely escape the environment in February. The NAV consolidated to EUR 955.77. However, the relative stability is based on the global diversification, since positions in the emerging markets are currently performing better than those in developed markets. On the other hand, the NAV also includes extraordinary price declines at Suez (-42.5% over 12 months) or even at UK water utilities, which are about -30% below their highs of 2017. The market decline in February meant, that the current portfolio NAV has a discount of approximately -11% compared to our consolidated fair value.

Relative value / Hornet Infrastructure - Water Fund (EUR)

The current portfolio p/e-ratio of 13.8x is about 30% below the number of the broader equity market. Thus, there is a relative valuation advantage, which helps especially in the case of market uncertainty. The favorable p/e-ratio implies an expected earnings yield of +7.25% and the expected dividend yield is +3.65%. Given the current interest rate environment and against the backdrop of the historically low volatility of the value-oriented portfolio, there should also be a risk-adjusted performance advantage versus most bond investments, in the mid-term.

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