



Hornet Infrastructure - Water Fund (EUR)

28th July 2016

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 cash flows**.

The fund is a "long only" structure and continually realizes and secures capital gains. The currency exposure is actively managed.

Investment focus

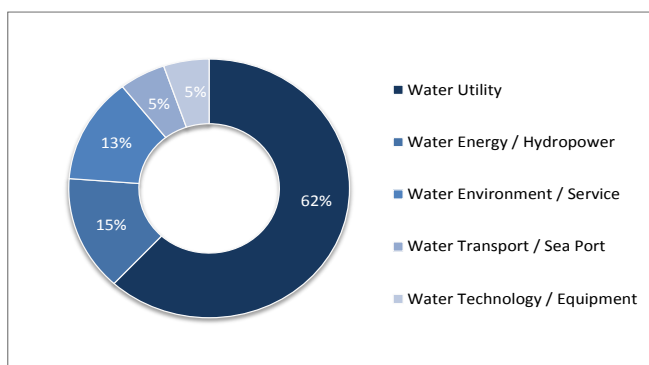
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

The focus is on **operational, regulated water utilities, which own the 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 & service.

Fund details

| | |
|------------------------------|---|
| Net Asset Value (NAV) | EUR 962.79 |
| Fund volume / shares | EUR 21'978'570 / 22'828 |
| 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 |
| 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 IV (since 3rd May 2013) |
| Management fee | 1.5% p.a. |
| Depository 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 2016 | 1 year | 2 years | 3 years |
|-------------------------------|----------|--------|---------|---------|
| Hornet Infrastructure - Water | 9.15% | 10.85% | 14.28% | 27.89% |

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

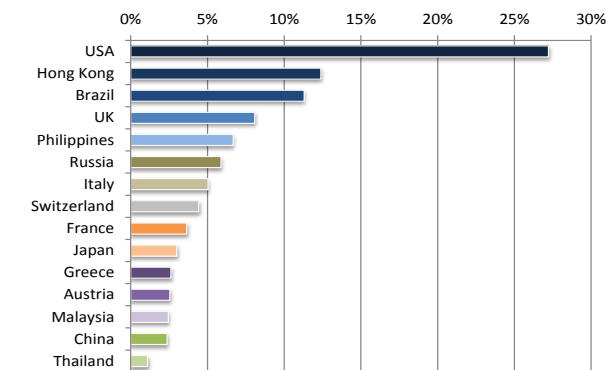
Risk figures

| | YTD 2016 | 1 year | 2 years | since 2007 |
|------------------------------------|----------|--------|---------|------------|
| Volatility (annualised / p.a.) | 14.38% | 12.40% | 11.85% | 9.54% |
| Correlation vs. MSCI World | 0.71 | 0.35 | 0.64 | 0.59 |
| Portfolio Beta versus local market | | | | 0.67 |

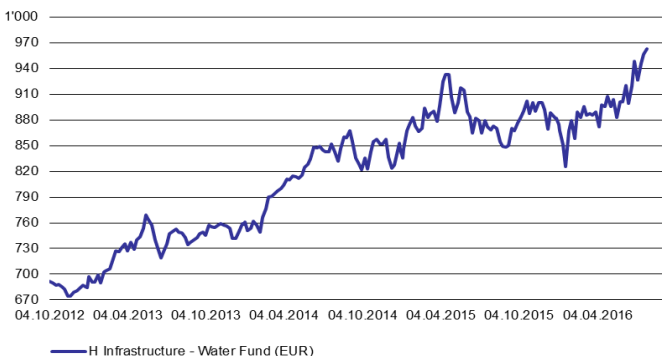
Risk profile

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

Country allocation



Price performance in EUR / NAV



The 10 largest equity positions

| | |
|----------------------|-------|
| SABESP Sp ADR | 6.90% |
| American Water Works | 5.70% |
| Aqua America | 5.66% |
| Guangdong Invest | 4.98% |
| American Sts Water | 4.44% |
| CEMIG Sp ADR | 4.41% |
| Acea | 3.90% |
| Suez | 3.64% |
| C K Infra | 3.64% |
| Pennon Grp | 3.50% |

General market review

Equity markets showed a positive trend in July, although with strong differences on country and sector level. The European banking sector lost due to the "stress test" absolutely and therefore also the European equity indices on a relative basis to the US stock market. The geopolitical uncertainty in Turkey was also not constructive for Europe as well as the slightly weaker economic growth numbers of +0.3% in the 2nd quarter versus +0.6% in the previous quarter. Although, the US economic numbers in terms of GDP growth of +1.2% p.a. came well below the expected value of +2.5%, the US stock market has been able to outperform. In Japan, a stimulus package of JPY 4.6 trillion (USD 45bn) was announced by the government and the central bank of Japan has decided to extend the asset purchases of exchange-traded funds (ETFs) to approximately USD 60bn per year.

Market review Infrastructure

The fiscal and monetary measures, as we see in Japan, show that real values such as infrastructure assets benefit from this interventions. In fact, 37% of the economic stimulus is expected to flow into infrastructure and about 63% of the JPY 4.6 trillion program will be spent on social welfare such as crèches and other direct contributions for the population. In addition, the latent rising inflation will reduce the future net present value of long-term fixed liabilities. Infrastructure investments have stable cash flows and are currently yielding well above government bonds, which show significantly lower nominal returns or generate even negative interest rates for investors. In the United States, the slightly lower economic growth numbers as well as the falling oil price lead to a consolidation of the transportation and energy sector. In Brazil, however, the attenuated recession has a positive effect on the local infrastructure companies.

GN Invest AG

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Investment Portfolio

The NAV of our water infrastructure portfolio rises by +1.5% in July to +9.15% YTD 2016. We saw neutral currency changes during July, as the USD have traded in a narrow range against the EUR. The interest rate tightening cycle has further moved on the time axis in the US, of which the regulated US water utilities have benefited also in the short term. In July, we made no major portfolio changes. The active and often anti-cyclical portfolio construction process, which is based on fundamental analysis, is designed in the long term. The resulting geographic diversification of our portfolio basically leads to a more stable increase in NAV compared to passive and pro-cyclical index strategies. The significant price increases on our positions in Brazil reflect our active infrastructure portfolio strategy .

Infrastructure Position Sabesp ADR / share price USD 9.28

In October 2015 only 9 months ago, the infrastructure assets of Sabesp in Brazil traded at a price of USD 4.20 and with a market capitalization of USD 3bn, which is now twice as high at USD 6bn, in July 2016. Sabesp operates the water utility network in Sao Paulo with 25.4 million freshwater customers and 22.6 million wastewater customers. The company covers approximately 60% of the urban population and serves 363 of 645 municipalities in the region. However, the share price still implies a discount of 15% to our fair value, even after the significant increase in recent months. This is mainly due to the economic uncertainty in Brazil and the hesitant investors .

AC Partners AG

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