



Hornet Infrastructure - Water Fund (EUR)

25th Januar 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

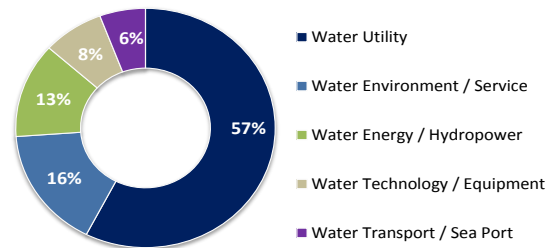
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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 977.95
Fund volume / shares	EUR 29'517'465 / 30'183
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 V
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 2018	1 year	2 years	3 years	5 years
Hornet Infrastructure - Water	-0.25%	-1.52%	12.79%	10.81%	41.73%

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

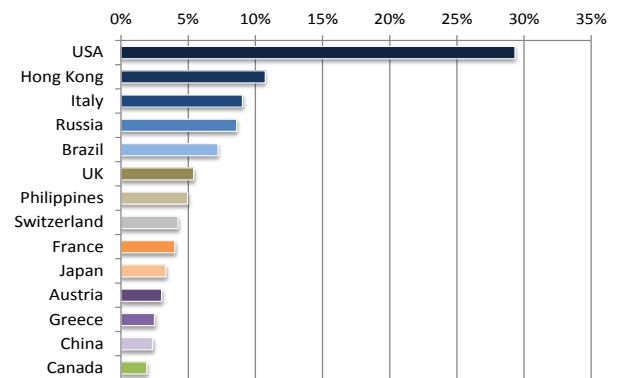
Risk figures

	YTD 2018	1 year	2 years	3 years	nce 2007
Volatility p.a.	3.77%	6.65%	9.62%	10.01%	9.26%
Correlation vs. MSCI World	-0.76	0.15	0.90	0.79	0.76

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

Novors Sp GDR Reg-S	5.52%
ACEA N	5.33%
SABESP Sp ADR	5.18%
China EB Intl Rg	4.18%
Suez	4.00%
Aqua America Rg	3.91%
American Sts Wat Rg	3.86%
American Water Works	3.86%
Hera Spa	3.72%
Guangdong Invest Rg	3.45%

General market review

Thanks to the good economic environment, the stock markets started the year 2018 well. The tax reform in the US has also contributed to a strong increase in US indices. The encouraging economic data in Europe are causing labor markets to revive. The unemployment rate fell to +8.7% in the Eurozone, its lowest level since 2009. At the end of November, there were 14.26 million people out of work. This is insofar a positive number, as 1,561 million people can work again compared to the previous year. At the end of the month, however, worries about possible rising inflation arose, especially in the US. One reason was the weak USD, which fell again by -3.1% against the EUR.

Investment portfolio

In this environment, the Hornet Infrastructure - Water Fund (EUR) was slightly lower by -0.25%. In January, the USD devaluation of -3.1% affected the NAV development, but the EUR/USD hedge could cushion some of this. Currently, the internationally positioned water services companies are also affected by the currency development. Suez reduced its EBIT expectations by -3% for 2017 to EUR 1'280 million and its net profit by -13%. We prefer local water utilities in this environment. The locally active hydropower companies such as Verbund in Austria or Cemig in Brazil, as well as the water utility Sabesp or the water and environmental company China Everbright Int'l in China, are also able to develop positively.

Market review Infrastructure

The fears of rising interest rates in the US had an impact on the infrastructure and utilities sector, in the short term. However, we note that the USD yield curve is flattening above all. The USD 3M Libor rose to +1.78% from +0.25% at the beginning of 2015, the USD 12M Libor from +0.63% at the beginning of 2015 to +2.27% and the 2-year USD swap rate from +0.75% at the beginning of 2015 to currently +2.34%. By contrast, the 10-year USD swap rate has remained virtually unchanged at +2.71% since 2015. Should this trend continue, then the cyclical sectors such as industry and technology would be negatively impacted by a possible inverse yield curve. Historically, the yield curve provides a reliable economic signal. The broad infrastructure sector has already priced in much of the interest rate concerns since mid-November 2017.

Verbund / price EUR 22.80

Since the high of EUR 58.86 in 2008, the share price has fallen by around -83% to EUR 10.03 at the beginning of 2016. Verbund not only produces about 80-90% of its electricity through hydroelectric power plants, but also owns the majority of the distribution network in Austria. Despite the difficult environment on the energy markets, the hydropower company thus has relative advantages in terms of sustainability and the value chain. Since 2016, the price of CO2 certificates has risen from around EUR 4/tCO2 to currently over EUR 9/tCO2. In January, Verbund raised the EBITDA forecast to EUR 920 million (EUR 830 million). We have bought Verbund over the last few years (since 2013) at an average price of EUR 13.30 and like the good CO2-free and long-term assets as well as the improved focus of the company on the stock value.

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