



Hornet Infrastructure - Water Fund (EUR)

24th November 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

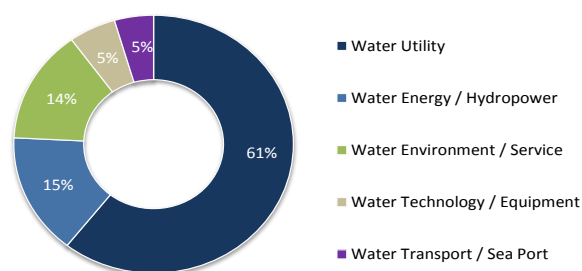
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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 969.71 |
| Fund volume / shares | EUR 23'516'437 / 24'251 |
| 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 IV (since 3rd May 2013) |
| 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 2016 | 1 year | 2 years | 3 years |
|-------------------------------|----------|--------|---------|---------|
| Hornet Infrastructure - Water | 9.94% | 7.75% | 13.04% | 28.61% |

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

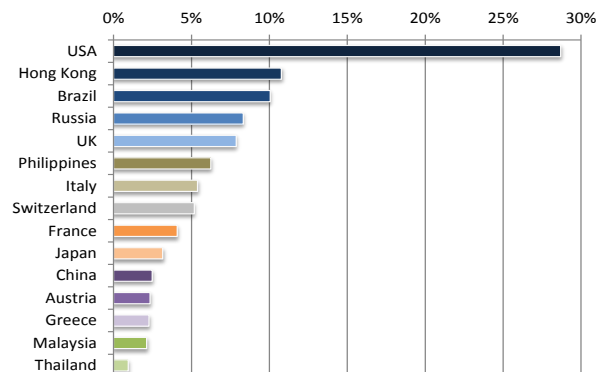
Risk figures

| | YTD 2016 | 1 year | 2 years | since 2007 |
|--------------------------------|----------|--------|---------|------------|
| Volatility (annualised / p.a.) | 12.94% | 12.81% | 11.84% | 9.55% |
| Correlation vs. MSCI World | 0.83 | 0.72 | 0.46 | 0.63 |
| Portfolio Beta | | | | 0.67 |

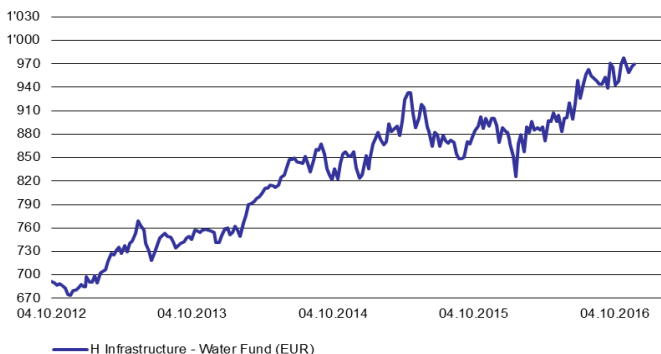
Risk profile

| 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 | 6.23% |
| Guangdong Invest | 5.05% |
| American Water Works | 4.92% |
| Aqua America | 4.78% |
| Novors Sp GDR Reg-S | 4.52% |
| American Sts Water | 4.23% |
| Suez | 4.09% |
| Pennon Grp | 4.09% |
| CEMIG Sp ADR | 3.83% |
| RusHydro Sp ADR | 3.81% |

General market review

Global stock markets continue the upward trend following the US presidential elections, as the short term uncertainty has been eliminated in many sectors. Regardless of the election, the US economy increased +3.2% year-on-year in the 3rd quarter, which is above estimates. Private consumption further contributes significantly to the growth path. The retained investments are expected to provide further growth under the new US regime. In Europe, signs of growth are improving in both corporate lending and industrial indicators. With the historically high interest rate differential of around 2% measured by the 10-year benchmarks, the USD increased against the EUR and had a positive effect on the globally positioned portfolios.

Market review Infrastructure

In the infrastructure sector, the cyclical sectors such as transportation and energy were favored in November. The US transport sector was able to increase more than +10% reflecting the positive economic outlook. Energy infrastructure as well as hydropower plants are dependent on the OPEC decision on the oil production levels. The utilities, which were rated as sensitive by the market, could grow less strongly in November. We assess the rising fears of interest rate hikes as exaggerated, particularly in connection with the continuously growing water infrastructure companies, which also successfully invest in a normalized interest rate environment by generating long-term yields between 5-10%. Moreover, the price mechanism for water utilities include the inflation numbers, which leads to natural and real "pricing power".

GN Invest AG

Asset Manager
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Investment Portfolio

In the month of November, the NAV of the Hornet Infrastructure - Water Fund (EUR) consolidated slightly by -0.85% to YTD 2016 + 9.94%. In the short term, our portfolio could not fully participate in the cyclical rally, triggered by the US elections. The positions in the emerging market also lagged behind the US market, after the strong price increases. In Europe, the water utility companies have mainly underperformed due to the political uncertainties surrounding the constitutional reform in Italy and are currently showing significant price discounts of up to 35% comparing to our fair values. The USD currency hedging, which increases the portfolio's value stability, delivered a negative performance contribution.

Impact for infrastructure investments after US election

The OECD strongly supports Donald Trump's infrastructure program, as local economic growth is expected to improve as well as economic inequalities. We are particularly pleased that the USD 1'000 bn infrastructure plan is to fund USD 850 bn through public-private partnerships and only USD 150 bn through the state. This means that infrastructure expenditures are viewed as self-sustaining investments with appropriate returns and not as costs that increase the debt ratios. Therefore, it does not have to be saved in schools, universities or in education general, nor in public institutions such as hospitals or social institutions. The impact is positive and increases the investment volume.

AC Partners AG

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