



## Hornet Infrastructure - Water Fund (EUR)

27th September 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

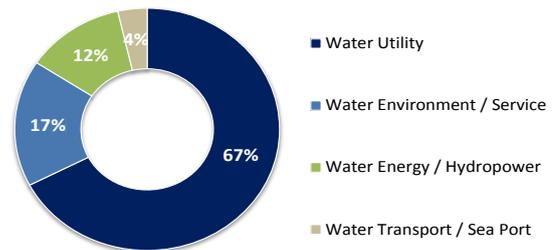
The fund invests its assets **solely in equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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

|                              |   |
|------------------------------|---|
| <b>Net Asset Value (NAV)</b> | <b>EUR 919.81</b>                                 |
| Fund volume / shares         | EUR 26'841'895 / 29'182                           |
| 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       |
|--------------------------------------|---------------|---------------|---------------|--------------|---------------|
| <b>Hornet Infrastructure - Water</b> | <b>-6.18%</b> | <b>-6.61%</b> | <b>-4.73%</b> | <b>6.03%</b> | <b>22.72%</b> |

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

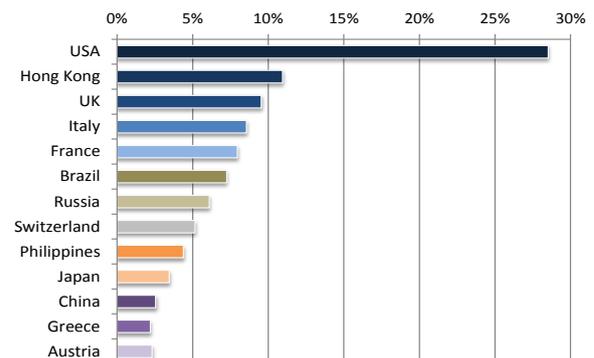
### Risk figures

|                                   | YTD 2018     | 1 year       | 2 years      | 3 years nce 2007 |
|-----------------------------------|--------------|--------------|--------------|------------------|
| <b>Volatility p.a.</b>            | <b>7.52%</b> | <b>6.86%</b> | <b>7.22%</b> | <b>9.38%</b>     |
| <b>Correlation vs. MSCI World</b> | <b>-0.26</b> | <b>-0.43</b> | <b>-0.26</b> | <b>0.66</b>      |

### Risk profile

|          | Recommended investment horizon |      |                                |
|----------|--------------------------------|------|--------------------------------|
| moderate | <b>medium</b>                  | high |                                |
|          |                                |      | 3 years <b>5 years</b> 7 years |

### Country allocation



### Price performance in EUR / NAV



— H Infrastructure - Water Fund (EUR)

### The 10 largest equity positions

|                      |      |
|----------------------|------|
| Suez                 | 8.0% |
| Guangdong Invest Rg  | 5.6% |
| SABESP Sp ADR        | 5.3% |
| ACEA N               | 4.8% |
| American Sts Wat Rg  | 4.8% |
| American Water Works | 4.7% |
| Aqua America Rg      | 4.7% |
| SJW Group            | 3.8% |
| Middlesex Water      | 3.8% |
| Pennon Grp Rg        | 3.8% |

## General market review

After a negative start into September, the stock markets has gone up also in Europe from the middle of the month onwards. In the US, the positive trend has continued, whereby industrials outperformed technology and transportation firms. The price of crude oil, measured by the WTI, continued to rise in September thanks to the good economic data, but also due to political uncertainties. The price has risen by more than +20% since the beginning of the year. The US Fed raised interest rates by +0.25% to 2.00-2.25% at the end of September, also taking into account the increased inflation of +2.70% p.a. In addition to the labor market recovery, the increased import duties in the US have also an inflationary impact. The yield of the 10-year US government bond rose again to +3.05%, which led to a negative bond price development.

## Market review Infrastructure

The infrastructure sector, like the utility sector, was a counterpoint of the overall market with a slightly negative trend in September. The currently almost euphoric economic growth does not favour the infrastructure sector to the same extent like, for example, the industrial or the technology sector. In addition, there are concerns and fears of the market participants of rising USD interest rates, which the sector has to absorb. In contrast to bond investments, however, the regulatory mechanisms in the infrastructure sector provide inflation protection, which has a positive effect on the value of infrastructure investments with a time lag.

## Investment portfolio

The Hornet Infrastructure - Water Funds (EUR) NAV declined slightly to EUR 919.81 in September. Towards the end of the month, fund performance benefited from both a rising USD and more stable emerging market prices. As the concerns of the market participants currently are mainly the political and economic uncertainties in the emerging markets, as well as the interest rate increases in the US, the fair value of the portfolio compared to the NAV is about +11% higher. We assume in our valuation models for individual companies a normalized interest rate environment over time and welcome the FED's interest rate moves, because they should also lead to a stronger USD, which would have a positive impact on the global portfolio.

## Is the US FED fast enough or behind the curve?

The Taylor rule seeks to track the current FED policy rate by taking into account three key factors, such as expected inflation, the real equilibrium interest rate and the difference between real GDP and potential output. It was named after its inventor, the US economist John B. Taylor, who developed the rule in 1993. According to the information system Bloomberg, the Taylor rule estimate currently stands at +5.74% and thus shows a difference of -3.49% compared to the FED interest rate of +2.25%. This difference has never been so high since the 1990s, respectively the FED has never been so far behind the inflation and economic growth curve.

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