



## Hornet Infrastructure - Water Fund (EUR)

28th February 2019

### 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

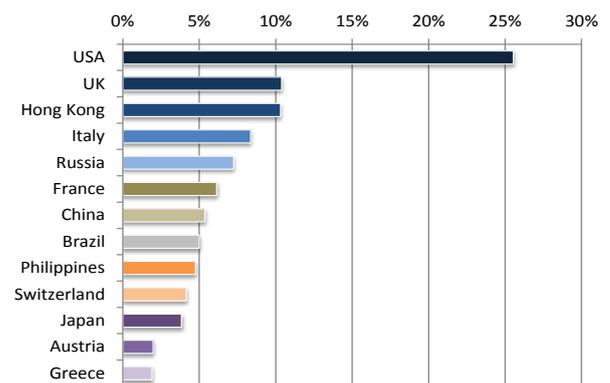
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities.

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>NAV / Nettoinventarwert</b>	<b>EUR 1'056.75</b>
Fondsvolumen / Anteile	EUR 31'987'823 / 30'270
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)

### Country allocation



Performance in %	YTD 2019	1 year	3 years	5 years	7 years
Hornet Infrastructure - Water	5.82%	10.57%	19.70%	33.69%	51.00%

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

Risk figures	YTD 2019	1 year	3 years	5 years	s. 2007
Volatility p.a.	11.51%	9.99%	9.09%	9.75%	9.31%
Correlation vs. MSCI World	0.91	-0.21	0.51	0.83	0.80

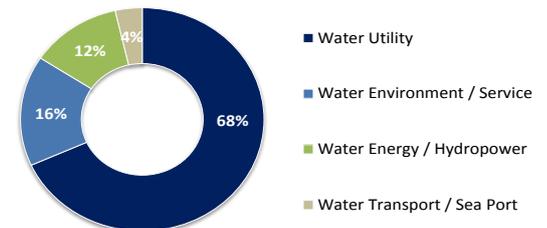
Source: IFM / MSCI data

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

### Price performance in EUR / NAV



### Sector allocation



### The 10 largest equity positions

Suez	6.1%
Guangdong Invest Rg	5.3%
Aqua America Rg	4.9%
American Water Works	4.7%
ACEA N	4.3%
Hera Spa	4.0%
Pennon Grp Rg	4.0%
RusHydro Sp ADR	3.9%
Kurita Water Ind Rg	3.8%
Severn Trent Rg	3.7%

## General market review

The stock markets continued their positive performance in February, albeit with lower traction. The S&P 500 Index rose 3.2% versus 7.8% in January. Economic data in the U.S. however indicate an economic slowdown: U.S. GDP is at +2.6% (annualised) in Q4 2018 and therefore lower than in Q3 (+3.4%) and the ISM Manufacturing Index decreases from 56.6 to 54.2 points. Sector rotation is one reason for the decoupling of the equity markets from the economic data and from sinking bond yields. Financials and consumer staples were favoured over strongly performing technology stocks in February. The current geopolitical and economic environment leads to an USD appreciation over the EUR. A strong USD currently has positive effects on globally diversified portfolios.

## Investment portfolio

The Hornet Infrastructure - Water Fund (EUR) NAV rises very slightly by 0.06% to EUR 1'056.75 in February, while it noted substantially higher in the middle of the month. The short-term volatility occurred mainly due to the market price changes on our position in a port in Russia, which displayed the volatile tendencies in the transportation sector. Our second position in Russia, Rushydro published solid figures according to our expectations. With a prospected higher allocation of the added value for investors, we have calculated an upside potential from the current market value of +141.8% to reach fair value. To calculate the fair value of Rushydro, we discount the expected cashflows with a risk adjusted interest rate of 13.4% (required return). As the stock is trading substantially below fair value, the expected return is exceptionally high on this position with +35.4%. We have increased the position in this stock.

## Market review Infrastructure

The global infrastructure sector continues to profit from low interest rates in the U.S. and from the current market cycle, which is looking for value and less cyclical sectors. The transportation sector impressively mirrored the economic environment in February. After a strong rally which started at the beginning of the year, the sector weakened in the second half of February. Global non-cyclical water utilities continue to rise, as they still have potential to catch up with the broad market. Constructive regulatory mechanisms with inflation protection ensure stable cashflows on growing infrastructure networks.

## Generating alpha with focused value strategy

As mentioned in our January report and also in public media, growth stocks have been able to outperform value stocks over the recent years. This was mainly due to the global economic environment, the high earnings growth as well as the low risk premia for growth companies. In our infrastructure portfolio with a focused value strategy and an expected alpha of 1.4% (historically over 2%), we are now expecting a higher risk adjusted return versus the broad market. We also expect an increase in the consolidated alpha in the course of the coming months based on the fundamental valuations of the latest company data of our portfolio holdings. The alpha is derived from the difference between the expected return (currently +7.6%) and the required return (currently +6.2%).

### GN Invest AG

Asset Manager  
Tel. +423 239 32 33



### AC Partners AG

Investment Advisor  
Tel. +41 41 711 10 20

