



Hornet Infrastructure - Water Fund (EUR)

31st October 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

NAV / Nettoinventarwert	EUR 1'148.44
Fondsvolumen / Anteile	EUR 35'523'546 / 30'932
Security number / ISIN	3.405.337 / LI0034053376
Fund domicile	Liechtenstein
Asset manager	GN Invest AG, FL-9490 Vaduz
Investment advisor	AC Partners AG, CH-6330 Cham
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)

Performance in %

	YTD 2019	1 year	3 years	5 years	7 years
Hornet Infrastructure Water	15.00%	16.29%	17.43%	34.36%	66.79%
Net annual average performance			5.50%	6.09%	7.58%

Source: IFM (fund performance cum. & p.a. after administrative costs resp. net of fees)

Risk figures

	YTD 2019	1 year	3 years	5 years	7 years
Volatility p.a.	7.94%	8.87%	7.91%	9.66%	9.03%

Portfolio Beta versus MSCI World	0.12	0.07	0.22	0.24
Alpha p.a. vs. MSCI World	11.32%	2.38%	1.62%	2.32%
Treynor-Ratio Portfolio	1.01	0.43	0.15	0.19

Source: IFM Vaduz AG / Bloomberg data / Alpha = risk-adjusted outperformance

Risk profile

Recommended investment horizon

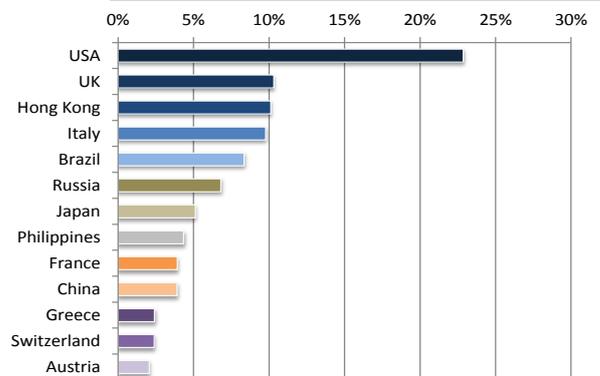
moderate	medium	high	3 years	5 years	7 years
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Price performance in EUR / NAV

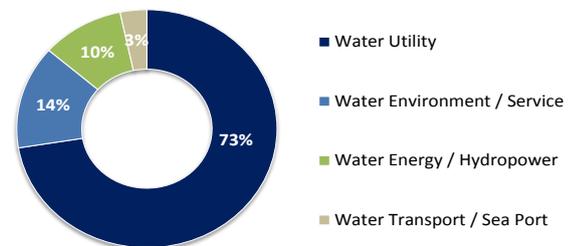


— H Infrastructure - Water Fund (EUR)

Country allocation



Sector allocation



The 10 largest equity positions

Guangdong Invest Rg	5.5%
Aqua America Rg	5.2%
Kurita Water Ind Rg	5.1%
ACEA N	5.0%
Hera Spa	4.8%
SJW Group	4.5%
SABESP Sp ADR	4.1%
Pennon Grp Rg	4.1%
Suez	3.9%
York Water Rg	3.9%

General market review

Global stock markets started the month of October with a small setback. This was justified by the fact, that the economic uncertainties between the US and China could have continued to deteriorate the industrial and financial outlook worldwide. From the middle of the month, however, the money and stock markets have calmed, as the US Fed lowered the key interest rate by a further 0.25% to +1.50 and 1.75%. At the same time the central bank communicated, that it will restart the quantitative expansion (QE) of its balance sheet in order to reduce the risks on the US money market and on the other hand to support the economic cycle. The ECB kept its key interest rate at -0.50% and will launch a monthly EUR 20bn European government bond purchase program as of 1 November, as announced in September. The USD weakened slightly against the EUR in this environment.

Market review Infrastructure

In the US, the ISM manufacturing index recovered slightly from 47.8 to 48.3 points in October, possibly signaling a stabilization of the economic slowdown. As a consequence, cyclical subsectors such as energy and transport performed better than utilities, especially in the second month. Consolidated, however, the global infrastructure sector fell slightly by -0.71% (EUR) in October, as the communications sub-sector (wireless towers) weakened significantly and since the contraction of the interest rate in 10-year US government bonds slowed somewhat.

Investment portfolio

The NAV rose by +0.54% in October to EUR 1'148.44 or +15.0% YTD 2019. Global diversification and exposure in the emerging markets had a positive effect on performance. Despite political uncertainties in Hong Kong, Guangdong Investment (+10.8%) and CK Infrastructure (+7.0%) outperformed. In Brazil, we used the constructive regulatory and economic environment to buy another water utility company (Sanepar). Water utilities in the UK, such as Pennon (+8.1%) and United Utilities (+5.5%), recovered thanks to a possible relief of the Brexit discussion between the UK and the European Union. With the inflow of new money, we increased the weight of Kurita Water in Japan. The current share price reflects very little the solid balance sheet and the growth opportunities in the field of water treatment in Japan as well as internationally.

Opportunities & risks in a low to negative interest environment

The current investment environment, with historically low interest rates and even negative interest rates in many European countries, offers opportunities to invest in real assets such as infrastructure stocks. The international focus leads to additional returns, as key interest rates and long-term interest rates are above inflation numbers in many countries, where we are committed. Savers must be aware, especially in Europe, that the key interest rate (currently -0.50%) is well below the inflation (CPI) of the eurozone. This +0.8% yoy change implies a real loss of -1.3% p.a. at nominal values or cash with the same expected negative return. At the same time, it holds high price risks in the event of interest rate or inflation changes.

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