



Hornet Infrastructure - Water Fund (EUR)

31st December 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 1'146.19
Fondsvolumen / Anteile	EUR 35'450'510 / 30'929
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	14.78%	14.78%	17.73%	35.59%	67.39%
Net annual average performance			5.59%	6.28%	7.64%

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.	9.18%	9.18%	8.45%	9.77%	9.26%

Portfolio Beta versus MSCI World	0.09	0.10	0.22	0.24
Alpha p.a. vs. MSCI World	7.53%	2.16%	1.78%	1.70%
Treynor-Ratio Portfolio	1.12	0.30	0.15	0.16

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

Risk profile

Recommended investment horizon

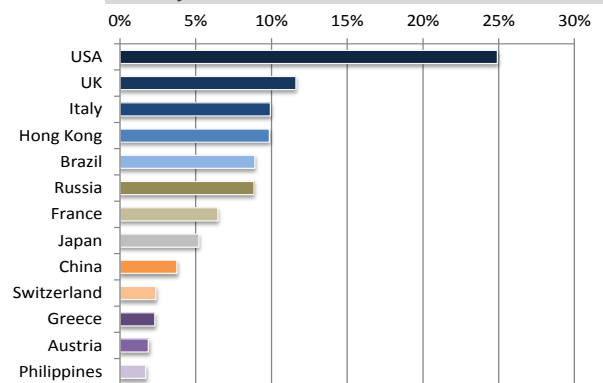
moderate	medium	high	3 years	5 years	7 years
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Price performance in EUR / NAV

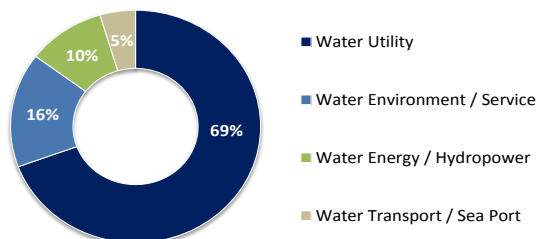


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Country allocation



Sector allocation



The 10 largest equity positions

Aqua America Rg	5.3%
Kurita Water Ind Rg	5.2%
Guangdong Invest Rg	5.2%
ACEA N	5.1%
Hera Spa	4.8%
Pennon Grp Rg	4.7%
SABESP Sp ADR	4.5%
Novors Sp GDR Reg-S	4.5%
SJW Group	4.5%
RusHydro Sp ADR	4.4%

General market review

Global equity markets started the month of December muted as the ISM Manufacturing Index fell to 48.1 in the United States. This leading economic indicator was therefore below the expectations of 49.2. In addition, import prices in the US rose +0.2% month-on-month and retail sales only +0.2% at the same time versus +0.5% expected. The news in the trade dispute between the USA and China had a positive effect from the middle of the month. This included no further punitive tariffs on Chinese imported products worth USD 160 billion, which was seen by the markets as a positive signal for the further negotiations. As the US Federal Reserve already started to change interest rates in January 2019 and the ECB decided to take monetary measures in the fall, the stock markets were able to develop above average in 2019 based on solid corporate numbers.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) rose by +1.83% to EUR 1'146.19 in December and by +14.78% in 2019. Our large positions such as Aqua America (+6.3%) in the US or Kurita Water (+6.4%) in Japan have outperformed. Thanks to the declining political and regulatory risks in the UK, our water utilities Pennon Group (+12%), Severn Trent (+12.8%) and United Utilities (+12.1%) also increased above average in December. In addition, the GBP has gained in value since Johnson's election victory. In contrast, we had to sell the water company Manila Water at around PHP 14 due to an extraordinarily unfavorable political situation and regulatory uncertainties concerning the duration of the concession contracts in Manila. The share price dropped to PHP 5.01 in December and ended the month at PHP 10.36.

Market review Infrastructure

The infrastructure sector performed better than the overall market in December at +2.06%, which rose by +1.06% in the reporting period as measured by the MSCI World (EUR). The cyclical transport index tended to be negative at -1.4%. The economic data and the monetary measures favored the utilities in particular. Potential fiscal stimulus may have a further positive impact on the infrastructure sector, such as in Japan with a volume of USD 239 billion over the next few years. The low interest rate policy of many countries reaches its limits and neither generates additional investments nor creates new growth dynamics per se.

UK regulator with positiv impact on water utilities

In the UK, water utilities are assessed every 5 years by the local and independent regulator Ofwat, which determines the allowed return on the distribution network. This was due in mid-December 2019 for the period 2020 - 2025. The allowed return or the WACC (weighted average cost of capital) is now at +5.02% nominal over the next 5 years. In real terms, the return on the network is +2.5% p.a. and the expected variable inflation rate approx. +2.5% p.a. As the market usually demands a higher risk premium from the regulated UK water companies before the long-term reviews due to the uncertainties of the parameters, we assume that our positions will have good return potential in the medium term compared to the sector.

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