# Hornet Infrastructure - Water Fund (EUR)

30th January 2020

## 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

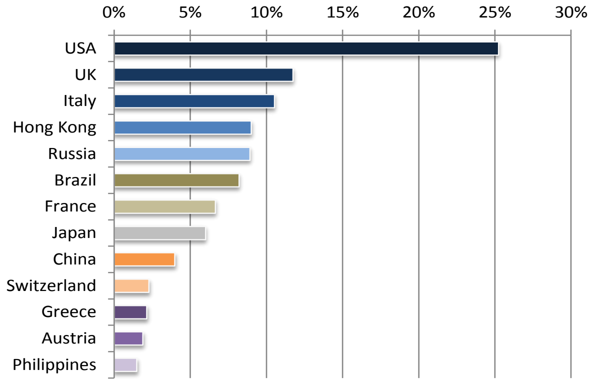
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure secto**r, such as water utilities, transportation, communication and social infrastructure facilities.

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 1'196.12** |
| Fondsvolumen / Anteile | EUR 38'286'605 / 32'009 |
| 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) |

## Country allocation

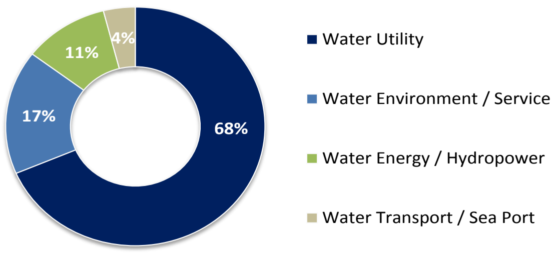



## Performance in %

| Performance in % | YTD 2020 | 1 year | 3 years | 5 years | 7 years | |
|---|---|---|---|---|---|---|
| **Hornet Infrastructure Water** | **4.36%** | **13.26%** | **20.45%** | **35.53%** | **73.35%** | cum. |
| Net annual average performance | | | 6.40% | 6.27% | 8.18% | p.a. |

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

## Sector allocation




## Risk figures

| Risk figures | YTD 2020 | 1 year | 3 years | 5 years | 7 years |
|---|---|---|---|---|---|
| **Volatility p.a.** | **11.96%** | **9.42%** | **8.69%** | **9.81%** | **9.30%** |
| Portfolio Beta versus MSCI World | | 0.04 | 0.10 | 0.23 | 0.24 |
| **Alpha p.a. vs. MSCI World** | | **9.53%** | **2.98%** | **2.24%** | **1.99%** |
| Treynor-Ratio Portfolio | | 2.71 | 0.36 | 0.16 | 0.17 |

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

## Risk profile

**Recommended investment horizon**

| | | | | | |
|---|---|---|---|---|---|
| moderate | **medium** | high | 3 years | **5 years** | 7 years |

## The 10 largest equity positions

| | |
|---|---|
| ACEA N | 5.7% |
| Aqua America Rg | 5.6% |
| RusHydro Sp ADR | 5.0% |
| Kurita Water Ind Rg | 4.9% |
| Hera Spa | 4.9% |
| Pennon Grp Rg | 4.8% |
| Guangdong Invest Rg | 4.8% |
| SJW Group | 4.4% |
| SABESP Sp ADR | 4.1% |
| Severn Trent Rg | 4.0% |

## Price performance in EUR / NAV

## General market review

Global equity markets have a positive start into 2020, albeit with significant differences at country and sector level. Thanks to the performance of the US stock indices, the MSCI World (EUR) rose by +2.3% in the reporting period. This is mainly due to the positive historical and expected company numbers from the IT sector and the Large Caps in the USA and without significant changes at the macro level. In Europe, on the other hand, the stock indices fall between 2-3%, as the economic sensitivity of the region is also reflected in the weakened GDP number of +1.0% growth p.a. in Q4-2019 versus +1.2% in Q3-2019. However, in Hong Kong and China, stock prices fell significantly due to the outbreak of the coronavirus, which primarily affects the cyclical consumer sector.

## Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) rose significantly in January by +4.36% to EUR 1'196.12. Our portfolio currently benefits from 3 main factors. First, investor demand for sustainable companies and stocks is increasing. Second, the economic environment favors stable and long-term assets resp. infrastructure stocks with steadily growing cash flows and reasonable dividends. Thirdly, global interest rates are also decreasing in those emerging markets and European countries, in which we invest long-term and directly in water utilities and environmental companies. In particular, positions such as Acea (+17.7%) in Italy, Veolia (+12.0%) and Suez (+10.3%) in France or Rushydro (+26.2%) in Russia are worth mentioning. Otherwise, Chinese positions are currently negatively contributing to the performance.

## Market review Infrastructure

The infrastructure sector rose by +2.6% in January 2020 and some subsectors performed significantly better than the global stock indices. Thanks to the continued decline in global interest rates and the expansionary monetary policy of many central banks, the stable utility sector benefits above average. The both cyclical transport and energy sectors are currently showing increased volatility due to the uncertainties surrounding the further economic trend, the effects of the coronavirus and the significantly falling oil price. The DJ Transport Index drops -3.1% in January. Sustainable companies, which are able to meet energy demand primarily with renewable resources are favoured most in the energy sector.

## Expected return on infrastructure portfolio of + 5.8% p.a.

In order to calculate the fair value of an infrastructure share from the portfolio, we discount the growing, future and excess cash flows of the company to the current value. The discount rate required for this also depends on the Rf (risk-free interest rate of the country) as well as the Rp (risk premium of the country) and the company. Over the past few years, the market prices of our infrastructure shares have always been significantly below their fair values, which leads to higher expected returns. The expected return on the portfolio is currently +5.8% p.a. This roughly corresponds to the required return or the discount rate of the portfolio. Thanks to our active investment approach, we assume that we can further increase the expected alpha (difference between expected and required return). Historically, the risk-adjusted outperformance (alpha) was +2.0% p.a. over 7 years and + 2.2% p.a. over 5 years against the MSCI World Index (EUR) and after all costs, such as administration and management fees.

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