


Hornet Infrastructure - Water Fund (EUR)

28th May 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

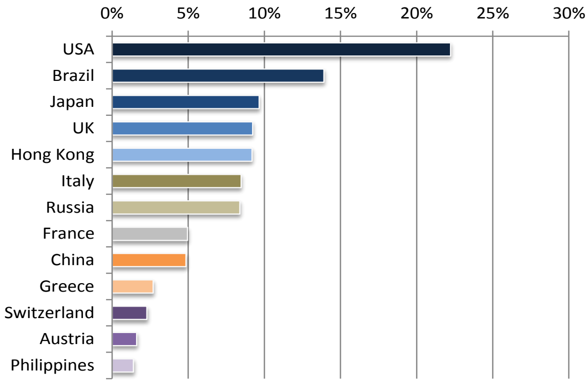
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure secto**r, such as water utilities, transportation, communication and social infrastructure facilities.

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 1'087.33**
Fondsvolumen / Anteile	EUR 36'621'274 / 33'680
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	0.11% 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)

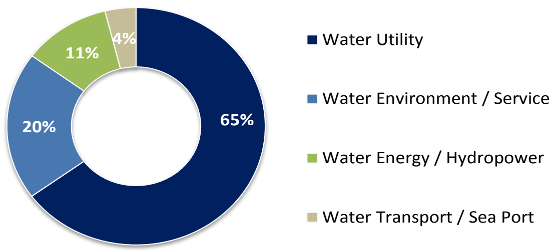
Country allocation



Performance in %	YTD 2020	1 year	3 years	5 years	7 years	
Hornet Infrastructure Water	**-5.14%**	**-1.09%**	**9.66%**	**18.91%**	**43.50%**	cum.
Net annual average performance			3.12%	3.52%	5.29%	p.a.

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

Sector allocation



Risk figures	YTD 2020	1 year	3 years	5 years	7 years
Volatility p.a.	**20.46%**	**14.57%**	**10.97%**	**10.93%**	**10.35%**
Portfolio Beta versus MSCI World		0.43	0.33	0.36	0.37
Alpha p.a. vs. MSCI World		**-4.92%**	**-0.61%**	**0.07%**	**-0.12%**
Treynor-Ratio Portfolio		-0.07	0.02	0.04	0.07

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

Kurita Water Ind Rg	5.8%
COPASA	5.3%
SABESP Sp ADR	5.2%
Guangdong Invest Rg	4.8%
ACEA N	4.7%
RusHydro Sp ADR	4.6%
SJW Group	4.5%
Middlesex Water	4.0%
Metawater Co. Ltd.	3.9%
York Water Rg	3.8%

Price performance in EUR / NAV

General market review

In May, the stock markets continued to recover from the price shock in March. On the one hand, hope for an economic recovery has a positive effect after further easing measures have been decided as a result of the lower spread of the COVID-19 virus. On the other hand, the fiscal policy announcements e.g. in Europe lead to higher share prices. The Commission of the European Union intends to adopt an economic stimulus package of EUR 750 billion, which is primarily aimed to promote industries with strategic importance such as infrastructure, technology and health care, and which should also serve the countries in Southern and Eastern Europe through guarantees. A rising EUR versus USD partially confirms the convergence of the EU countries towards a sustainable solution to the crisis. In the United States, the unemployment rate rose to 14.7% compared to 4.4% in the previous month and consumer spending fell at the same time by 16.4% in a monthly comparison.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) rose in the reporting month by +1.09% to EUR 1,087.33. The YTD 2020 performance is improving to -5.13%. Positions in Brazil, which we increased in March, were able to rally towards the end of month after the government spoke of possible bridging loans for the energy and water utilities. Our positions in Brazil rallied approx. +20% in May and still show discounts to our fair values. In the United States, medium-sized water utilities are growing faster than average thanks to relative stability and steadily increasing dividends. Positions in Russia and partly in Europe, such as Italy, can also develop positively. We used the low prices at Chinese water and environmental companies to increase our portfolio positions.

Market review Infrastructure

The infrastructure sector rose by +3.9% in May and is still 16.1% lower in 2020 year-to-date. The share prices of the sub-sectors transport and energy are recovering above average with over +10%. However, the volume remained at low levels among airport and toll road operators and traffic has been unable to improve to the same extent as the share prices have suggested so far. The energy sector is benefiting from a significant recovery in the price of crude oil to over USD 30 (WTI) and the valuations of communication companies illustrate the higher demand for virtual (data) transport. At the end of May, demand for electricity in the United States and Canada increased between 12-14% in a weekly comparison. While electricity demand in Europe and China is still falling, data in Brazil point to stabilization. CO_2 prices continue to recover and favor producers of renewable energies in particular, e.g. Hydropower.

Constant dividends expected in the water utility sector

We took a closer look at the dividends for 2020, which on the one hand have already been paid or have been communicated by the companies. Out of our 31 portfolio positions, only 5 companies paid or indexed lower dividends for 2020. The vast majority will continue to increase dividends in 2020. We currently expect a dividend yield of almost 3% for 2020, gross before taxes. Compared to other sectors, this should be an attractive ratio against the background of greater need for adjustments in many sectors. However, in our valuation model, we discount the excess return (excess cash flow for the shareholder by definition) based on the long-term balance sheet quality and the expected (cash flow) growth. The expected return of the portfolio is currently +8.8% p.a. (gross before costs) and the required return is +6.2%, which implies an ex-ante alpha of +2.6% p.a.

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