



## Hornet Infrastructure - Water Fund (EUR)

25th June 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 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 1'101.91</b>
Fondsvolumen / Anteile	EUR 37'140'979 / 33'706
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)

### Performance in %

	YTD 2020	1 year	3 years	5 years	7 years
<b>Hornet Infrastructure Water</b>	<b>-3.86%</b>	<b>0.45%</b>	<b>13.80%</b>	<b>24.94%</b>	<b>51.68%</b>
Net annual average performance			4.40%	4.55%	6.13%

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

### Risk figures

	YTD 2020	1 year	3 years	5 years	7 years
<b>Volatility p.a.</b>	<b>19.40%</b>	<b>15.24%</b>	<b>11.10%</b>	<b>10.90%</b>	<b>10.34%</b>

Portfolio Beta versus MSCI World	0.43	0.33	0.36	0.37
<b>Alpha p.a. vs. MSCI World</b>	<b>-2.46%</b>	<b>0.34%</b>	<b>0.57%</b>	<b>0.27%</b>
Treynor-Ratio Portfolio	-0.03	0.06	0.05	0.08

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

### Risk profile

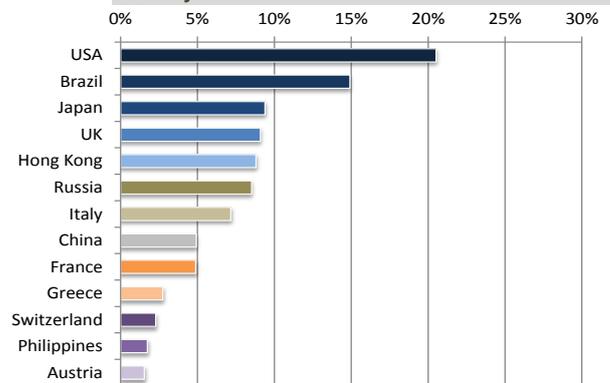
#### Recommended investment horizon

moderate	<b>medium</b>	high	3 years	<b>5 years</b>	7 years
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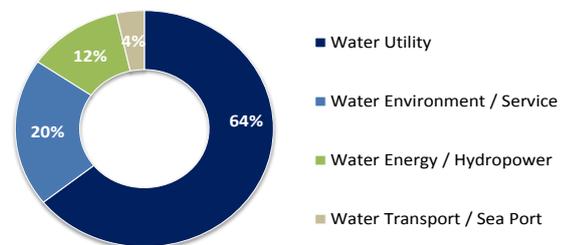
### Price performance in EUR / NAV



### Country allocation



### Sector allocation



### The 10 largest equity positions

SABESP Sp ADR	5.9%
Kurita Water Ind Rg	5.7%
COPASA	5.4%
RusHydro Sp ADR	5.1%
SJW Group	4.2%
York Water Rg	3.9%
Middlesex Water	3.8%
Metawater Co. Ltd.	3.7%
Severn Trent Rg	3.7%
ACEA N	3.6%

**General market review**

The equity markets continued to grow in the reporting month. However, volatility increased in the middle of the month after a higher than expected rate of people tested positive for COVID-19 in the USA. As a result, the President of the US Federal Reserve (FED) has confirmed that purchases for US corporate bonds will start. The ECB is also reacting to the uncertain health policy situation as well as to the recessive economic data with an emergency increase in bond purchases by EUR 600 billion and an extension until June 2021. As a consequence, interest rate differentials are converging again for 10-year government bonds between individual countries in Europe and confirm the solidarity-based rescue measures during the pandemic. At the same time, Germany is launching an economic aid program of EUR 130 billion. The EUR is slightly positive against the USD (+ 1.8%).

**Investment portfolio**

The NAV of the Hornet Infrastructure - Water Fund (EUR) increased by +1.34% in June to EUR 1'101.91 and leading to a YTD 2020 performance of -3.86%. In an overall market characterized by uncertainties, active stock selection based on a fundamental analysis with a price / value comparison is again of crucial importance. This was also shown in June. Our attractively priced positions in the emerging markets versus their fair values were also able to grow significantly in relation to the overall market, based on their relatively high, expected returns of 3-8% p.a. on the regulated assets resp. in the regulated area, especially for water utilities. Compared to other infrastructure funds, our focus on regulated water utilities not only has a lower cyclical, but in most cases also consolidates a lower leverage ratio, which is likely to have a positive effect in the near future.

**Market review Infrastructure**

The broad infrastructure sector declined by -2.1% in EUR in the reporting month and is further down YTD 2020 with a total return of -19.7%. The transportation sector globally reflects the difficult economic situation currently with lower sales and profits. The energy sector is also contributing to the weak performance of the infrastructure sector, as the high financing demand of the transmission and distribution networks has mainly increased the risks in recent years, especially within the fossil fuels sector. The communication sub-sector has developed positively thanks to digitalisation, 5G and the increased demand for data. The utilities sector is currently showing a mixed picture globally with a negative performance of -6.3% in the USA and a tendency towards positive development in Europe as well as partly in the emerging markets.

**What is more important: historical or future returns?**

Over the past 10 years, many investment strategies have benefited not only from an enormous cyclical upswing, but also from extraordinary monetary policy measures by the central banks. We do not think that the fundamental drivers of globalization, the compound interest effect of knowledge, technological progress are going to disappear because of the pandemic or geopolitical risks, however, between the USA and China, they will be slowed down. The difficulty in assessing an asset class or an investment does not lie in the extrapolation of the historical (price) performance, but rather in the assessment of the future value in relation to the price. Many investment strategies rely too much on price performance or momentum and too little on value. Given the current economic situation and expected interest rates on the capital markets, the question would be, which asset class can achieve a historical and expected return of 5-7% p.a with the same low risk on beta and leverage-ratio level.

**GN Invest AG**

Asset Manager  
Tel. +423 239 32 33


**AC Partners AG**

Investment Advisor  
Tel. +41 41 711 10 20

