



Hornet Infrastructure - Water Fund (EUR)

27th August 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

NAV / Nettoinventarwert	EUR 1'033.56
Fondsvolumen / Anteile	EUR 35'021'147 / 33'884
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
Hornet Infrastructure Water	-9.83%	-8.80%	5.11%	21.76%	40.12%
Net annual average performance			1.68%	4.02%	4.94%

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
Volatility p.a.	17.59%	15.60%	11.32%	10.99%	10.45%

Portfolio Beta versus MSCI World	0.43	0.32	0.35	0.36
Alpha p.a. vs. MSCI World	-13.74%	-3.18%	-0.95%	-0.94%
Treynor-Ratio Portfolio	-0.25	-0.02	0.04	0.05

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

Risk profile

Recommended investment horizon

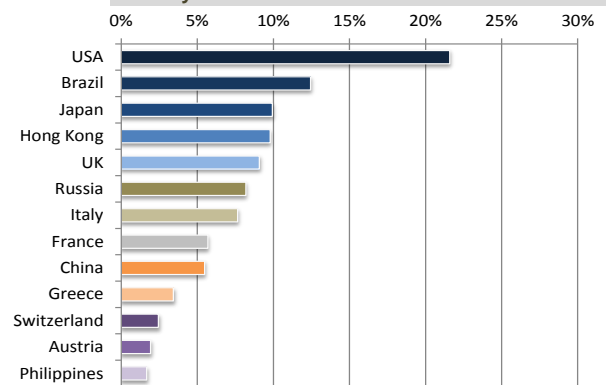
moderate	medium	high	3 years	5 years	7 years
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Price performance in EUR / NAV

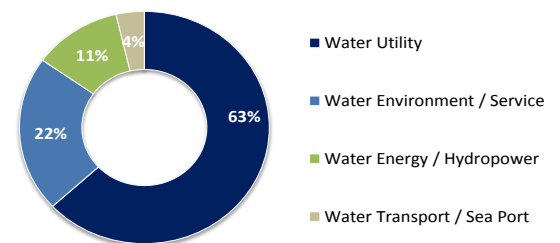


— H Infrastructure - Water Fund (EUR)

Country allocation



Sector allocation



The 10 largest equity positions

Kurita Water Ind Rg	6.4%
SABESP Sp ADR	4.8%
SJW Group	4.6%
RusHydro Sp ADR	4.6%
COPASA	4.3%
ACEA N	4.0%
Middlesex Water	3.9%
Guangdong Invest Rg	3.9%
York Water Rg	3.8%
Severn Trent Rg	3.8%

General market review

The global equity indices were able to pull themselves forward in August, mainly due to the high price momentum in the IT sector. In Europe, the economically sensitive countries and sectors also developed clearly positively. This comes after the recent indicators of the economic have improved in the US. In addition, there were statements from government representatives from both the US and Europe, that a further spread of the COVID-19 virus would not automatically lead to a second lockdown. The GDP data in the USA show an annualized decrease of -31.7% in the 2nd quarter of 2020. Neither in the 1950s, 1980s and 2000s (financial crisis) was such a low value recorded with -10%, and twice about -8.5%. Since the March low, however, raw materials such as copper, aluminum and other industrial metals have been able to recover, which indicates a base effect. In the short term, the markets also benefited from statements by the US FED that the inflation target of +2% should be "overshot" again. The goal now is to achieve full employment and economic recovery with higher inflation. (Phillips curve - see bottom right).

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) fell - 5.54% to EUR 1'033.56 in August. Over the past few weeks, share prices in the infrastructure-water sector have not been able to keep up with the price development of the overall market, which has undergone a cyclical recovery since the March low. The divergences are currently as extreme as in summer 2018. The valuation discount of the NAV of EUR 1'033.56 is 9% to the consolidated value (fair value). The example of Suez shows that value measured by fair value is decisive in the medium term. Engie has received a takeover bid of EUR 15.50 per share for its 30% stake in Suez. This is approx. 20% higher than pre offer-date and over 45% higher than our fair value and shows, as an example, that the (market) prices can fluctuate strongly around the fair value and, in the case of takeovers, usually significantly exceed the conservatively calculated fair values. The global water service providers in the field of wastewater treatment such as Kurita Water from Japan or the local water utility stock Eydap in Greece are currently outperforming.

Market review Infrastructure

The performance of the classic and broad infrastructure sector makes it clear that the COVID-19 pandemic is still burdening the world economy in real terms. With a total return of -20.3% in 2020 in EUR, it remains clearly in the red and can only recover marginally with +0.5% in the reporting month. The transportation sector improved with approx. +13%. A base effect is also being seen in the infrastructure-energy subsector. In contrast, the utilities sector weakened and posted a performance of -3% in the reporting month. This was mainly triggered by the rising 10-year US Treasury-Yield, which reacted to the statements of the US FED. The market prices of the infrastructure-communication subsector are more or less in line with the growth markets in the US, which has further increased the risks with regard to valuations.

Phillips curve

The US Federal Reserve has recently communicated, through its chairman Jerome Powell, that it will take a new path in monetary policy. This can well be described as regime change. The new approach includes an inflation target of over 2% with the integrated goal of achieving full employment or keeping the unemployment rate as low as possible. With the measures taken so far, the inflation target of 2% over a period of 8 years has only been exceeded twice: in 2012 and longer in 2018. According to economics and the "discoverer" of the Phillips curve, Alban William Phillips, a connection between the inflation rate and the unemployment rate can be described in a function. If the unemployment rate in the USA can be reduced in the medium term through monetary measures and higher inflation, there would be a risk and a chance, that real values will be affected in the short term, but will outperform significantly in the medium term.

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