



Hornet Infrastructure - Water Fund (EUR)

31st December 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 investment 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. and includes ESG-criterias in the research process.

The **focus is on operational, regulated water utilities**, which run the infrastructure facilities and for example treat and distribute drinking water regionally or being active in **energy production (hydro power)** or **water technology** as well as in **water environment & services**.

Fund details

| | |
|--------------------------------|---|
| NAV / Nettoinventarwert | EUR 1'039.71 |
| Fondsvolumen / Anteile | EUR 34'079'614 / 32'778 |
| 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 |
| Depository 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. |
| Depository bank / Admin.fee | 0.11% p.a. / 0.175 % p.a. |
| Distribution | 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 | 8 years |
|------------------------------------|---------------|---------------|--------------|---------------|---------------|
| Hornet Infrastructure Water | -9.29% | -9.29% | 6.05% | 17.87% | 51.84% |
| Net annual average performance | | | 1.98% | 3.34% | 5.36% |

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

Risk figures

| | YTD 2020 | 1 year | 3 years | 5 years | 8 years |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Volatility p.a. | 14.77% | 14.77% | 11.41% | 10.84% | 10.13% |

| | | | | |
|----------------------------------|----------------|---------------|---------------|---------------|
| Portfolio Beta versus MSCI World | 0.39 | 0.30 | 0.33 | 0.36 |
| Alpha p.a. vs. MSCI World | -12.19% | -2.45% | -1.81% | -1.09% |
| Treynor-Ratio Portfolio | -0.28 | -0.01 | 0.02 | 0.06 |

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

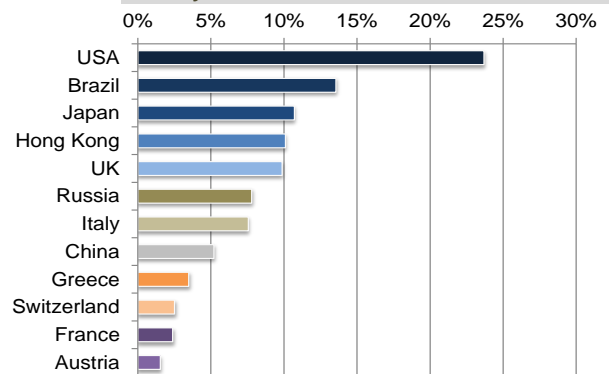
Risk profile

| Recommended investment horizon | |
|--------------------------------|--|
| moderate | medium high 3 years 5 years 7 years |

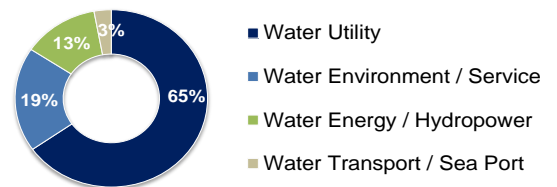
Price performance in EUR / NAV



Country allocation



Sector allocation



The 10 largest equity positions

| | |
|---------------------|------|
| Kurita Water Ind Rg | 7.0% |
| RusHydro Sp ADR | 5.0% |
| SJW Group | 5.0% |
| COPASA | 4.6% |
| SABESP Sp ADR | 4.5% |
| Middlesex Water | 4.3% |
| Guangdong Invest Rg | 4.4% |
| ACEA N | 4.0% |
| York Water Rg | 3.9% |
| Metawater Co. Ltd. | 3.8% |

General market review

In the reporting month of December, the global stock markets showed a slightly positive trend and, especially in the USA, continued the momentum before year end. This development was supported by the weaker USD exchange rate, which weakened again by -2% against the EUR in December. The general price increase of the equity market is supported not only by the historically low interest rate level, but also by the V-shaped economic recovery since the pandemic shock low in spring 2020. Leading indicators in the USA such as the Purchasing Managers Index (PMI) or the New Orders as well as the car sales are in growth mode. However, the incomplete recovery in car sales, industrial capacity utilization and participation in the labor market and, above all, the minimal increase in consumer confidence point to a rather fragile recovery. The economy is receiving clear support from both monetary and fiscal policy measures in the USA and Europe.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) rose slightly by +0.28% to EUR 1'039.71, in December. Against the background of the market hedge, we can see that value-oriented water utilities from the USA West Coast regions, e.g. Cal Water Service +9.2% or in China / Hong Kong with Guangdong Investment (+13.6%) and in Brazil Copasa (+6.4%) or Cemig (+12.5%) are able to deliver a positive performance contribution, as well as Kurita Water (+6%) in Japan. At the same time, the USD fell by over -2% in the reporting month, as did the JPY against the EUR. On the other hand, the currencies in the emerging markets are stabilizing. This indicates a two-dimensional market rotation, namely from growth to value and from developed markets to emerging markets. This coincided with the economic recovery expected and observed by the market. We therefore assume that our global and value-oriented portfolio will gain relative strength over the near future.

Market review Infrastructure

The broad infrastructure sector is currently reflecting the real development of the economy very precisely and has not yet reached the level before the outbreak of the pandemic. The performance of -1.2% in December resulted in an annual total return of -14.1% (EUR). Although the oil price has recovered to just under USD 50/bbl, the transformation to sustainable energy generation is still having too little positive effect on the infrastructure energy subsector, especially in the USA and the emerging markets. In the infrastructure communication subsector, the valuation correction we expected continued in December and resulted in lower prices. The growth expected from 5G as well as digitalisation are largely priced in currently in the infrastructure communication subsector. The infrastructure transport subsector, on the other hand, is benefiting from the increased volume in freight transport, especially in rail networks. Infrastructure utility shows a more stable development in December compared to the overall sector and is likely to benefit from higher prices and valuation advantages in the medium term.

In the current market environment, we recognize five key arguments in favor of the Hornet Infrastructure - Water Fund (EUR).

1. Global portfolio with 30 sustainable infrastructure stocks from the growing water utility and water environment sector with a positive impact on society.
2. Balanced and global diversification in real assets with constructively regulated returns (cash flows) and steady income with protection against inflation.
3. The relative valuation and stability is very attractive compared to the overall market.
4. The current price (NAV) implies an expected return of over 8% p.a. based on the discount of 9.5% on our fair values.
5. Growth in China: Our positions in China and Hong Kong with a total portfolio weight of over 15% have shown partial price losses of 60-70% over the last 6 years and this while sales were doubling or tripling at the same time. The valuations are now around a third of those in the USA or Europe and imply earnings returns of +20% p.a. We assume that a large part of our allocation in China will double or triple in the medium term after the long investment phase.

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