Hornet Infrastructure - Water Fund (EUR)

25th February 2021

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

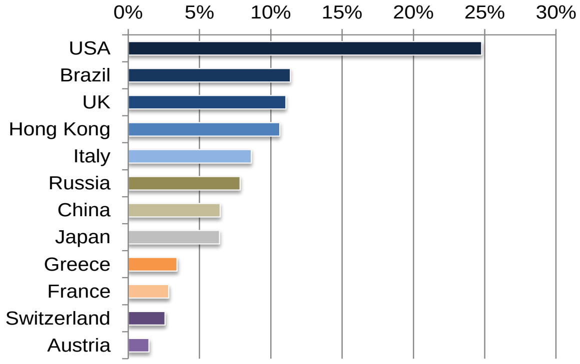
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure sector**, such as water utilities, transportation, communication and social infrastructure facilities. and includes ESG-criterias in the research process.

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 976.02**
Fondsvolumen / Anteile	EUR 32'561'003 / 33'361
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.
Use of proceeds	distributing
Subscriptions / Redemptions	weekly, each Thursday (16:00 CET)
Issue / Redemption price	Asset value per share (NAV + / - any commissions)

Country allocation



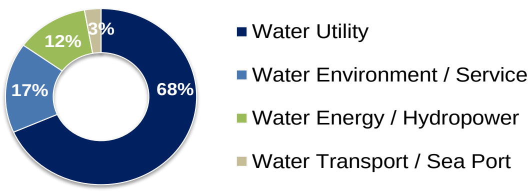
Performance in %	YTD 2021	1 year	3 years	5 years	8 years	
Hornet Infrastructure Water	**-6.13%**	**-14.95%**	**2.12%**	**10.55%**	**35.95%**	cum.
Net annual average performance			0.70%	2.03%	3.91%	p.a.

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

Risk figures	YTD 2021	1 year	3 years	5 years	8 years
Volatility p.a.	**12.28%**	**14.96%**	**11.71%**	**10.57%**	**10.26%**
Portfolio Beta versus MSCI World		0.39	0.31	0.32	0.36
Alpha p.a. vs. MSCI World		**-22.17%**	**-4.83%**	**-3.69%**	**-2.42%**
Treynor-Ratio Portfolio		-0.43	-0.06	-0.03	0.02

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

Sector allocation

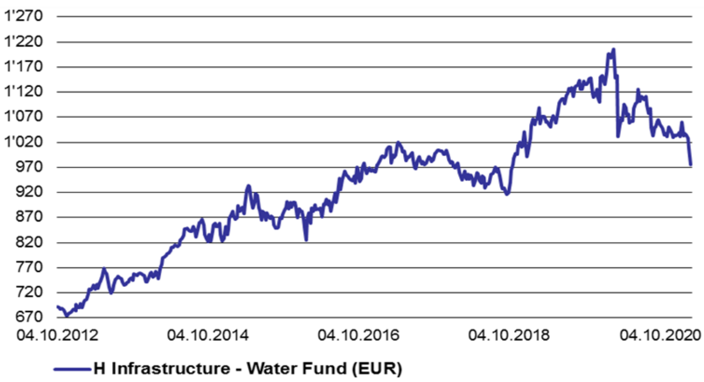


Risk profile			Recommended investment horizon		
moderate	**medium**	high	3 years	**5 years**	7 years

The 10 largest equity positions

York Water Rg	5.3%
RusHydro Sp ADR	5.1%
ACEA N	5.0%
SJW Group	4.8%
Guangdong Invest Rg	4.5%
Middlesex Water	4.2%
COPASA	4.1%
Beijing Ent Water Rg	4.0%
Severn Trent Rg	3.9%
SABESP Sp ADR	3.8%

Price performance in EUR / NAV



General market review

In February, the global equity markets continued to spiral upwards in a sector rotation, but no longer at the same pace and volume as in recent months. The rising interest rate curve in the US is currently favoring the finance, energy and partly the industrial sectors, which are already anticipating a large proportion of the economic recovery. At the same time, consumer, technology and utility stocks are consolidating, especially in the second half of the month. The strongly rising market interest rates are ahead of the US FED, which is sticking to its extremely expansive monetary policy, and shows that the markets are demanding higher returns in the current environment. The 10Y-Treasury Bond yield has risen to over 1.50% by the end of February. At the beginning of September 2020, this reference rate was still at a record low of 0.51%. This caused a major negative impact on price developments on the bond markets. At the same time, the year-on-year inflation numbers rose to +3.3%, which the University of Michigan published in February. Since market interest rates in Europe are also rising with the expected economic recovery, the weakening of the USD against the EUR has eased to small degree.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) fell in February to EUR 976.02 and thus shows an extraordinarily high discount in historical comparison. We see the reason for this in the current market phase of rotation, in which longterm assets and sectors with stable cash flows temporarily lose more than average, as higher interest rates can reduce the present value of future cash flows. In the medium term, however, the inflation-related price adjustments will have a positive return impact within the regulatory process. We also see that positions in Europe or Hong Kong / China are partly able to escape the trend thanks to the high discounts. We used market prices to take positions in Acea and York Water. The market hedging had little effect until the end of February due to the historically extraordinary sector divergences. Given the relative valuation advantages over the broad equity market, we consider market hedging in the fund to be very useful in the current market phase.

Market review Infrastructure

The global infrastructure sector absorbs rising market interest rates relatively well and rose by +2.6% in the month under review. The attractive valuation due to the COVID-19 pandemic and the medium-term inflation protection provide the basis for this development. Since the volatility has increased within the infrastructure sector, the consolidated performance has been in the red since the beginning of the year and has been -14.5% over the last 12 months. The infrastructure utility sector is currently making a major contribution to this with -5.8%. However, the performance is being carried by the cyclical sub sectors infrastructure-transportation and infrastructure-energy. In the energy sector, the conventional infrastructure operators of oil and gas pipelines are able to recover, whereas the renewable energy producers out of the wind, solar and hydropower sectors experience a period of valuation consolidation for the time being. This comes despite the fact that not only has the oil price risen to just under USD 60 / bbl, but also the need for investment in the current transformation process is very high. The infrastructure communication sector is growing, especially in Europe, with transaction volumes from takeovers and IPOs reflect the trend towards digitization and increased data transfer.

Fundamental opportunities with price risks in Brazil

Over the past 12 months, the water utilities in Brazil have underperformed significantly both in the infrastructure sector and in relation to the broad equity markets, especially over the past few weeks, reflecting the increased regulatory risks in Brazil and the effects of the COVID-19 pandemic. We would like to have a look at our Sabesp position in Sao Paulo. The listed Sabesp operates one of the largest water distribution networks in South America and worldwide. It supplies 27.9 million people with water and provides wastewater disposal to 21.6 million people, thus achieving a good impact on society and the environment based on a solid balance sheet. However, market sentiment towards the sector in Brazil have clouded recently. A regular and recurring regulatory process is currently running, which will last until April / May with corresponding uncertainties about compensation and investments in the infrastructure. There are already first indications about the regulated income and RAB's (Regulated Asset Base). The nominal WACC of +8.1% (average cost of capital for the infrastructure network) has already been determined and is higher than in previous years due to the increased interest rates. In addition, the RAB's should rise to BRL 55bn (USD 10bn). Since the current market capitalization shows a low USD 5 billion, we are witnessing a high risk premium with normalization potential and correspondingly great opportunities from a relative perspective with other countries and regions, should other parameters such as operating costs or the delinquencies rate being assessed constructively and lie in line with expectations due to the pandemic.

GN Invest AG

Asset Manager
Tel. +423 239 32 33

GNINVEST

AC Partners AG

Investment Advisor
Tel. +41 41 711 10 20