


Hornet Infrastructure - Water Fund (EUR)

25th March 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 cashflows **and sustainable impact.**

The fund is a "long only" structure and continually realizes and secures capital gains. The currency exposure is actively managed.

Investment focus

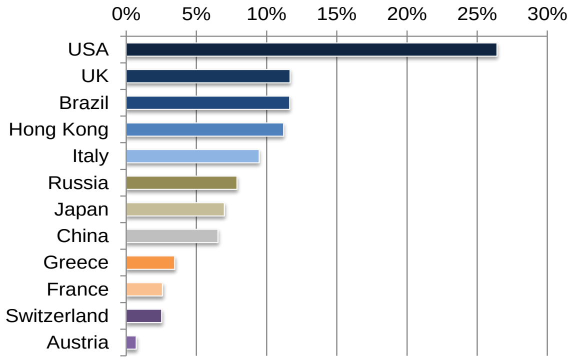
The fund invests its assets solely in **equity** of companies which are **active in the infrastructure secto**r, such as water utilities, transportation, communication and social infrastructure facilities. and includes ESG-criterias in the research process.

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 1'010.94**
Fondsvolumen / Anteile	EUR 33'557'142 / 33'194
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

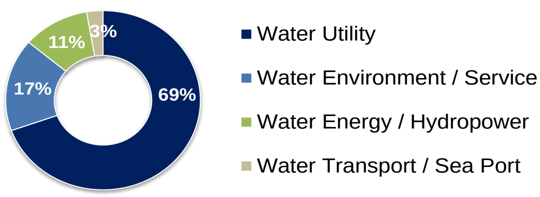


Performance in %

Performance in %	YTD 2021	1 year	3 years	5 years	8 years	
Hornet Infrastructure Water	**-2.77%**	**-5.38%**	**5.83%**	**13.64%**	**37.51%**	cum.
Net annual average performance			1.91%	2.59%	4.06%	p.a.

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

Sector allocation



Risk figures

Risk figures	YTD 2021	1 year	3 years	5 years	8 years
Volatility p.a.	**11.46%**	**9.94%**	**11.71%**	**10.58%**	**10.25%**
Portfolio Beta versus MSCI World		0.20	0.31	0.31	0.35
Alpha p.a. vs. MSCI World		**-14.91%**	**-4.10%**	**-3.15%**	**-2.07%**
Treynor-Ratio Portfolio		-0.36	-0.02	0.00	0.03

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

Risk profile / Recommended investment horizon

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

The 10 largest equity positions

York Water Rg	6.1%
ACEA N	5.6%
RusHydro Sp ADR	5.2%
Middlesex Water	5.0%
SJW Group	4.7%
Guangdong Invest Rg	4.6%
Pennon Grp Rg	4.1%
SABESP Sp ADR	4.1%
Severn Trent Rg	4.0%
COPASA	4.0%

Price performance in EUR / NAV

General market review

In the month of March, the stock markets continued to rise, driven by the government aid programs. In the USA, the stimulus program of President Joe Biden worth USD 1,900 billion was able to find a majority in Congress and thus opened up prospects for the US economy and the population severely affected by the pandemic, at least in the short term. We also assume that the US government is going to structurally decrease the budget deficits in the future through an improved and fair tax policy. In addition, the US FED used every opportunity in March to point out its ultra-loose monetary policy, which will no longer act anticipatory, but rather according to the data actually reported with regard to inflation and unemployment. US interest rates stabilized in the course of the month between +1.40% and +1.75%, especially since the important retail sales in the USA and Europe came lower than expected with -3.0% and -5.9% in a month-on-month comparison. The USD gained against the EUR due to increasing geopolitical risks.

Investment portfolio

The NAV of the Hornet Infrastructure - Water Fund (EUR) rose to EUR 1'010.94 or +3.58% in March and benefited from the catch-up potential of the infrastructure utility sector. In the reporting period, the medium-sized York Water and Middlesex Water made an above-average performance contribution with +1.0% each as well as Acea in Italy with +0.7%, as so did the UK water utility company Pennon Group with +0.5% or China Everbright Intl. in Hong Kong with +0.4%. Veolia contributed slightly negative to the performance with -0.2% or Verbund (see comment below) with -0.1%. The water utilitiy companies in Italy, such as Acea or Hera Spa, proved to be surprisingly stable during the 2020 pandemic phase. Both companies improve not only the ESG reporting but also the economic figures. Acea was able to increase sales by +6% and the EBITDA (EUR 1,155 million) by +11%. Investments (capex) will be increased by a total of +14% in order to ensure sustainable growth.

Market review Infrastructure

The infrastructure sector increased by +5.5% in March. The rise is carried by all subsectors, with the exception of the renewable energy subsector, which is in a valuation correction after a historic bull market. See also the following comment and our view of Verbund. If you look at the entire infrastructure sector over a period of a year resp. since the high in February 2020 before the pandemic, we still see a minus of -15.7%. Although the very cyclical transport subsector was able to heave itself to a record level thanks to the high expectations of many market participants for a strong economic recovery, this is only partially confirmed by the more stable utilities and energy sectors. The water and wastewater infrastructure program of the Committee on Environment and Public Procurement in the US Senate should have a positive effect on the infrastructure utility subsector, both directly on better investmens and indirectly on the listed water utilities. The economic and ecological impact of clean drinking water is increasingly recognized by industry and politics, not only in countries with extreme water scarcity, but also in regions, in which sustainable industrial production and human health depend on it. The "Drinking Water and Wastewater Infrastructure Act of 2021" provides for an investment volume of more than USD 35 billion. Investors' interest should therefore also increase for the listed water infrastructure companies, which only operate around 15-20% of the US water infrastructure, and which will grow accordingly with regulated income on capital investments in the network (capex-to-sales ratio usually 20-40%), and which are finding a more interesting environment for takeovers, in addition.

Current overvaluation at Verbund (Hydropower)

The company Verbund, which produces almost 100% Co2-free energy primarily from hydropower (95%), grew by over +56% in 2020 and has had a cyclical low in 2016 when there was panic on the crude oil and electricity markets, and run from EUR 11 to EUR 70 by the end of 2020, although electricity prices in Europe only doubled from around EUR 20 to EUR 40 in the same period. The market capitalization is currently around EUR 21 billion. Verbund's results (KPIs) are generally heavily dependent on electricity prices, but were able to develop solidly in 2020 despite significantly lower market prices during the COVID-19 crisis. This comes also thanks to the medium-term hedging strategy and the stable income from the distribution network. Thanks to the growing hydro segment with an above-average hydrocoefficient (run-of-river), EBITDA 2020 rose by +9.2% to EUR 1,292.8 million and earnings per share to EUR 1.82. The main reason for the extraordinary share price development, however, is that the sustainable company has a very high ESG rating (96 from Sustainalytics) with covering strategically 6 of the 17 SDGs (Sustainable Development Goals) of the UN Principles. Therefore it is benefiting from a high demand of investors searching for sustainable investments. Due to the increased capex in growth and maintenance with market price sensitivity at the same time, we are currently modelling EUR 45 as a fair value, which means a high premium of 35% to its share price of EUR 61. We have been able to build up the share over the past few years (since 2013) at an average cost price of EUR 13.3 and have used the share price premiums of up to 53% at EUR 67 and EUR 69 to invest in undervalued companies.

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