Performance report | 30 April 2024

4D Emerging Markets Infrastructure Fund

Overview

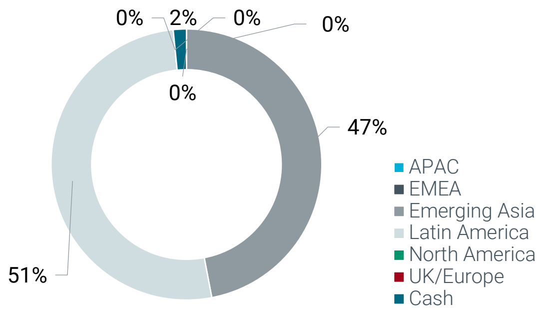
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing dividends. The 4D Emerging Markets Infrastructure Fund aims to outperform the OECD G20 Inflation Index + 8% p.a. over the medium to long term (before fees).

Net returns

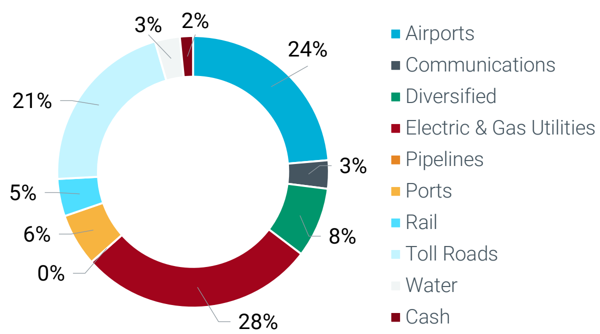
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.20%	3.97%	5.30%	10.71%	4.48%	5.00%
Benchmark[1]	1.22%	3.61%	14.89%	15.71%	13.95%	13.19%
Value added	-1.02%	0.36%	-9.59%	-4.99%	-9.47%	-8.20%

Performance figures are net of fees and expenses.
'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

Regional breakdown



Sector breakdown



Top 10 positions

Stock	End weight %
ENN Energy	5.22
Jasa Marga	5.13
Shenzhen International	5.06
OMAB	5.04
GAPB	4.98
CCR	4.91
Malaysia Airport	4.90
ASURB	4.89
ECOR	4.80
China Resources Gas	4.71
Total	49.64

A Bennelong boutique

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up net 0.20% (AUD) in April, underperforming the benchmark return of 1.22% (by 1.02 %). Currency detracted 133bps from performance in April.

The strongest performer for April was Chinese diversified player Guangdong Investment up 22.4% recovering from a disappointing FY dividend announcement and subsequent March sell off.

The weakest performer in April was Brazilian toll road operator Ecorodovias down 10.9%. Despite strong fundamentals and significant growth, the stock remains sensitive to yields and was oversold on uncertainty around rates. We used the weakness as a buying opportunity.

Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are at peak policy rates, with market expectations of rate cuts in 2024 being pared back from the aggressive levels seen at the start of the year. The pace of disinflation has slowed, but the delayed impact of high interest rates on economic growth may yet to fully be seen. There remains a fine balancing act between holding rates in restrictive territory too long and hitting activity – and loosening too quickly before inflation is sustainably within target ranges. Listed infrastructure, as an asset class, fundamentally can do well in either scenario - with explicit or implicit inflation hedges and long-term predictable earnings profiles underpinned by contract or regulation.

Month in review

Global equity markets returned to a risk off mood in April, with equity and bond markets down the most since September 2023 and MSCI World (Local) down 3.15%. Geopolitics, inflation and delayed rate cut expectations were the main drivers of the weakness. In a reversal of prior months performance, emerging market equities outperformed developed market equities.

In the US, bond yields rose, breaking through 4.7% and closing in on 5% levels seen in October 2023. The main driver was renewed signs that high inflation is remaining persistent, with the third month in a row of higher-than-expected monthly core inflation. The monthly read of 0.4% in March took annual inflation to 3.5% from 3.2% in February. On the Fed's preferred measure, the Personal Consumption Expenditure (PCE) inflation data, it also ticked higher to 2.7%. Shelter inflation remains high and not falling is expected, whilst services inflation is ticking up. Market pricing for Fed cuts has been pushed out, with the market pricing in only 1 cut in 2024 by month end, from 6 cuts at the start of the year. US GDP was lower than expected in Q1 at 1.6%, vs expectations of 2.5% and 3.4% in Q4 2023.

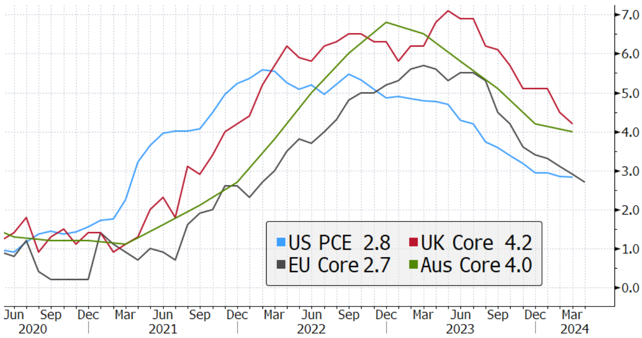
Table 1: Marketing pricing for 2024 Rate cuts

Month End	Fed	BoE	ECB	RBA
Dec-23	- 158	- 172	- 163	- 68
Mar-24	- 67	- 73	- 89	- 45
Apr-24	- 28	- 41	- 66	0

Source: 4D, Bloomberg

In Australia, higher inflation for Q1 was above both the market and RBA's expectations, which turned market pricing in a small chance of a rate hike this year. CPI was 4% year on year for core CPI, with services inflation continuing to pressure prices.

Chart 1: Global Core Inflation rates

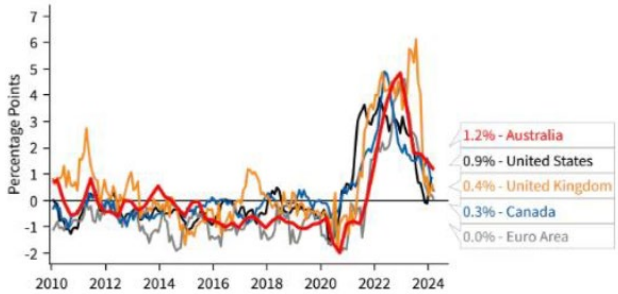


Source; 4D, Bloomberg

In the UK, the economy is picking up steam from two negative quarters in Q3/4'23, with the Composite Purchasing Manager's Index in expansionary territory at 54 in April, driven by the service sector. The ECB continues to flag its intention to cut rates, with a June cut a possibility. Eurozone inflation is running at 2.4% in April and March, with higher rates having a greater impact on economic growth in the region.

The slowing of disinflation amongst major economies seen in Chart 1 has meant that economies are still sitting above central bank inflation targets, except for the ECB who are expected to cut rates first this year. The central banks have to tread a fine balance between the long and variable lag's of restrictive monetary policy on the economy, and not getting lower inflation sustainably "on track".

Chart 2: 6-month annualised Core inflation deviation from target



Source; National Australia Bank

China rallied in April, up 6.4%, on a combination of historically low relative valuation, ongoing aid and stimulus for stabilising the property market, as well as stabilising of domestic activity. Strong Q124 GDP of 5.3% year on year, and stronger manufacturing and infrastructure investment, also added to the positive turn of sentiment.

On the geopolitical front, there were heightened tensions as Israel and Iran tensions escalated beyond rhetoric. Thankfully, the confrontation was contained soothing market fears with oil closing the month bellow $82, down 6% from its April highs. The US Congress also passed a Ukraine aid package, which should buy more time for Ukraine to defend itself amid worsening conditions on the frontline.

Fund details

Feature	Information
APIR code	BFL7394AU
Investment manager	4D Infrastructure
Portfolio manager	Sarah Shaw
Reporting currency	A$ Unhedged
Recommended investment period	Five years
Cash limit	10%
No. of securities	27
Application/redemption price (AUD)[3]	1.1731/1.1685
Distribution frequency	Annually
Management fees and costs[4]	1.20% p.a. (including GST)
Performance fee[5]	10.25% p.a. (including GST)
Buy/sell spread	+/- 0.20%
Minimum investment (AUD)	25,000

How to invest

The Fund is open to investors directly via the PDS (available on our website) or the following platforms. Visit How to invest to find out more.

Platforms

Hub24 (IDPS)

Mason Stevens

Macquarie Wrap (IDPS)

Get in touch

4Dinfra.com

client.experience@bennelongfunds.com

1800 895 388 (AU) or 0800 442 304 (NZ)

1 OECD G20 Inflation Index + 8%.

2 Inception date is 16 August 2017.

3 All unit prices carry a distribution entitlement.

4 Management fees and costs consist of annual management fee rate and capped recoverable expenses. For a detailed split of the fees and costs, please refer to the fund(s) PDS.

5 Performance fee is 10.25% (including GST net of reduced input tax credits) of any amount by which the investment return is greater than the return of the benchmark (OECD G20 inflation index + 8% per annum). All values are in Australian dollars.