# 4D Emerging Markets Infrastructure Fund

Performance report | 31 July 2021

## Overview

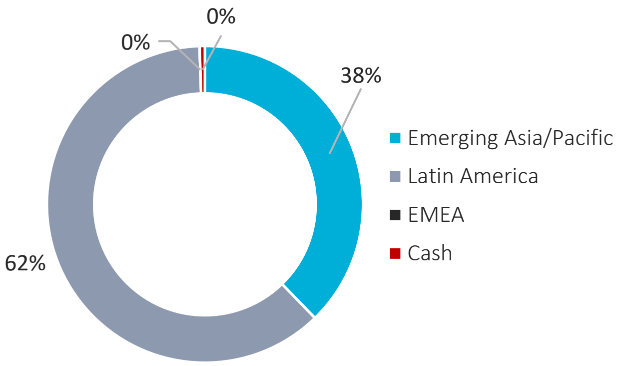
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing 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 client returns (after fees and expenses)

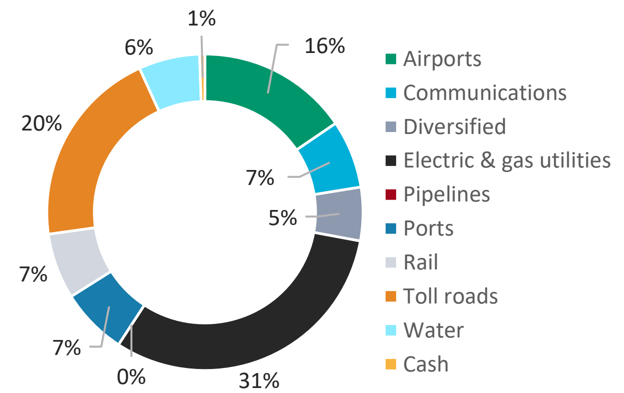
| | 1 mth | 3 mths | 6 mths | 1 year | 2 years p.a. | 3 years p.a. | Since inception[2] p.a. |
|---|---|---|---|---|---|---|---|
| Fund | -1.03% | 4.14% | 6.39% | 10.66% | -5.90% | 4.06% | 1.58% |
| Benchmark[1] | 1.13 % | 3.48% | 6.39% | 12.27% | 11.40% | 11.61% | 11.40% |
| Value added | -2.15% | 0.67% | 0.00% | -1.61% | -17.31% | -7.55% | -9.82% |

'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 % |
|---|---|
| TAESA | 6.01 |
| Ecorodovias | 5.96 |
| CEMIG | 5.71 |
| Shenzhen International | 5.46 |
| GAP | 5.42 |
| Jasa Marga | 5.32 |
| CCR | 5.31 |
| Rumo | 4.87 |
| China Merchants Port Holdings | 4.78 |
| OMA | 4.46 |
| Total | 53.30 |

## Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 1.03% (AUD) in July, under-performing the benchmark return of 1.13% (by 2.15%). Currency contributed a positive 115bps to the performance.

The strongest performer for July was Indonesian toll road operator Jasa Marga up 11.9%, rebounding off an oversold position as H1 results beat expectations. The ongoing COVID crisis in Indonesia represents a near term overhang but the fundamental thesis is offering significant value at these levels.

The weakest performer in July was Chinese airport operators Beijing Capital Airport down 13.4% as the Delta variant lands in China and the Company profit warns for H1 on a more muted recovery.

As we move through 2021 the world continues to battle waves of COVID-19 with the recent Delta strain slowing the re-opening of many economies. Vaccine rollout is key to allowing economies to move forward and as it progresses we expect to see strong demand recovery all around the world. The Northern Hemisphere is definitely leading the charge on the vaccine rollout and the emerging markets are lagging. However, we expect it will ramp up as the developed world's demand becomes less urgent. The long term structural infrastructure story within emerging markets is intact and we are capitalising on the raft of opportunities currently on offer. We also believe currency remains a tailwind.

## Month in review

How much has the pandemic cost so far? According to the IMF since March 2020 governments have spent US$16 trillion providing fiscal support amid the pandemic, and global central banks have increased their balance sheets by a combined US$7.5 trillion. Budget deficits are the highest they have been since World War II and central banks have provided more liquidity in the past year than in the past 10 years combined. However, this was necessary — IMF research indicates that if policymakers had not acted, last year's recession, which was the worst peacetime recession since the Great Depression, would have been three times worse. The world lost US$22 trillion in output as a result of COVID-19, relative to what the IMF expected in January 2020.

Joe Biden marks half a year in office touting the momentum he says the US economy has picked-up under his watch. *'We are six months into my administration, and the US economy is experiencing the highest economic growth in nearly 40 years*', the president said. The White House emphasized that — with over 50% of US adults fully vaccinated — Americans are in a much better spot in the fight against COVID-19 than they were on 20 January when Mr. Biden was sworn-in. But challenges remain as the president faces issues in Congress in getting his signature economic package approved.

US Federal Reserve officials signalled they are moving closer to when they can start cutting massive support for the US economy, but Chair Jerome Powell said there was still some way to go. '*We see ourselves as having some ground to cover to get there'* he said. The Fed held interest rates in a range near zero and will maintain asset purchases at US$120 billion/month until *'substantial further progress'* is made on employment and inflation.

US employers added 943,000 jobs in July driving unemployment down to 5.4% in another sign the economy is bouncing back from COVID-19. The jobs growth arguably marks a big step toward the Federal Reserve's aforementioned goal of *'substantial further progress'* justifying tapering of its economic supports.

European economies are also bouncing back strongly. UBS reports that the Eurozone Composite flash PMI rose by 1.1 points to 60.6 in July (50+ is expanding), the strongest result in 21 years and suggesting very strong growth in early Q3. Aggregate new orders also rose to a 21-year high, suggesting strong growth in the coming months as well. Amid very strong sentiment overall, however, supply-side bottlenecks remain intense.

The IMF approved a general allocation of Special Drawing Rights (SDRs) equivalent to US$650 billion. SDRs are an international reserve asset created by the IMF to supplement the official reserves of its member countries. The SDR allocation will help boost global liquidity. IMF MD Kristalina Georgieva described it as a '*historic decision'* and *'a shot in the arm for the global economy at a time of unprecedented crisis.'* She added: *'The SDR allocation will benefit all members, address the long-term global need for reserves, build confidence, and foster the resilience and stability of the global economy. It will particularly help our most vulnerable countries struggling to cope with the impact of the COVID crisis'*.

India is making rules that will encourage companies to switch entirely to renewable power a key step toward decarbonizing the nation's fossil fuel-dominated economy. The new regulations will allow companies to purchase renewable electricity from state distributors at '*green tariffs'* Power Minister Raj Kumar Singh said at a virtual Bloomberg summit. Hurdles for businesses seeking to buy clean power directly from generators will also be eased, he said. India expects fuel demand to get back to pre-virus levels by the end of 2021 as the world's third-biggest oil consumer emerges from the clutches of the COVID-19 pandemic.

## Fund details

| Feature | Information |
|---|---|
| APIR code | BFL7394AU ASUR |
| Investment manager | 4D Infrastructure |
| Portfolio manager | Sarah Shaw |
| Reporting currency | A$ Unhedged |
| Recommended investment period | Five years |
| Stock / cash limit | +7% / 10% |
| No. of securities | 29 |
| Application/redemption price (AUD)[3] | 0.9973/0.9913 |
| Distribution frequency | Annually |
| Management fee[4] | 1.15% p.a. (including GST) |
| Performance fee[5] | 10.25% p.a. (including GST) |
| Buy/sell spread | +/- 0.30% |
| 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

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

client.experience@bennelongfunds.com

1 OECD G20 Inflation Index + 8%.

2 Inception date is 16 August 2017.

3 All unit prices carry a distribution entitlement.

4 Management fee is 1.15% p.a. (including GST net of reduced input tax credits) of the Net Asset Value of the Fund.

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.