4D Emerging Markets Infrastructure Fund

ARSN: 621 199 399

Monthly performance update

As at 31 March 2021

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Overview

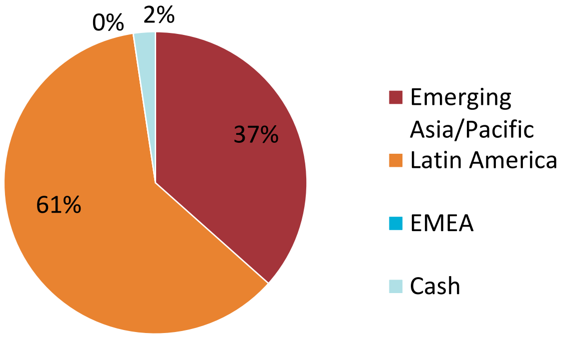
4D Infrastructure (4D) is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable,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

Performance

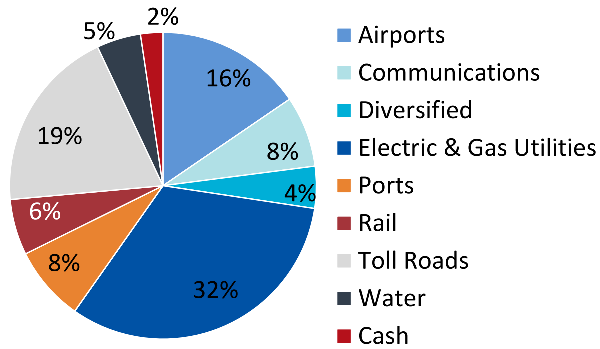
	1 month	3 month	6 month	1 year	2 years (pa)	3 years (pa)	Inception (pa)*
4D Emerging Markets Infrastructure Fund	7.24%	-1.17%	14.33%	6.53%	-2.41%	1.17%	0.83%
Benchmark: OECD G20 Inflation Index + 8%	0.94%	2.65%	5.65%	10.42%	11.24%	11.30%	11.13%
Over/under performance	**6.30%**	**-3.83%**	**8.68%**	**-3.89%**	**-13.65%**	**-10.12%**	**-10.30%**

Performance figures are net of fees and expenses unless otherwise stated.
*Inception date is 16 August 2017

Regional Breakdown



Sector Breakdown



FUND DETAILS	
APIR Code	BFL7394AU ASUR
Investment Manager	4D Infrastructure
Portfolio Manager	Sarah Shaw
Benchmark	OECD G20 Inflation Index + 8%
Inception Date	16 August 2017
Reporting Currency	A$ Unhedged
Recommended Investment Period	Five years
Stock / Cash Limit	+7% / 10%
No. of Securities	31
Application/Redemption Price (AUD)[1]	0.9818/.9760
Distribution Frequency	Annually
Management Fee[2]	1.15% p.a. (including GST)
Performance Fee[3]	10.25% p.a. (including GST)
Buy/Sell Spread	+/- 0.30%
Minimum Investment (AUD)	25,000

Top 10 Positions

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
TAESA	5.74
CEMIG	5.22
China Merchants Port Holdings	5.15
GAP	5.02
Telesites	4.97
CCR	4.92
Ecorodovias	4.80
Jasa Marga	4.63
Shenzhen International	4.42
OMA	4.27
Top 10 Total	**49.15**

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4D infrastructure

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up a net 7.24% (AUD) in March, out-performing the benchmark return of 0.94% (by 6.30%). Currency was a contributor to performance for the month.

The strongest performer for March was Brazilian Utility TAESA up 27.4% on the back of news that one of its controlling block is looking to exit with their stake to be sold by way of auction.

The weakest performer in March was Chinese toll road operator Yuexiu Transport down 11.7% as it missed consensus forecasts for the FY and indicators suggest traffic remains under pressure from government mandated restrictions.

As we move into 2021 and vaccines become available around the world we expect to see signs of a recovery as stimulus flows through economies and pent up consumer demand post a very difficult 2020 further buoys the recovery. The structural infrastructure story within emerging markets is intact and we are capitalising on the raft of opportunities currently on offer. We also believe currency now offers a tailwind to future performance.

Month in review

Despite the ongoing battles with COVID around the world the IMF forecasts global growth at 6% in 2021, moderating to 4.4% in 2022. These projections are stronger than the previous October 2020 forecasts. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in 2H21, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic and the effectiveness of policy support to provide a bridge to vaccine-powered normalization.

The US Federal Reserve continues to project near-Zero interest rates at least through 2023, despite an upgraded US economic outlook and mounting inflation worries in financial markets. Officials see inflation settling back after the jump this year and added there is no need to react to the rising US Treasury yields.

Potentially adding to global nervousness China's recovery from the pandemic means it could eclipse the US economy by 2028 - two years earlier than expected. In 2000, China's GDP was just 11.8% of US GDP. With the exception of 2016, when China's currency depreciated in value, the country has made steady gains on the US each year. The COVID pandemic is the latest inflection point. China was the only major economy to expand in 2020 and its recovery from the virus meant it increased its share of global output at the quickest pace this century.

Bloomberg reports that major US banks are ploughing billions of $ of cash into China undeterred by political turmoil as the world's second-largest economy further opens its US$50 trillion financial market. They have ~US$77.8 billion in exposure, up 10% from 2019. European banks also appear keen to boost investment.

Demonstrating that the Biden Presidency will be very different to that of Donald Trump the President signed the US$1.9 trillion pandemic-relief bill into law, ahead of schedule. He is planning to direct states to ensure all adults in the U.S. are eligible for coronavirus vaccines by May 1. This policy reflects the ongoing stimulus measures that governments around the world have been happy to deploy during COVID.

In addition, US President Biden presented a US$2.25 trillion US infrastructure plan, promising to *'bring everybody along'* at the unveiling in Pittsburgh. The *'American Jobs Plan'* lays out an 8-year program that includes US$620 billion for transportation and $650 billion for initiatives such as cleaner water and high-speed broadband. Biden's plan would also allocate US$580 billion to American manufacturing. The plan is focused on addressing inequalities, but will face fierce opposition from Republicans, especially over the plan to pay for the package with tax increases.

These types of public spending initiatives raise the inevitable question of how much public debt is too much? UBS reports that the US will be testing this question as total US federal public debt is set to rise around 50% from US$23tn in 2019 to US$35tn in 2023.

The rise in US debt was driven mostly by significant rise in outlays as revenues declined only modestly. Interest expense actually came down by ~US$75bn relative to 2019. UBS expect US public debt to rise to US$35tn by the end of 2023 on the back of the recently passed fiscal package and further fiscal stimulus. The US Debt-to-GDP ratio, often used to assess whether the level of debt is too high or too low, is at historically high levels and UBS expect it will rise from 129% in December 2020 to 133% at the end of 2023.

How to invest

The Fund is open to investors directly via the PDS (available at 4dinfra.com) or via the following platforms:

- Hub24 (IDPS)
- Mason Stevens
- Macquarie Wrap (IDPS).

Contact details

Call us on: 1800 895 388 (AU) or 0800 442 304 (NZ)
Email us at: client.experience@bennelongfunds.com
Mail us at: Level 26, 20 Bond Street Sydney NSW 2000
Visit our website at: 4dinfra.com

1. All unit prices carry a distribution entitlement.
2. Management fee is 1.15% p.a. (including GST net of reduced input tax credits) of the Net Asset Value of the Fund.
3. 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.