4D Emerging Markets Infrastructure Fund

Performance report | 31 May 2023

Overview

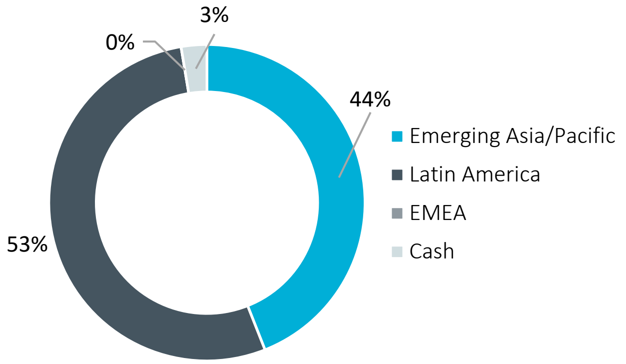
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing 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.	5 years p.a.	Since inception[2] p.a.
Fund	-1.02%	7.74%	10.67%	9.11%	10.53%	9.74%	7.33%	4.68%
Benchmark[1]	1.08%	3.23%	6.94%	16.61%	16.08%	14.28%	13.24%	12.91%
Value added	-2.10%	4.51%	3.73%	-7.50%	-5.55%	-4.54%	-5.91%	-8.23%

'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

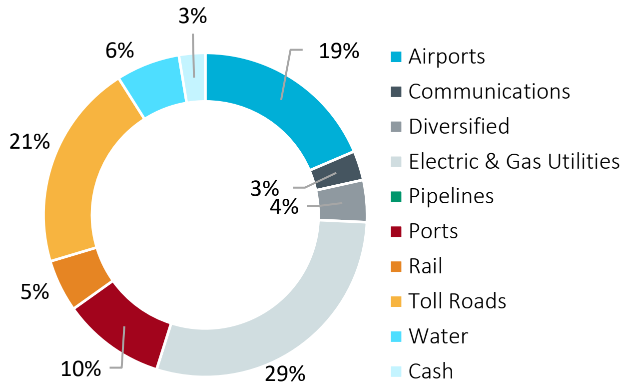
Regional breakdown



Top 10 positions

Stock	End weight %
Ecorodovias	5.68
CCR	5.66
Jasa Marga	5.41
Rumo	5.21
CEMIG	5.18
GAP	5.18
OMA	5.17
Santos Brasil	5.00
ASUR	4.90
ENN Energy	4.65
Total	**52.06**

Sector breakdown



Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 1.02% (AUD) in May, under-performing the benchmark return of 1.08% (by 2.10%). Currency contributed 107bps to performance in May.

The strongest performer for May was Brazilian port operator Santos Brasil +17.8% as a result of ongoing upwards revisions to forecasts due to contract re-negotiations and margin expansion.

The weakest performer in May was Chinese toll road operator Yuexiu Transport down 13.1% over concerns that the re-opening is not happening as fast as originally anticipated.

Markets remain volatile on inflation/interest rate/economic growth concerns, and recently emerged bank liquidity issues. Central Banks are tightening monetary policy to get inflation back to within target bands. The current share price volatility ignores the fact that listed infrastructure, as an asset class, can fundamentally do well in an inflationary environment, with explicit or implicit hedges and long-term predictable earnings profiles underpinned by contract or regulation. Infrastructure is also well positioned should central banks overshoot and we face near term recessionary pressure. We believe it is a sensible portfolio allocation at all stages of the economic cycle. We also believe the current pricing is a buying opportunity for the asset class.

Month in review

Global markets breathed a collective sigh of relief as the US debt limit dilemma was resolved just ahead of the deadline. The debt limit is suspended through to January 2025, with the negotiated budget cuts far less than the 2011 debt ceiling crisis, at 0.3% of GDP vs 1%. Clearly, a no-deal would have been disastrous for the global economy and the world in general.

Global markets continue to focus on a potential pause in central bank tightening, with mixed data through the month swinging expectations. US inflation and consumer spending accelerated**,** while the labour market remained tight - highlighting steady price pressures and demand. The Fed raised rates 25bps in early May and tilted towards potentially going again. May saw another upward surprise in US payroll gains, with employers adding 339,000 jobs versus the expected 195,000.

Core inflation remains stubbornly high across the developed world, with the UK particularly elevated at 6.8% - a 31 year high. Both the ECB and BoE raised rates 25bps to 3.25% and 4.5% respectively, and indicated further tightening ahead.

Manufacturing activity continues to be weak, with strong services underpinning most economies. In Europe, the gap is widening with services well above 50 (55.1), and manufacturing contracting sub 50 for the 11th straight month.

Japan equities surpassed their post-bubble high above 31,000 – the highest in 33 years. A weaker yen and overcoming deflation has boosted investor sentiment, in particular foreign investors, in the Nikkei.

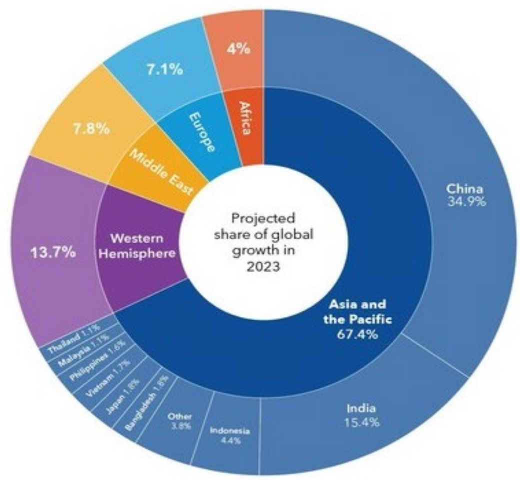
Italy is considering exiting China's '*Belt and Road'* initiative reports Bloomberg. Such a decision is likely to reassure Italy's Western allies. Launched in 2013 by President Xi Jinping, the Belt and Road Initiative, also called *'the New Silk Road'*, is a very ambitious infrastructure project. It comprises a giant network of investment initiatives which was originally intended to link East Asia to Europe.

While the IMF is reporting that global growth may slow this year it is interesting to note that they also expect that Asia will contribute around 70% of global growth as its expansion accelerates to 4.6% from 3.8% last year.

China's reopening will provide fresh momentum but other emerging economies in the region are on track to enjoy solid growth, though in some cases at slightly lower rates than seen last year.

Bigger driver

Asia will contribute about 70% of global growth this year.



Source: IMF, World Economic Outlook, April 2023.
Note: Groupings based on IMF Regional Economic Outlook classifications.

IMF

China's growth recovery in May faded from high initial hopes earlier in the year, with weak manufacturing and consumer spending numbers in May. Despite this, full year growth should still be above the policy target of 5%.

Finally, the population slowdown in China is gaining attention. Chinese President Xi Jinping called on top officials to step-up efforts to maintain an '*appropriate*' birth rate and population level, after recent data indicated a demographic headwind for the world's second-largest economy, reports Bloomberg.

Xi highlighted trends including a low birth rate, aging population and divergence across regions. The message follows recent confirmation that China's population started shrinking in 2022, for the first time in six decades.

This follows India overtaking China as the most populous country in the world, according to the *United Nations*. With roughly 2.4% of the world's land mass, India is now home to nearly 20% of humanity — over 1.4 billion people.

Fund details

Feature	Information
APIR code	BFL7394AU
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	27
Application/redemption price (AUD)[3]	1.1442/1.1396
Distribution frequency	Annually
Management fee[4]	1.15% p.a. (including GST)
Performance fee[5]	10.25% p.a. (including GST)
Buy/sell spread	+/- 0.20%
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

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.