4D infrastructure

4D Emerging Markets Infrastructure Fund

Performance report | 30 September 2022

Overview

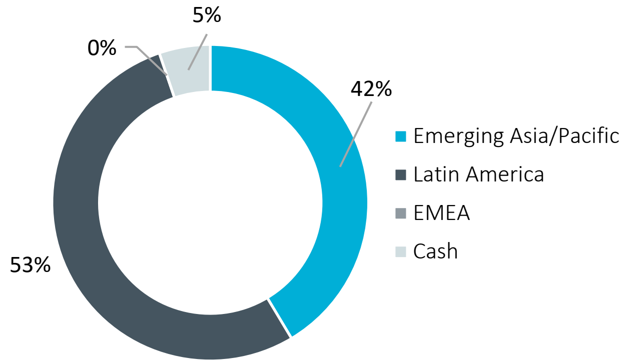
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing 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	-4.40%	-3.03%	-2.83%	4.77%	10.73%	-2.74%	1.96%	1.97%
Benchmark[1]	1.47%	4.65%	10.03%	18.18%	15.54%	13.82%	12.87%	12.78%
Value added	-5.87%	-7.68%	-12.86%	-13.41%	-4.81%	-16.56%	-10.91%	-10.81%

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

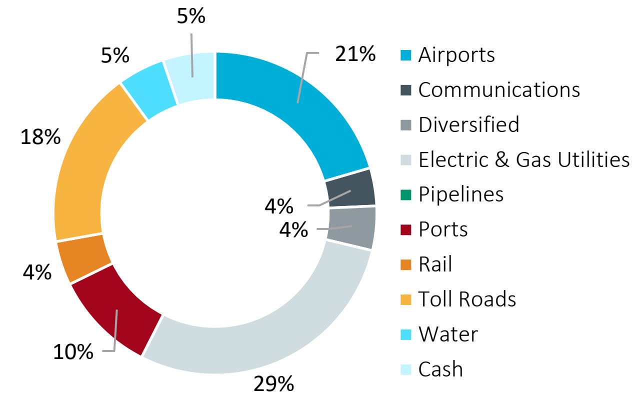
Regional breakdown



Top 10 positions

Stock	End weight %
GAP	5.78
ASUR	5.74
OMA	5.47
CCR	5.29
Jasa Marga	5.25
CEMIG	5.00
Santos Brasil	4.65
Shenzhen International	4.44
Rumo	4.42
China Merchants Port Holdings	4.14
Total	50.19

Sector breakdown



Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 4.40% (AUD) in September, under-performing the benchmark return of 1.47% (by 5.47%). Currency contributed 399bps to performance in September.

The strongest performer for September was Chinese environmental play Canvest up 6.2% for the month. While no particular news this name is benefiting from its defensiveness in a volatile environment and supportive distribution growth.

The weakest performer in September was Chinese gas distributor China Resources Gas down 18.2% as an ongoing COVID zero policy amongst rising cases as well as ongoing property market concerns see growth expectations under review.

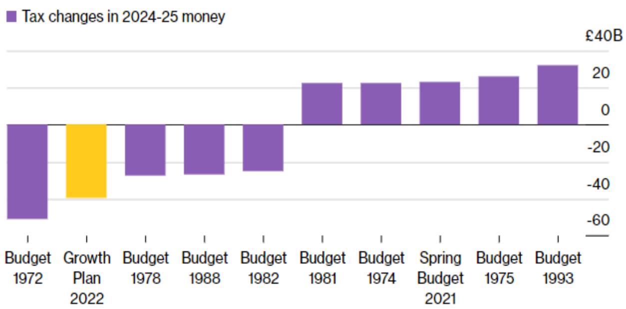
The market has been incredibly volatile on inflation/interest rate concerns as central banks around the world raise rates in an effort to bring inflation to a more reasonable level. The current volatility ignores the fact that listed infrastructure as an asset class can fundamentally do well in an inflationary environment, with explicit or implicit hedges and long term predictable earnings profiles underpinned by contract or regulation. We believe it is a sensible portfolio allocation at the current stage of the economic cycle and see the current weakness as a buying opportunity for the asset class.

Month in review

As expected, the US Federal Reserve issued its fifth interest rate hike of 2022, and it certainly won't be the last one, warned Chair Jerome Powell reports Bloomberg. The Open Market committee delivered a unanimous 75 basis point increase to cool stubbornly high inflation. Officials also updated their forecast, expecting the benchmark rate to rise to 4.4% by year end and 4.6% during 2023. The projections underscore the Fed's resolve to cool inflation despite the risk that surging borrowing costs could tip the US into recession. Powell warned of a housing correction and said predictions for a soft landing were less likely.

Just at a time when the Bank of England, like virtually every other major Central Bank, is hiking interest rates to slow the economy and stymy inflation Liz Truss's new British government delivered the most sweeping UK tax cuts since 1972, slashing levies on rich households and companies, although they did backflip on some of the changes in early October. Will the UK economy expand or contract?

Truss's tax cuts are the largest since Edward Heath was prime minister

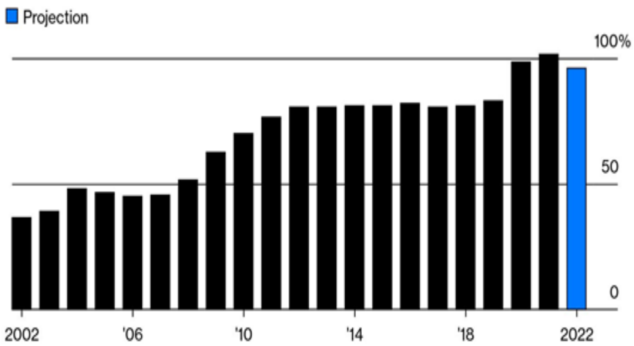


Source: Bloomberg analysis of OBR, Treasury data
Note: Figures show the five largest tax giveaways and the five largest tax-raisers since 1970

These tax cuts are at a time when Central banks must continue to raise interest rates to rein in inflation even as it becomes harder to predict whether the global economy will slide into recession next year according to the IMF's Managing Director Kristalina Georgieva. She said price stability was of paramount importance. Without it, global growth would slow and those with the lowest incomes would suffer the most. '*Inflation is a tax upon the poor*' she said. So what are the Brits thinking?

For all the attention that soaring inflation has gotten this year, one of its most surprising direct offshoots has gone largely unnoticed: US government debt is shrinking rapidly in the way that really matters - when measured against the inflated size of the economy (ie. Debt/GDP%) reports Bloomberg. This is often termed '*inflating away the debt*' and is a big positive for the government and taxpayers. It makes the debt more manageable and easier to pay back but it is bad for bond holders - the money they'll be repaid by the government will be worth a lot less than the money they put-up.

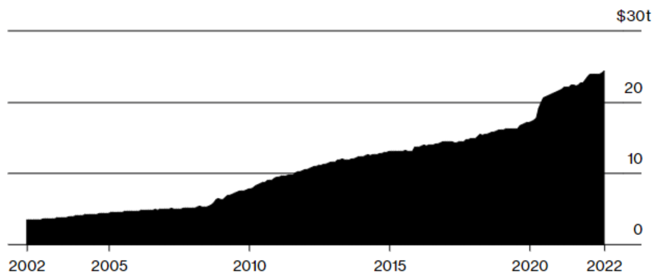
US Public Debt as a Share of GDP



Source: International Monetary Fund

However, politicians love to spend and there is no guarantee this trend will continue. As shown in the chart above, this year's drop in Debt/GDP% was preceded by two years of explosive growth in Debt/GDP – a product of all the huge pandemic spends from Presidents Trump and Biden.

US Public Debt



Source: US Treasury

Finally, Public debt/GDP% falling was an important factor in the post WWII global economic ascendancy of the US as its economic standing improved. US Debt to GDP reached a low of ~25% in 1974 under President Richard Nixon.

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	28
Application/redemption price (AUD)[3]	0.9699/0.9661
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.