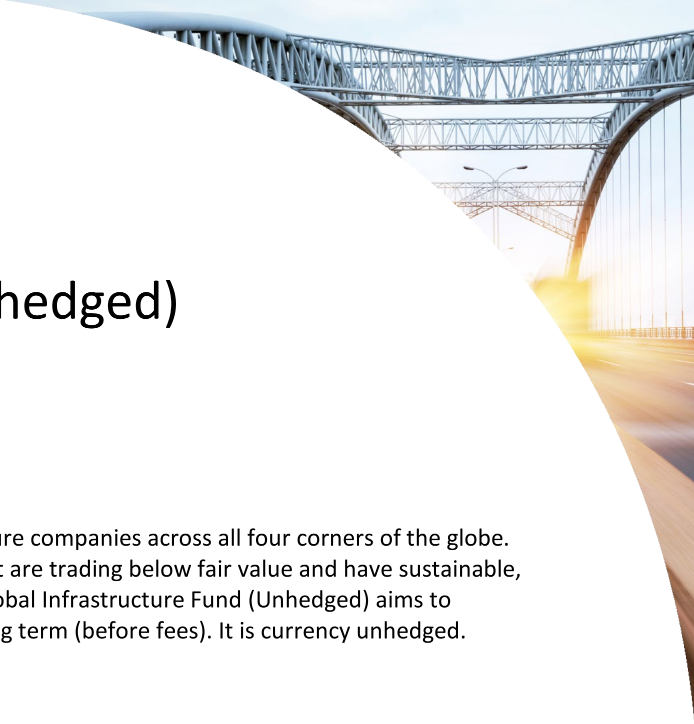


4D infrastructure

4D Global Infrastructure Fund (Unhedged)

Performance report | 31 August 2023

Overview

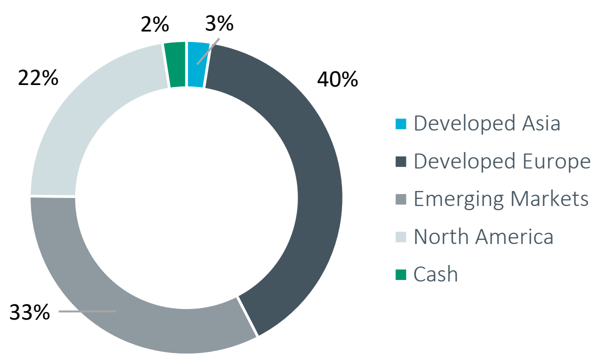
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies that are trading below fair value and have sustainable, growing earnings combined with sustainable, growing dividends. The 4D Global Infrastructure Fund (Unhedged) aims to outperform the OECD G7 Inflation Index + 5.5% p.a. over the medium to long term (before fees). It is currency unhedged.

Net client returns (after fees and expenses)

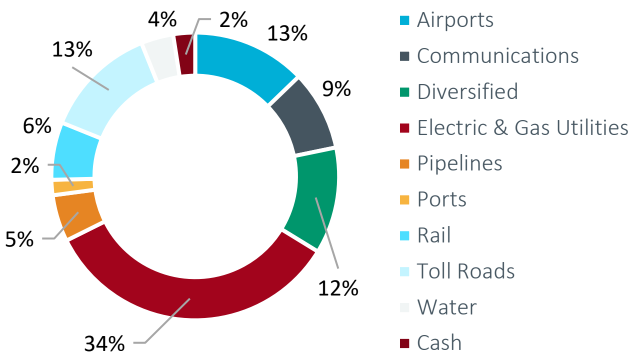
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	-2.20%	0.87%	12.61%	10.57%	8.41%	9.27%
Benchmark[1]	0.67%	2.56%	10.29%	10.95%	9.11%	8.56%
Value added	-2.87%	-1.69%	2.32%	-0.37%	-0.69%	0.70%
FTSE Global Core Infra 50/50 Total Return Index (AUD)[3]	-1.63%	-0.83%	-1.51%	8.97%	6.55%	7.94%
S&P Global Infra. Net AUD Index[4]	-0.9%	-0.11%	3.76%	11.92%	6.29%	7.51%

'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 %
Cellnex	6.81
Iberdrola	5.05
Jasa Marga	4.31
Sempra Energy	4.05
Williams Co	4.04
Getlink	3.99
AENA	3.70
Ferrovial	3.57
Fraport	3.50
Vinci	3.49
Total	42.51

Portfolio performance review

The 4D Global Infrastructure Fund (Unhedged) was down net 2.20% (AUD) in August 2023, under-performing the benchmark's return of 0.67% (by 2.87%) and it underperformed the FTSE 50/50 Infrastructure Index which was down 1.63% (AUD). Currency contributed 247bps to performance in August.

In August, European stocks contributed positively to performance, whilst Chinese exposure was the largest detractor.

The strongest performer for August was Indonesian toll road operator Jasa Marga, up 11.1% on strong 1H earnings as earnings exceeded expectations, the capex cycle slows and guidance moves up.

The weakest performer in August was Chinese gas distributor ENN Energy down 34.4% for the month after results missed consensus earnings estimates. The stock has been completely over-sold on short term noise.

Markets remain volatile on inflation/interest rate/economic growth concerns. Most developed market Central Banks are getting close to their peak policy rates, with a view to hold rates higher for longer, in an effort to get core inflation back to within target bands over a sustained period. 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 positioned well 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

Risk markets were weak in August, with MSCI World (Local) off 1.76%, with sentiment weighed down by weak Chinese activity data (MSCI China down 8.35%).

Bond yields globally also rose in August, with US ten year yields rising to new post-GFC highs during the month (4.35%) and ended the month up 15bps to 4.10% - up 100bps since April. This hit interest rate sensitive sectors and long duration assets, such as some nominal rate utilities with the US Utility Index off 6.77% in August. The substantial rise in US 10 years has occurred whilst 2 year yields have remained flat, showing that Fed interest rate expectations have remained mostly unchanged over August.

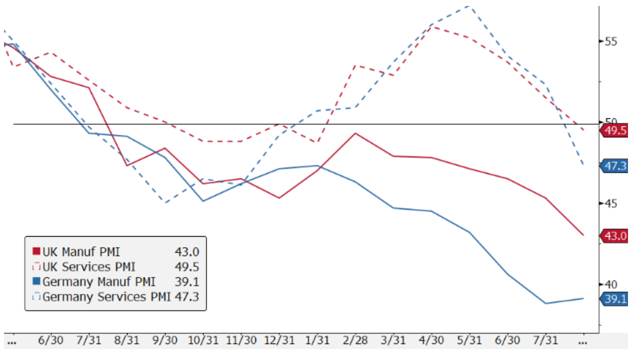
Source: Bloomberg

The rise in long bonds is being attributed to an increase in Treasury Department issuance (to fund a bigger than expected deficit), changes in the Bank of Japan's Yield Curve Control policy which may reduce the demand for US long bonds, as well as generally resilient economic activity in the US. Core retail sales and industrial production in the US both grew at 1% MoM in July, whilst core inflation ticked lower.

The weakness in China continued in August, exacerbated by the second major near-default in the property sector in Country Garden, sparking contagion fears in the Investment Trust sector, with Zhongzhi Group missing payments on some of its investment products. Retail sales and industrial production also surprised to the downside. Headline CPI fell to deflationary territory at -0.3% in July, whilst headline was 0.8%.

There were numerous smaller and more targeted measures from the Politburo, as well as monetary easing. Other measures included halving stamp duty on local equities trading, and a loosening of mortgage and deposit rates to try and put a floor under the property market. Investor sentiment remains poor as the COVID re-opening boost of activity data is now firmly in the rear view mirror.

In Europe, activity softened and core inflation remains high. The PMI data showed particular weakness in the UK and Germany. UK manufacturing dropped to 42.5, the lowest reading since May 2020 and services for August fell into contractionary territory at 49.5 from 51.5 (in these PMI surveys, a reading above 50 implies expansion and below 50 contraction). This weakness pared back expectations of peak Bank of England rates from 6% to 5.8%, even with wage growth accelerating to 7.8% YoY. In Germany, the services PMI also fell to contractionary territory at 47.3 and a reverse in expansion of new business, buffeted by a weak Chinese import/export market and weak business and consumer confidence (both back to 2022 lows).



Source: Bloomberg

Japan activity data continues to surprise to the upside, with GDP rising by 1.5% QoQ in Q2 driven by strong export growth and tourism. Inflation also continues to creep higher, signalling that Japan is getting itself out of the stagnation and deflation that has mired it for decades, and forced the Bank of Japan to keep rates at zero or negative.

Fund details

Feature	Information
APIR code	BFL0019AU
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	37
Application/redemption price (AUD)[5]	1.6286/1.622
Distribution frequency	Quarterly
Management fee[6]	0.95% p.a. (including GST)
Performance fee[7]	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), mFund (code: 4DI01) or the following platforms. Visit How to invest to find out more.

Platforms

AMP North
BT Asgard (Panorama)
Colonial First Wrap
Dash
Hub24 (Super, IDPS)
Macquarie Wrap (IDPS, Super)
Mason Stevens
Netwealth (Super Service, Wrap Service, IDPS)
Powerwrap (IDPS)
Praemium (Non Super, Super)
Wealthtrac

Get in touch

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1800 895 388 (AU) or 0800 442 304 (NZ)
client.experience@bennelongfunds.com

1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 7 March 2016.

3 The reference index is the FTSE Global Core Infrastructure 50/50 Net Total Return in AUD. This is provided as an indictive comparison only and is not the Fund Benchmark.

4 The reference index is the S&P Global Infra AUD Net Total Return Index. This is provided as an indictive comparison only and is not the Fund Benchmark.

5 All unit prices carry a distribution entitlement.

6 Management fee is 0.95% p.a. (including GST net of reduced input tax credits) of the Net Asset Value of the Fund.

7 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 G7 inflation index + 5.5% per annum). All values are in Australian dollars.