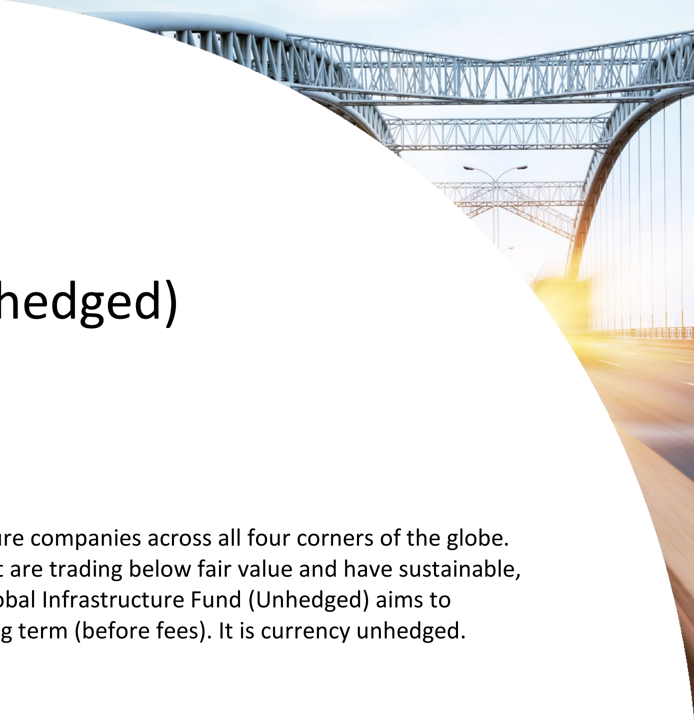


4D Global Infrastructure Fund (Unhedged)

Performance report | 31 March 2023

Overview

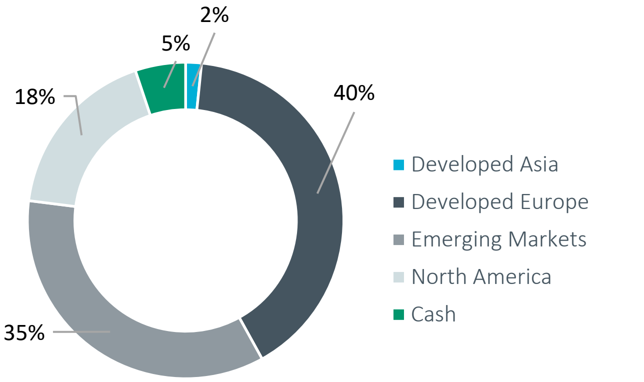
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies that are trading below fair value and have sustainable, growing earnings combined with sustainable, 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)

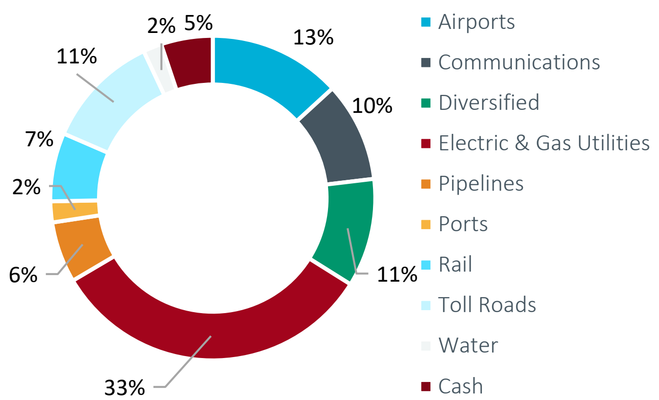
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	4.49%	10.07%	17.24%	8.53%	9.46%	9.93%	8.54%	9.41%
Benchmark[1]	0.13%	1.77%	3.90%	12.59%	11.97%	10.03%	8.91%	8.39%
Value added	4.36%	8.30%	13.34%	-4.06%	-2.51%	-0.10%	-0.37%	1.02%

'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	6.61
Iberdrola	5.26
Enel	4.58
AENA	3.80
Shenzhen International	3.79
Sempra Energy	3.76
Getlink	3.74
Jasa Marga	3.69
Williams Co	3.60
Ferrovial	3.58
Total	42.40

Portfolio performance review

The 4D Global Infrastructure Fund (Unhedged) was up a net 4.49% (AUD) in March 2023, out-performing the benchmark's return of 0.13% (by 4.36%) and out-performing the FTSE 50/50 Infrastructure Index which was up 3.74% (AUD). Currency contributed 224bps to performance in March.

The strongest performer for March was Brazilian toll road operator, Ecorodovias up 26.3% in the month. This represents the start of a justified re-rating as the stock was very much oversold on capex/leverage concerns over the last few months.

The weakest performer in March was Chinese gas distributor China Resource Gas down 12.5% after H2 22 energy shortages and ongoing COVID lockdowns impacted FY reporting. The market completely over sold the stock on what should have been expected news and we are positioned for a re-rating once the positive 2023 outlook is reflected.

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 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

The human consequences of tight monetary policy are becoming increasingly clear. The impact of higher home loan interest costs and the pain caused is evident almost daily with the media carrying regular stories on these outcomes for individuals, with the implicit message being for Central Banks to ease policy before it's too late.

However, Central Bankers well understand that the inflation genie, once out of the bottle, is very hard to get back in. Therefore, policy action must be taken sooner rather than later. The most adversely affected sectors of society in an inflationary environment are those least able to tolerate it. Low and fixed income earners see basic living costs increase weekly, while their incomes remain largely stagnant. These lessons were all learnt the hard way in the 1980's. The hard-nosed, but ultimately successful, actions by then US Fed Chairman Paul Volcker to curtail inflation with higher rates remain at front of mind for today's Central Bankers and are influencing policy.

Consistent with these messages the US Federal Reserve raised interest rates again in March by 0.25%, and indicated there may be more hikes to come. In doing so the Fed signalled that, banking turmoil or not, its battle against inflation must go on for the above reasons. Forecast rate hikes were also unchanged. The Fed is responding to all the recent data about a stout US job market and sticky inflation. Chair Jerome Powell emphasized his belief that the banking system remained resilient and that the Central Bank is likely to lift interest rates higher, potentially faster than previously anticipated, a turnaround given last month's step down in the pace of hikes: '*Economic data has come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated,*' Mr Powell told the US Senate Banking Committee.

Similarly, the BOE pushed ahead with another interest rate increase despite turmoil in the banking sector, predicting the UK economy will avoid a recession for now and that inflation remains a risk (by contrast the IMF believe the UK will see a recession this year). The BOE raised its benchmark lending rate by 0.25%, to 4.25%, the highest since 2008, and left the door open to further increases if inflation persists. The ECB also hiked rates by 50bp.

China's ruling Communist Party unveiled its biggest revamp in years, placing the nation's finance and technology sectors at the heart of its control, as President Xi Jinping tightens his grip on power reports Bloomberg. The country is setting up a central financial committee to enhance the party's oversight over the US$60 trillion sector, while a central technology committee will be established to strengthen the party's oversight of technological development, Xinhua reported. Separately, a Central Office for Hong Kong and Macau Affairs will also be created.

China also released some mostly good economic stats, and the Central Bank stepped-up fund injections to meet rising demand. China's retail sales jumped 3.5% in the first 2 months of 2023, though other data painted a mixed picture. Industrial output gained 2.4%, missing consensus. Fixed-asset investment grew strongly. Bloomberg Economics said the data shows the recovery is well underway, but the figures were underwhelming. The PBOC injected the biggest amount of cash to its financial system in more than 2 years via medium-term loans, as a surge in demand for credit as the economy recovers boosted the risk of a liquidity squeeze.

Singapore took further steps toward its goal of importing renewable power by inking agreements with neighbours Indonesia and Cambodia. The city nation, which currently generates 95% of its electricity from natural gas, is aiming to import around 30% of its electricity by 2035 as it decarbonizes its economy. Indonesia and Singapore agreed to jointly develop renewables that could help supply clean electricity to the city-state. Companies are seeking to unleash Indonesia's solar potential, which it also plans to rely on to meet its own climate goals.

Finally, 3 years ago, on March 11 2020, the World Health Organization declared the spread of what was then called the '*novel coronavirus*', to be a pandemic. Some 4,200 Covid-19 deaths had been confirmed at that point. Almost 7 million would follow, though the true number of lives lost is believed to be much higher. As the world moves on and now lives with the virus, we highlight the resilience of humankind as well as the global economy and of course infrastructure fundamentals.

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)[3]	1.6008/1.5944
Distribution frequency	Quarterly
Management fee[4]	0.95% 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), 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)
Wealthtrac
Praemium (Non Super, Super)

Get in touch

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1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 7 March 2016.

3 All unit prices carry a distribution entitlement.

4 Management fee is 0.95% 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 G7 inflation index + 5.5% per annum). All values are in Australian dollars.