

4D Emerging Markets Infrastructure Fund

Performance report | 30 April 2022

Overview

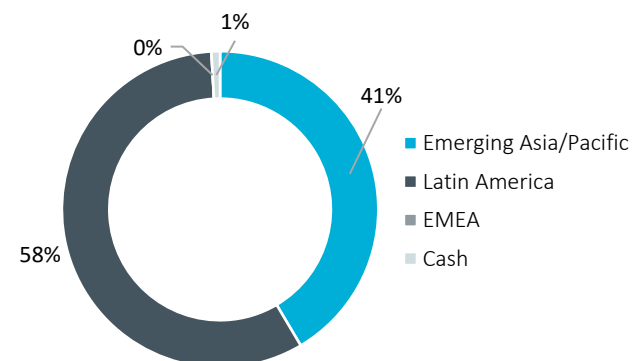
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

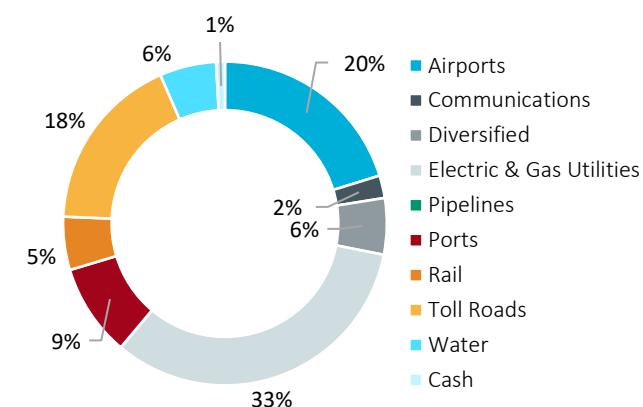
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception ² p.a.
Fund	-0.26%	3.22%	14.58%	11.03%	8.74%	0.61%	2.71%
Benchmark ¹	1.42%	3.90%	7.74%	15.23%	12.83%	12.64%	12.04%
Value added	-1.68%	-0.68%	+6.84%	-4.20%	-4.09%	-12.03%	-9.33%

¹'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 %
GAP	6.33
Shenzhen International	5.63
Jasa Marga	5.54
CEMIG	5.43
ASUR	5.41
OMA	5.09
China Merchants Port	5.05
TAESA	5.03
CCR	4.76
Guangdong Investment	4.33
Total	52.60

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 0.26% (AUD) in April, under-performing the benchmark return of 1.42% (by 1.68%). Currency contributed 310bps in April.

The strongest performer for April was Brazilian utility, CPFL Energia ahead of a strong dividend payout representing a 10% yield.

The weakest performer in April was Brazilian rail operator Rumo down 11.7% on concerns that a previously expected very strong corn crop could be threatened by lack of rain towards the point of harvest. Rumo has locked in most of its capacity in take or pay contracts so the sell off is unwarranted.

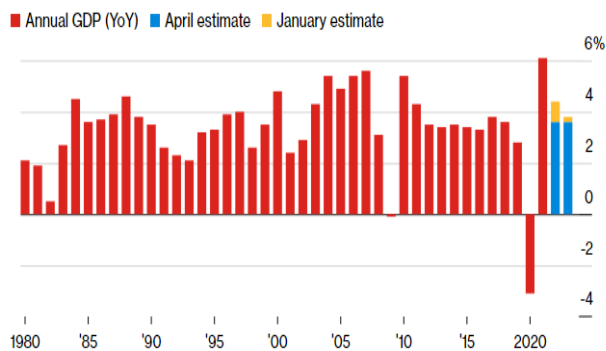
We continue to believe Central Banks will act prudently and cautiously in adjusting monetary policy in response to inflation pressures. But regardless we believe infrastructure is an asset class that can do well in an inflationary environment, and we believe it is a sensible portfolio allocation at the current stage of the economic cycle and in light of geo-political tensions. Within infrastructure we continue to favour user pays and real return utilities.

Month in review

The war in Ukraine, plus emerging inflationary pressures, is dimming global economic growth forecasts. The IMF reports that, beyond its immediate and tragic humanitarian impact, the war will slow economic growth and increase inflation. Overall economic risks have risen sharply it said. The IMF have revised their projection for global growth downwards to 3.6% in both 2022 and 2023. Activity in Russia is forecast to shrink by 8.5%, and in Ukraine by 35% in 2022.

Weaker Outlook

The IMF sees growth in 2022 and 2023 lower than it did in January



Source: International Monetary Fund
Note: 2022 and 2023 are forecasts

Similarly, the World Bank cut its forecast for global growth in 2022 to 3.2% from a January prediction of 4.1%. The decline was spurred by a cut in the outlook for Europe and central Asia which include Russia and Ukraine. This compares with 5.7% expansion in 2021.

Bloomberg reports that Russia's central bank said the nation faces a very deep and prolonged economic contraction along with higher inflation and reduced living standards, with sanctions depriving it of vital products and technology.

US inflation rose by the most since 1981 adding pressure on the Fed to raise interest rates even more aggressively. The CPI increased 8.5% in March from a year earlier, with gasoline costs driving 50% of the monthly increase.

China's top leadership vowed to boost economic stimulus and contain the country's worst Covid outbreak since 2020 as it threatens official growth targets for this year reports Bloomberg. The Communist Party's Politburo pledged to 'strengthen infrastructure construction in an all-around way' and to support the housing market. Meantime, China is keeping its Covid Zero strategy.

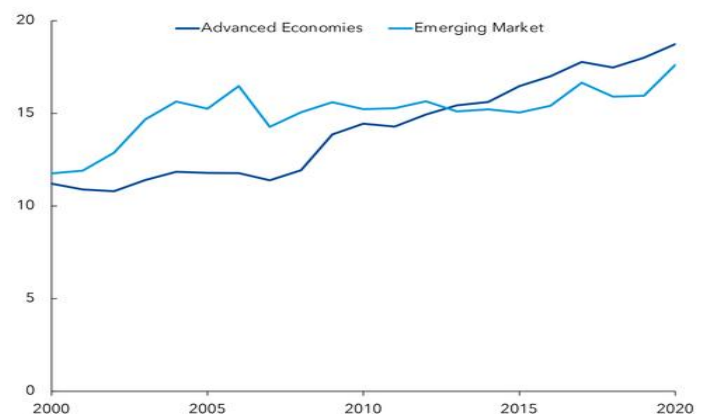
The IMF's Global Bank Stress Test provides a first-of-its-kind assessment of potential shocks and spillovers to the world's banks. It is also a useful new tool for Central Banks and financial regulators to consider the effects of global shocks on domestic systems. The IMF analysis includes 25 years of bank-level data through 2020 for 257 of the largest lenders from across 24 advanced economies and 5 emerging markets. Together, the institutions account for 70% of the world's banking assets. Banking systems have seen a trend of strengthening capital in the wake of reforms launched after the 2008 GFC.

Banks in emerging markets face greater risks in an adverse scenario, reflecting the higher sensitivity of their core equity capital to shocks.

While this analysis predates the war in Ukraine and current concerns about stagflation, it suggests that banking systems remain able to absorb shocks from adverse developments in global growth and risk premia broadly in line with those seen during the pandemic, though there remain uncertainties associated with the evolution of capital levels during 2021 and the policy space to absorb new shocks.

Upward trend

Global bank capital has been rising, including during the depths of the pandemic.
(total regulatory capital ratio, median, all banks, percent)



Source: Fitch Connect

IMF

Finally, HK's election season kicked-off with a surprise twist. Carrie Lam said she won't run for a second term, ending a momentous 5-year period that saw the city become more isolated due to a crackdown on democracy advocates and rigid Covid curbs. The committee of 1,500 largely pro-Beijing electors will pick the next leader on May 8.

Fund details

Feature	Information
APIR code	BFL7394AU ASUR
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	1.0610/1.0568
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.

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