

4D Emerging Markets Infrastructure Fund

ARSN: 621 199 399

Monthly performance update

As at 31 August 2020

Overview

4D Infrastructure (4D) 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 ('the Fund') aims to outperform the OECD G20 Inflation Index + 8% p.a. over the medium to long term (before fees).

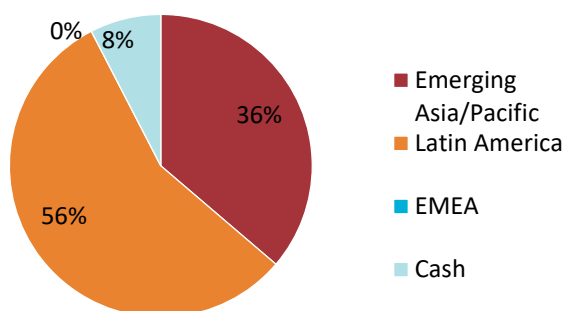
Performance

	1 month	3 month	6 month	1 year	2 years (pa)	3 years (pa)	Inception (pa)*
4D Emerging Markets Infrastructure Fund	-4.92%	-7.32%	-26.43%	-22.67%	-0.72%	-3.00%	-2.90%
Benchmark: OECD G20 Inflation Index + 8%	0.59%	1.49%	4.38%	10.22%	11.08%	11.02%	11.00%
Over/under performance	-5.50%	-8.81%	-30.82%	-32.89%	-11.80%	-14.03%	-13.90%

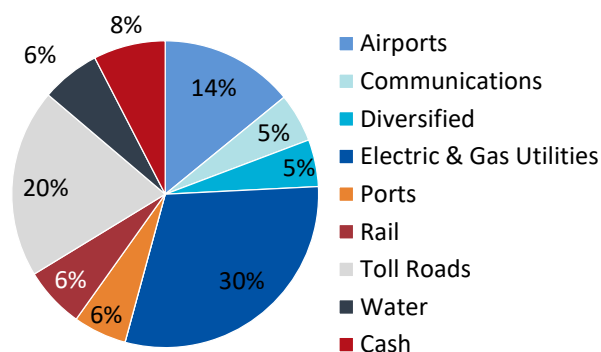
Performance figures are net of fees and expenses unless otherwise stated.

*Inception date is 16 August 2017

Regional Breakdown



Sector Breakdown



Top 10 Positions

FUND DETAILS	
APIR Code	BFL7394AU
Investment Manager	4D Infrastructure
Portfolio Manager	Sarah Shaw
Benchmark	OECD G20 Inflation Index + 8%
Inception Date	16 August 2017
Reporting Currency	A\$ Unhedged
Recommended Investment Period	Five years
Stock / Cash Limit	+7% / 10%
No. of Securities	31
Application/Redemption Price (AUD) ¹	0.8862/0.8809
Distribution Frequency	Annually
Management Fee ²	1.15% p.a. (including GST)
Performance Fee ³	10.25% p.a. (including GST)
Buy/Sell Spread	+/- 0.30%
Minimum Investment (AUD)	25,000

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
Jasa Marga	5.12
GAP	5.01
TAESA	4.97
Shenzhen International	4.96
CEMIG	4.94
Ecorodovias	4.50
CCR	4.49
Yuxiu Transport	4.48
Rumo	4.45
China Merchants Port Holdings	3.99
Top 10 Total	46.91



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Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 4.92% (AUD) in August, under-performing the benchmark return of 0.59% (by 5.50%). Currencies worked against us again in August accounting for much of the negative performance.

The strongest performer for August was Mexican airport operator GAP up 15.2% as it leads the way on passenger traffic recovery as the Mexican domestic routes open up.

The weakest performer in August was Brazilian toll road operator Ecorodovias down 11% as COVID-19 continues to spike in Brazil putting pressure on the overall market.

As we move through Q3 2020, the COVID-19 driven macro back drop remains one of global recession and ongoing market volatility. However, we believe the structural infrastructure story within emerging markets is intact and we are capitalising on the raft of opportunities currently on offer. We also believe currency now offers a tailwind to future performance.

Market review

The US S&P 500 was up 7.13%, the broader MSCI World Index was up 6.68% while EMs were up 2.21% (all USD).

US August economic activity indicators showed positive signs. The manufacturing ISM lifted to 54.2, ahead of expectations. The composite non-manufacturing ISM also beat expectations, lifting to 58.1. Non-farm payrolls lifted +1,763k in July, as unemployment fell to 10.2%. Average hourly earnings ticked down to 4.8% (yoy) in July, core CPI lifted 0.6% (mom), while yoy it lifted +1.6%. July retail sales rose again +1.2% (mom) but below expectations. July housing starts surged +22.6%, well ahead of expectations. China's economic data also strengthened. The July trade surplus of \$62.3bn was well ahead of expectations. July CPI rose 2.7% while July manufacturing PMI ticked-down to 51.0, below expectations of a slight increase. European data remained weak but activity indicators are improving ahead of expectations. The flash Eurozone manufacturing PMI for July was ahead, lifting to 51, while the composite PMI also rose to 54.9. June CPI was +1.2% (yoy), in-line with expectations.

Significantly, in the simmering US/China relationship, both countries reaffirmed their commitment to the Phase-1 trade deal that was struck back in January 2020, demonstrating a willingness to co-operate even as tensions rise over other issues. The two countries discussed steps China has taken, including ensuring greater protection for intellectual property rights and removing impediments to certain American companies.

But for each step forward there seems to be 1 back at present with Beijing firing 4 missiles into the South China Sea. Separately, the US announced trade and visa restrictions on 24 companies for their

efforts to help China 'reclaim and militarize disputed outposts'. It is likely this political skirmish will continue. However, ultimately we believe economic necessity will be the key swing factor in resolving disputes between the 2 super powers.

In a significant policy shift Bloomberg reports China's top leaders will soon lay out their economic strategy for the next 5 years that will include a new ambition to ramp-up domestic consumption, and make more critical technology at home.

A Joe Biden US election victory could see a big increase in taxation and federal spending, together with a shakeup of healthcare, regulatory and trade policy. All of that could have a bearing on equities. However, given the pandemic, fiscal and monetary policy are likely to remain loose regardless of who wins the election.

Japanese PM Abe officially announced his resignation. The resignation per se was not a complete surprise. However, the timing was unexpected. The next LDP leader (ie. next PM) should be elected relatively quickly. Regardless of who the next leader is the basic contour of Japanese policies is unlikely to change, especially in the current COVID-19 environment.

In EM land there was a set-back for the proposed huge Mercosur (Argentina, Brazil, Paraguay, and Uruguay)/EU trade deal when, for the first time, German Chancellor Angela Merkel voiced her 'serious doubts' about the deal given the ecological threat looming over the Amazon in Brazil.

Also in EM's, India's economy posted the biggest contraction among major economies in 2Q20, with a recent surge in coronavirus infections weighing on the outlook for recovery. GDP shrank 23.9% in the 3-months to June from a year earlier. While there are early signs that activity began picking-up in 3Q20 as lockdown restrictions were eased, the recovery is uncertain as India is becoming something of a global pandemic 'hot spot'.

How to invest

The Fund is open to investors directly via the PDS (available at [4dinfra.com](https://www.4dinfra.com)) or via the following platforms:

- Hub24 (IDPS)
- Macquarie Wrap (IDPS, Super).

Contact details

Call us on: 1800 895 388 (AU) or 0800 442 304 (NZ)

Email us at: client.services@bennelongfunds.com

Mail us at: Level 26, 20 Bond Street Sydney NSW 2000

Visit our website at: [4dinfra.com](https://www.4dinfra.com)

1. All unit prices carry a distribution entitlement.

2. Management fee is 1.15% p.a. (including GST net of reduced input tax credits) of the Net Asset Value of the Fund.

3. 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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