

# 4D Emerging Markets Infrastructure Fund

ARSN: 621 199 399

## Monthly performance update

As at 31 July 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).

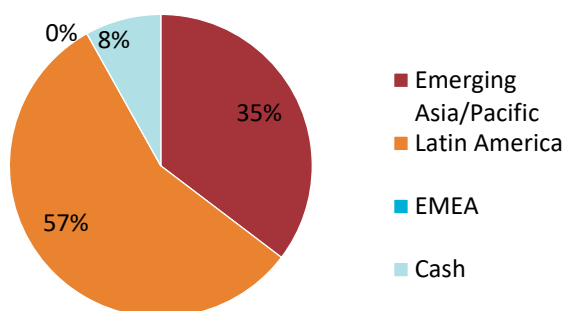
### Performance

	1 month	3 month	6 month	1 year	2 years (pa)	3 years (pa)	Inception (pa)*
4D Emerging Markets Infrastructure Fund	-1.45%	0.23%	-24.19%	-20.00%	0.91%		-1.32%
Benchmark: OECD G20 Inflation Index + 8%	0.44%	1.82%	4.62%	10.57%	11.27%		11.11%
<b>Over/under performance</b>	<b>-1.89%</b>	<b>-1.59%</b>	<b>-28.81%</b>	<b>-30.57%</b>	<b>-10.36%</b>		<b>-12.43%</b>

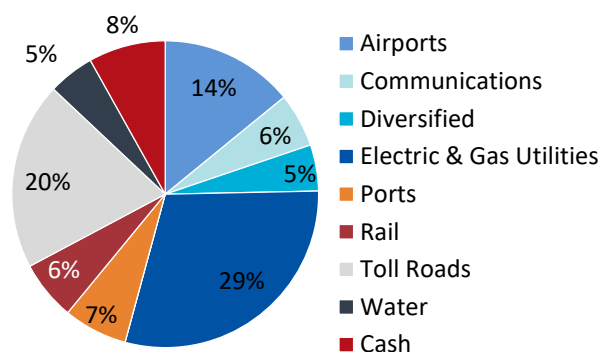
Performance figures are net of fees and expenses unless otherwise stated.

\*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) <sup>1</sup>	0.9162/0.9107
Distribution Frequency	Annually
Management Fee <sup>2</sup>	1.15% p.a. (including GST)
Performance Fee <sup>3</sup>	10.25% p.a. (including GST)
Buy/Sell Spread	+/- 0.30%
Minimum Investment (AUD)	25,000

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
TAESA	5.16
GAP	5.15
Shenzhen International	4.87
CEMIG	4.86
Jasa Marga	4.74
Ecorodovias	4.70
CCR	4.55
Yuxiu Transport	4.37
Rumo	4.16
OMA	4.02
<b>Top 10 Total</b>	<b>46.57</b>



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#### Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 1.45% (AUD) in July, under-performing the benchmark return of 0.44% (by 1.89%). Currencies worked against us in July fully accounting for the negative performance.

The strongest performer for July was Mexican tower operator Telesites up 14.2% following strong Q2 results and improved tenancy ratios.

The weakest performer in July was Mexican airport operator OMA down 14.2% as all airports continue to be pressured on weak traffic numbers. We believe worst case scenarios are more than factored in and airports are offering very attractive fundamental value at these levels and if anything we would be adding.

As we move into 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 5.6%, the broader MSCI World Index was up 4.78% while EMs were up 8.94% (all USD).

While the world remains in recession, global economic activity indicators have exhibited some positive signs. In the United States the May manufacturing ISM lifted to 52.6, slightly stronger than expected (consensus: 49.8), while the composite non-manufacturing ISM beat expectations, lifting to 57.1 (consensus: 50.2). Non-farm payrolls rebounded +4,800k in June (consensus: +3,230k), as the unemployment rate fell to 11.1% (consensus: 12.5%). June core CPI lifted 0.2% m/m (consensus: +0.1%), while the y/y remained flat at +1.2% (consensus: +1.1%). June retail sales rose +7.5% m/m, ahead of expectations (consensus: +5%) while June housing starts surged 17.3%, but below market expectations (consensus: +22.2%).

China's economic data strengthened - June CPI rose 2.5% y/y (consensus: +2.5%) while the June manufacturing PMI ticked-up to 51.2 against expectations of a slight decline (consensus: 50.5).

European data, while still weak, also recovered somewhat with activity indicators improving ahead of expectations - the flash Eurozone manufacturing PMI for June was ahead of consensus, lifting to (a still weak) 47.4, (consensus: 46.9), while the composite PMI also rose to (a still soft) 48.5 (consensus: 47.5)

The IMF noted that the ongoing COVID-19 pandemic had already prompted a huge fiscal policy response of close to ~US\$11 trillion

worldwide. But with confirmed COVID-19 cases and fatalities still rising, policymakers will likely keep the public health response their No. 1 priority while retaining supportive and flexible fiscal policies.

However, this policy response has contributed to global public debt reaching its highest level in recorded history - at over 100% of global GDP. While the trajectory of public debt could drift up further in an adverse scenario, pulling back support too soon could stall recovery. Instead, fiscal policies need to remain supportive and flexible. Inevitably though the increased level of public sector indebtedness will, by necessity, lead to growth in privately funded infrastructure around the world over coming decades.

For those interested in a strong view that interest rates will stay lower-for-longer need look no further than those investors who participated in Austria's recent issue of €2 billion 100-year bonds at a 0.88% yield. The deal raises a number of interesting issues including some of the risk aspects of the bond itself. Austria has a AA+ S&P credit rating so default risk is low for now - but 100 years is a long time. The other interesting risk aspect of the bond is the impact of movements in market interest rates. As pointed out in Firstlinks 365, a 1% rise in interest rates would see the price of the bond fall by almost 50%! And equities are meant to be more risky than bonds!

#### Outlook

We have a very positive outlook for emerging market listed infrastructure (EMLI) over the medium term. There are a number of powerful macro forces at play, which we believe will continue to support the sector. For example, the world's population is expected to grow by 53% by the end of this century, which will be accompanied by an emerging middle class, especially in Asia. These forces will compel new, improved and expanded infrastructure around the world.

#### How to invest

The Fund is open to investors directly via the PDS (available at [4dinfra.com](http://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](mailto:client.services@bennelongfunds.com)

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

Visit our website at: [4dinfra.com](http://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.

The Fund is managed by 4D Infrastructure, a Bennelong Funds Management boutique. This information is issued by Bennelong Funds Management Ltd (ABN 39 111 214 085, AFSL 296806) (BFML) in relation to the 4D Emerging Markets Infrastructure Fund. The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any fund of which BFML is the Trustee or Responsible Entity (Bennelong Fund). This information has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser. You should also consider the relevant Information Memorandum (IM) and or Product Disclosure Statement (PDS) which is available on the BFML website, [bennelongfunds.com](http://bennelongfunds.com), or by phoning 1800 895 388 (AU) or 0800 442 304 (NZ). BFML may receive management and or performance fees from the Bennelong Funds, details of which are also set out in the current IM and or PDS. BFML and the Bennelong Funds, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that any Bennelong Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in any Bennelong Fund. Past fund performance is not indicative of future performance. Information is current as at the date of this report. 4D Infrastructure Pty Ltd (ABN 26 604 979 259) is a Corporate Authorised Representative of BFML.