4D infrastructure

4D Emerging Markets Infrastructure Fund

Performance report | 30 June 2022

Overview

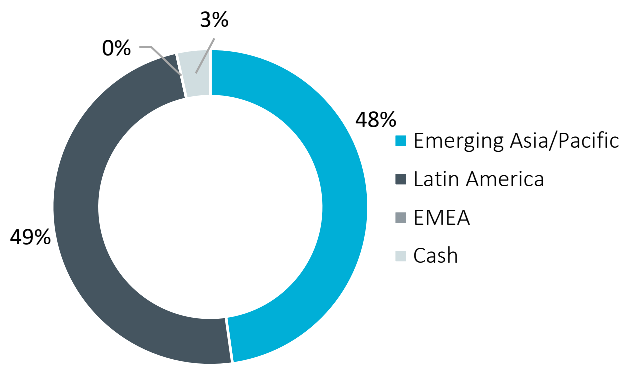
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing 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	-4.61%	0.21%	9.62%	6.01%	8.08%	-0.57%	2.72%
Benchmark[1]	2.16%	5.14%	9.53%	16.73%	14.09%	13.17%	12.43%
Value added	-6.77%	-4.93%	+0.09%	-10.72%	-6.01%	-13.74%	-9.71%

'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

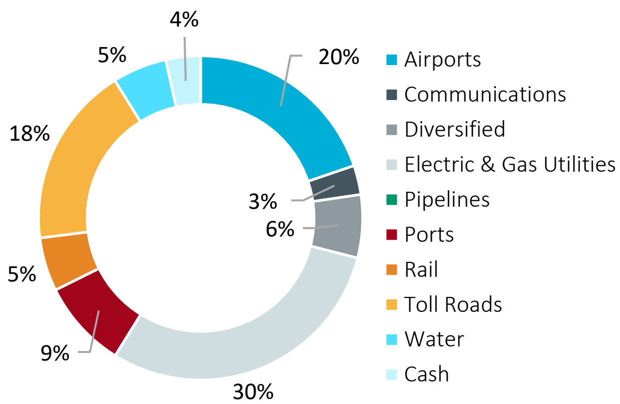
Regional breakdown



Top 10 positions

Stock	End weight %
Shenzhen International	6.29
Jasa Marga	5.84
GAP	5.46
China Merchants Port Holdings	5.29
ASUR	4.91
OMA	4.77
CCR	4.71
Rumo	4.41
China Resources Gas Group	4.32
CEMIG	4.29
Total	50.28

Sector breakdown



Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 4.61% (AUD) in June, under-performing the benchmark return of 2.16% (by 6.77%). Currency contributed 14bps in June.

The strongest performer for June was Chinese airport, Beijing Capital International Airport +16.3% for the month as China slowly begins to re-open and reduces quarantine periods further giving hope that passengers will return to travel.

The weakest performer in June was Brazilian toll road operator Ecorodovias down 22.7% due to on-going concerns around inflation, higher interest rates and a higher than normal leverage level as they execute on a significant growth program. While financing costs will be higher than normal the company has a solid earnings profile hedged to inflation to support the future opportunity set and we believe it has been oversold.

The market has been incredibly volatile on inflation/interest rate concerns as central banks around the world raise rates in an effort to bring inflation to a more reasonable level. The current 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 under pinned by contract or regulation. We believe it is a sensible portfolio allocation at the current stage of the economic cycle and we believe the current weakness is a buying opportunity for the asset class.

Month in review

June saw ongoing inflation and macro growth concerns. Yet a key macro indicator we follow closely remains strong. US unemployment is at a five-decade low reports Bloomberg. In June, almost 400,000 jobs were added, far more than predicted and a clear illustration of the extreme tightness of the labor market. But a look beneath the surface of the June employment report and other recent data shows just how hot it really is. *'Our private sector has now recovered all of the jobs lost during the pandemic, and added jobs on top of that,'* President Joe Biden said. Unfortunately, high inflation, fuelled in part by Russia's war on Ukraine, has made all those gainfully employed Americans both a blessing and a curse. Economists had foreseen a more moderate increase, which in turn led to the view that there was less reason for the Fed to move as quickly with plans to raise interest rates - and thus presenting less risk of a hard economic landing. But with June's data and ongoing inflation pressures a sanguine central bank is not considered likely when it comes to rate hikes.

An escalation of the war in Ukraine and sanctions against Russia also means that global economic growth is likely to be lower than previously expected adding to the challenges facing the world's poor according to the IMF. Inflation has broadened beyond energy and food commodity prices in many economies, while strict shutdowns in China are weighing on growth and risk causing further supply-chain disruptions.

Recognising the slowdown China is considering a US$220 billion stimulus to boost the economy. The Ministry of Finance is mulling allowing local governments to sell 1.5 trillion yuan of bonds in 2H22 - *mostly to be used for infrastructure* - from the 2023 quota. It is the first-time issuance has been fast-tracked in this way.

India is set to topple China and claim the title as the world's most populous nation next year, according to a UN report and reported in Bloomberg. That is four years earlier than a previous estimate. Overall, the UN expects global population to hit 8.5 billion by 2030, with more than half the projected increase coming from just eight countries: Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, the Philippines and Tanzania.

China is expected to experience an absolute decline in its population as early as next year, the report said. A Chinese official had earlier this year estimated that the country's population may peak as early as 2022 as its population of 1.41 billion grew at the slowest pace since the 1950s, according to government data. An earlier report projected India surpassing China by 2027.

Lower mortality rates and demographic changes may ensure that central and southern Asia become the world's most-populous region by 2037. Numbers in sub-Saharan Africa may almost double by late 2040s to cross 2 billion. Population growth rates in Europe and Northern America were almost zero in 2020 and 2021, data show.

The global population is expected to grow to 9.7 billion in 2050 and 10.4 billion in 2100, lower than the UN's 2019 estimate of 11 billion. In India, the total fertility rate may decline to 1.29 births per woman by 2100 instead of the UN's earlier estimate of 1.69 births, which cites data from the Institute for Health Metrics and Evaluation.

Women and men are expected to be equal in numbers by 2050 as the current global count of 49.7% women compared to 50.3% men is expected to be inverted, the report said. *'Sustained high fertility and rapid population growth present challenges to achieving sustainable development'*, it said.

This anticipated population growth will be an important ongoing driver of infrastructure investment around the world in both the public and private sectors. It is a clear positive for the asset class.

Finally, as well as moving to add new members Finland and Sweden, NATO leaders meeting in Madrid agreed to put more than 300,000 troops on high alert and to beef-up European defences with new equipment, including two additional squadrons of US F-35 stealth fighters. The response to Russia's aggression amounts to the biggest upgrade of the alliance's military presence in Europe since the end of the Cold War.

Fund details

Feature	Information
APIR code	BFL7394AU
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]	1.000/0.996
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.