

# 4D Emerging Markets Infrastructure Fund

Performance report | 31 May 2022

## Overview

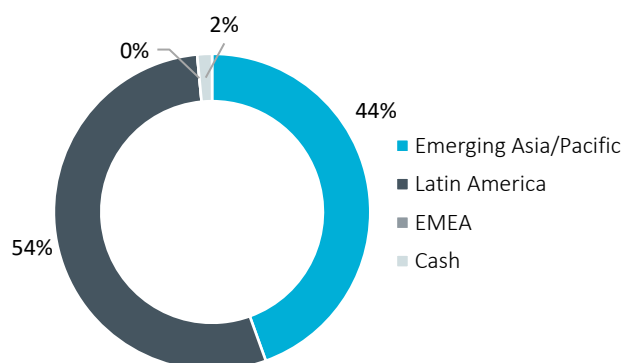
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

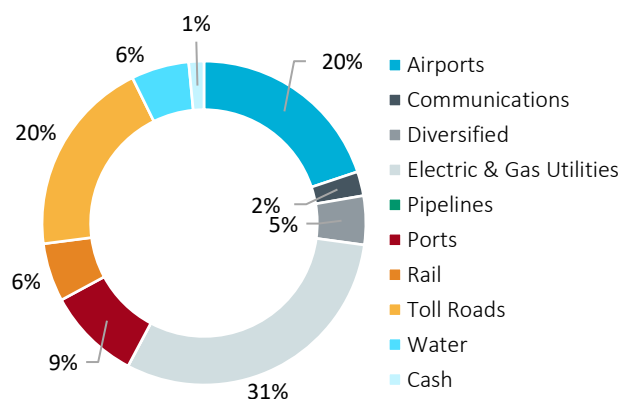
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception <sup>2</sup> p.a.
Fund	5.33%	11.91%	16.25%	11.98%	10.06%	1.84%	3.78%
Benchmark <sup>1</sup>	1.47%	4.17%	8.33%	15.56%	13.14%	12.78%	12.16%
Value added	+3.86%	+7.74%	+7.92%	-3.58%	-3.08%	-10.94%	-8.38%

<sup>1</sup>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 %
Jasa Marga	6.15
China Merchants Port	5.38
GAP	5.38
CCR	5.05
ASUR	4.98
OMA	4.92
Rumo	4.92
Shenzhen International	4.87
CEMIG	4.85
Ecorodovias	4.74
Total	51.25

## Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up a net 5.33% (AUD) in May, out-performing the benchmark return of 1.47% (by 3.86%). Currency contributed 114bps in May.

The strongest performer for May was Chinese gas distributor, China Gas Holdings Ltd +21.6% for the month off a very oversold position. Concerns around China's ongoing lockdowns and repercussions from last year's gas plant explosion (non-controlled associate) have weighed on the stock and growth expectations. It continues to offer very attractive risk/return at these levels, and we maintain our position.

The weakest performer in May was Mexican rail operator GMexico Transportes down 4.8% as concerns around ongoing supply chain issues and economic slowdown weigh on all rail stocks. The stock has also held up very well over the last few years so expect some profit taking as market sentiment shifts.

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

Three months after Putin invaded Ukraine with the objective of stopping the expansion of NATO the opposite looks like being achieved. The expected accession of Finland and Sweden to NATO is part of Europe's biggest foreign policy change since Russia invaded Ukraine. For Finland it would end an era of heavy Russian influence, and for Sweden, it would conclude two centuries of neutrality. As the chart from Bloomberg below shows, for NATO the Nordic countries will not only bring extra military capabilities, they will also reduce the vulnerability of NATO's north eastern flank by adding 1,343 kilometres (835 miles) of additional land frontier with Russia and effectively isolating its enclave of Kaliningrad sandwiched between Poland and Lithuania on the Baltic Sea.

■ NATO member ■ Potential NATO member



It is not yet a done deal though with Turkey standing in the way with an array of conditions on new NATO candidates. These include demands to recognize its concerns about Kurdish militias and to end bans on arms exports to Turkey.

The US Federal Reserve delivered the biggest hike in interest rates since 2000 and announced it would start shrinking its massive balance sheet, deploying the most aggressive tightening of monetary policy in decades. The Fed raised its benchmark rate 0.50% and will begin allowing its holdings of Treasuries and mortgage-backed securities to decline in June at an initial combined monthly pace of US\$47.5b, stepping up over three months to \$95b.

*'Inflation is much too high and we understand the hardship it is causing and we are moving expeditiously to bring it back down'* Chair Jerome Powell said. Treasury Secretary Janet Yellen predicted solid growth in the coming year and a possible *'soft landing'* for the economy.

President Xi Jinping's Covid Zero policy is hurting China's economy, with industrial output and consumer spending sliding to the worst levels since the pandemic began and analysts warning of no quick recovery. Fitch cut its forecast for China's 2022 GDP growth to 4.3% from 4.8%, citing *'pandemic policies'*. It revised its 2023 growth forecast slightly higher to 5.2%, from 5.1%, assuming China will phase out its zero-Covid policy only gradually over the course of next year.

But according to Bloomberg China's plans to bolster growth as Covid and lockdowns crush activity will see a whopping US\$5.3 trillion pumped into its economy this year. This equates to roughly a third of the nation's US\$17 trillion economy but is actually smaller than the stimulus in 2020 which suggests even more could be spent if activity fails to pick-up from its current funk. Bloomberg Economics said there's still a lot of space for a stronger fiscal policy, which is more effective in supporting growth.

Hong Kong's economy contracted 4% year-on-year in 1Q22.

US Treasury Secretary Janet Yellen's success in securing the biggest global corporate-tax reform deal in decades last October faces a potential roadblock: approval by her country's legislature. The agreement lacks the universal support of Democrats and faces staunch opposition among Republicans.

In the Philippines Ferdinand Marcos Jr., known as Bongbong, won an election with the largest share of the vote in four decades, a triumphant return to power for a family that abruptly fled the country in 1986 as protesters demanded the end of his dictator father's two-decade rule. Marcos Jr. largely avoided talking about policies on the campaign trail, instead calling for *'unity'* and touting his father's legacy. However, where he did make pledges - to step up infrastructure construction - he may face obstacles, even as economic growth returns.

## 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) <sup>3</sup>	1.1175/1.1131
Distribution frequency	Annually
Management fee <sup>4</sup>	1.15% p.a. (including GST)
Performance fee <sup>5</sup>	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](https://4Dinfra.com)



1800 895 388 (AU) or 0800 442 304 (NZ)



[client.experience@bennelongfunds.com](mailto: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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