

# 4D Emerging Markets Infrastructure Fund

Performance report | 31 October 2022

## Overview

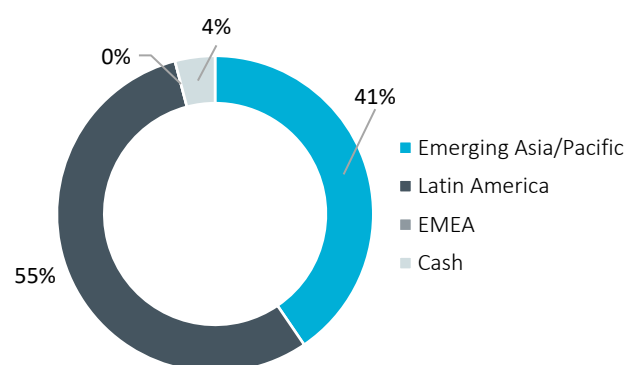
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

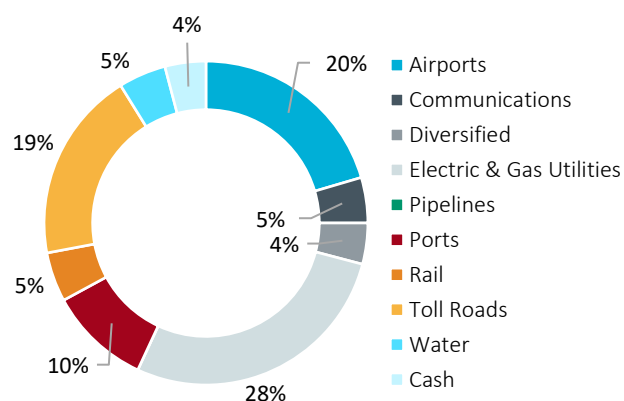
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception <sup>2</sup> p.a.
Fund	4.05%	3.06%	1.37%	16.15%	13.16%	-1.77%	2.42%	2.72%
Benchmark <sup>1</sup>	1.08%	4.04%	9.66%	18.15%	15.61%	13.90%	12.94%	12.79%
Value added	2.97%	-0.98%	-8.29%	-2.00%	-2.45%	-15.67%	-10.52%	-10.08%

<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 %
GAP	6.04
OMA	5.70
ASUR	5.54
Jasa Marga	5.48
CCR	5.25
CEMIG	5.12
Rumo	4.95
Ecorodovias	4.73
China Merchants Port Holdings	4.58
Santos Brasil	4.41
Total	51.80

## Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up a net 4.05% (AUD) in October, out-performing the benchmark return of 1.08% (by 2.97%). Currency contributed 192bps to performance in October.

The best portfolio performer in October was Mexican airport operator, OMA up 24.6% after a strong Q3 as traffic rebounds, operational efficiencies improve margins and inflation boosts the bottom line.

The weakest performer in October was gas distributor China Gas Holdings down 26% on the back of concerns around an ongoing commitment to COVID-zero which was exacerbated by a significant Hong Kong sell off on the 31st of the month.

The market remains incredibly volatile on inflation/interest rate/growth concerns as central banks around the world raise rates in an effort to bring inflation back to target levels. 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 underpinned 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.

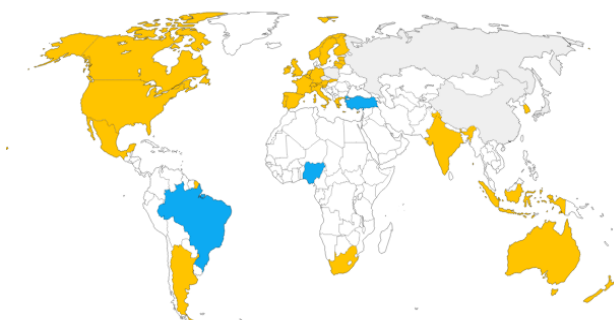
## Month in review

Inflation remains the key focus of international markets and the world's leading central banks are finally pushing their interest rates into restrictive territory stoking chatter that policymakers may need to pivot at some point. The Federal Reserve, ECB and most of their peers are set to keep raising borrowing costs. The faster they go; the more questions will be asked about how far they can squeeze economies before unsettling investors or generating recessions.

### The Bloomberg Central Bank Outlook

What's set to happen with interest rates by the end of 2022

■ Cut ■ Unchanged ■ Hike



Source: Bloomberg Economics forecasts; surveys of economists for Czech Republic, Nigeria, Norway, Poland, South Africa, South Korea and Switzerland  
Note: Data for distinct economies.

Jerome Powell says he sees daylight, but it's at the end of a longer tunnel reports Bloomberg. The US Federal Reserve Chair stated interest rates will go up more than projected, and the path there could involve smaller hikes. In remarks after the Fed raised rates by 0.75%, Powell said it's likely the *'ultimate level of interest rates will be higher than previously expected'* and it would be appropriate to slow the pace of increases *'as soon as the next meeting or the one*

*after that.*' Then the downer: Powell emphasized *'no decision has been made'* on the course ahead and there's still *'some ways to go'*.

The ECB doubled its key interest rate to 1.5% - the highest level in more than a decade and signalled it's making progress in its battle with record inflation, just as the likelihood of a recession mounts reports Bloomberg.

Bank of England Governor Andrew Bailey said the economic turmoil hitting the UK this year is worse than anything in the 1970s. The remarks may underscore why the central bank is signalling a more cautious approach to interest rates than the US Federal Reserve. The BOE raised its benchmark lending rate at the sharpest pace in 33 years, but pushed back on market expectations for rapid increases going forward.

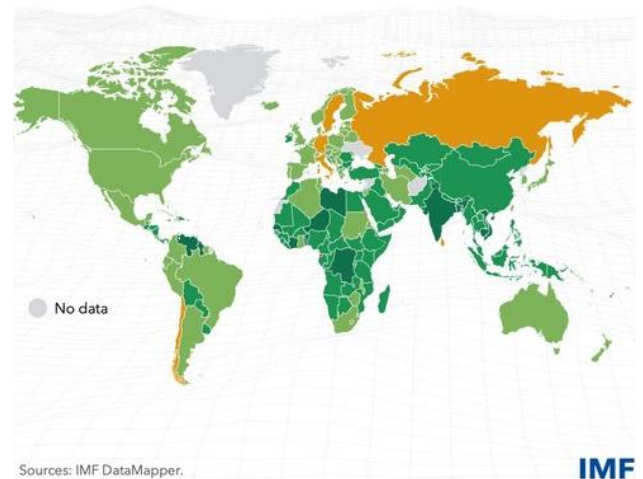
The IMF's World Economic Outlook forecasts that global economic growth will slow from 3.2% this year to 2.7% next year. The 2022 projection was unchanged from the last estimate in July, but next year's was cut by 0.2%. The global deceleration will be broad-based, and the 2023 projection is less than half of last year's 6% expansion. Countries accounting for about a third of the global economy are estimated to have a two-quarter contraction in real GDP this year or next.

The Chart below brings together all GDP forecasts in the IMF's latest assessment.

### Economic forecasts: 2023

The global growth projection has been lowered to 2.7%.  
(real GDP growth; annual percent change)

● Less than -3% ● -3% - 0% ● 0% - 3% ● 3% - 6% ● 6%+



In Brazil leftist leader Luiz Inacio Lula da Silva has beaten incumbent Jair Bolsonaro in Brazil's presidential election, in a dramatic comeback for the left-wing politician who was languishing in a jail cell just three years ago. All eyes now will be on how Bolsonaro responds.

Finally, a baby bust in Russia! President Vladimir Putin's invasion of Ukraine is consigning Russia's population to a historic decline after he spent years racing against the demographic clock. Thousands of battlefield casualties, the enlistment of 300,000 reservists and an even bigger flight of men abroad are derailing his goals of stabilizing the population following a slump in births linked to the Soviet Union's collapse.

## 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>	1.0092/1.0052
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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