4D Global Infrastructure Fund

ARSN: 610 092 503

Monthly performance update

As at 31 July 2017

Overview

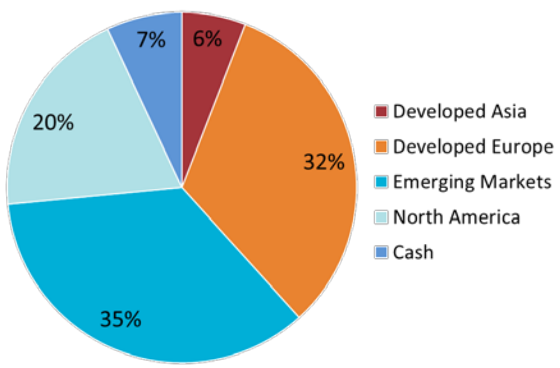
4D Infrastructure (4D) is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing dividends. The 4D Global Infrastructure Fund (the 'Fund') aims to outperform the OECD G7 Inflation Index + 5.5% p.a. over the medium to long term (before fees).

Performance

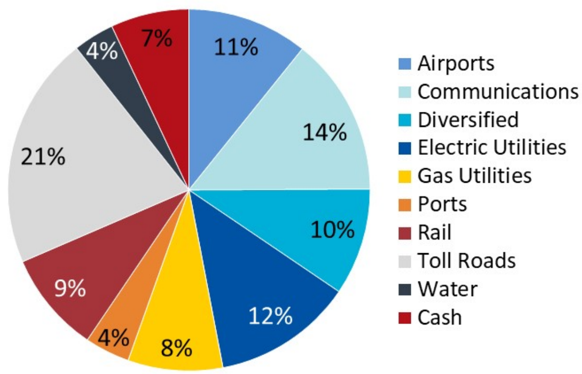
	1 month	3 month	6 month	1 year	Inception (pa)*
4D Global Infrastructure Fund	-0.84%	2.45%	16.77%	7.68%	13.74%
Benchmark: OECD G7 Inflation Index + 5.5%	0.73%	2.08%	3.72%	7.47%	7.28%
Over/Under Performance	**-1.57%**	**0.37%**	**13.05%**	**0.21%**	**6.46%**

Performance figures are net of fees and expenses unless otherwise stated.
*Inception date is 7 March 2016

Regional Breakdown



Sector Breakdown



FUND DETAILS	
APIR Code	BFL0019AU
Investment Manager	4D Infrastructure
Portfolio Manager	Sarah Shaw
Benchmark	OECD G7 Inflation Index + 5.5%
Inception Date	7 March 2016
Reporting Currency	A$ Unhedged
Recommended Investment Period	Five years
Stock / Cash Limit	+7% / 10%
No. of Securities	40
Application/Redemption Price (AUD)	1.1874/1.1803
Distribution Frequency	Quarterly
Base Management Fee	0.93% p.a. + net effect of GST
Performance Fee	10% p.a. + net effect of GST
Buy/Sell Spread	+/- 0.30%
Minimum Investment (AUD)	25,000

Top 10 Positions

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
Groupe Eurotunnel	5.00
Cellnex Telecom	5.00
Jasa Marga	4.13
Shenzhen International	4.03
DP World	4.02
Transurban Group	3.94
Cheniere Energy	3.93
Ferrovial	3.62
Iberdrola	3.50
American Water Works Co Inc	3.00
Top 10 Total	**40.16**

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4D infrastructure

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Portfolio performance review

The 4D Global Infrastructure Fund was down a net 0.84% in July (A$), underperforming our benchmark of 0.73% by 1.57%. The 4D Fund did, however, outperform the FTSE 50/50 Infrastructure Index which was down -1.17% in July.

July's negative performance can largely be attributed to the strength of the A$, which was up 4% in the month. With only 6% of our Fund in A$, the strength of the currency negatively impacted >90% of the portfolio.

We did see some strong underlying performance of our portfolio positions, with Brazilian rail operator Rumo the biggest winner up 20% for the month on expectations of a strong quarter and increasing noise about concession extensions.

At a stock level our weakest performer in July was US rail operator Norfolk Southern, down 7.5% in the month. Solid Q2 numbers were offset by a lacklustre outlook for Q3 volumes, and we expect there was some profit taking. We continue to see fundamental value.

We exited positions in Spanish toll road operator Abertis (under takeover) and China Gas Holdings in July, and reduced positions in others on valuation concerns.

We remain overweight in European user pays and emerging markets, but have been reallocating some profits from those regions to increase exposure to quality names in North America which have underperformed year to date.

Market review

Global equity markets were strong in July 2017. The US S&P 500 finished up +1.9%, the broader MSCI World finished +2.4%, and the MSCI emerging markets index had a screamer: up +5.4% for the month. The US bond market finished essentially unchanged with 10-year US treasuries closing at a yield of 2.29% p.a., down just 1bp. Closer to home the ASX200 finished unchanged. On the back of improved Chinese demand and a generally positive global economic outlook, iron ore was up strongly, helping push the A$ up over 4% to 80c in July and marking a rise of 7.7% over just the past two months. Just as many brokers finished downgrading their oil price forecasts, crude finished July north of US$50/barrel.

July was generally a quiet month in terms of geo-political events. We had the usual Trump Presidency/White House circus roll-on. While there were too many individual events to mention, the key point for equity markets is whether they all add up to a delay in the Trump reform agenda that the market has been counting on. Of particular note are the much-touted tax reform/reduction in the US corporate tax rate, and the similarly promoted US$1 trillion infrastructure spend. At present the market is still expecting these to be delivered, albeit a bit delayed. If these reforms start looking seriously shaky, the market may not be so patient in unwinding the '*Trump trade*'.

Economic data was a little mixed although generally still solid. US GDP for 2Q17 came out at 2.6% year on year, while inflation was weak. In Europe, PMI readings moderated but remained in expansion territory.

The US Fed left monetary policy unchanged in July, although the accompanying statement was a little more dovish than previously. Attention is turning to when the Fed will begin to unwind its bloated balance sheet, as is the case with the ECB in Europe.

The strong performance in emerging equity markets was accompanied by strong fund inflows – US$41.8 billion year to date. 17.5% above the next strongest year of 2009 (for the equivalent time of year). Generally emerging markets also saw good economic data. The US framework for re-negotiating the north Atlantic free trade agreement (NAFTA) was released and was seen as being considerably less onerous than expected. As a result, the Mexican share market reached all-time highs during the month. S&P downgraded Chile's credit rating to A+ from AA, reflecting '*prolonged subdued economic growth*'. This was Chile's first downgrade since 1990, so the rally in copper prices towards month-end will be welcomed by this resource-rich Latin American nation. Troublesome politics continue to clash with modestly positive economics in Brazil. During the month, the former very popular President '*Lula*' da Silva was convicted of corruption and money laundering, and sentenced to nine and a half years in jail – all part of the ongoing 'carwash' corruption enquiry.

Outlook

We have a very positive outlook for global listed infrastructure (GLI) over the medium term. There are a number of powerful macro forces at play which, we believe, will continue to support the sector. There has been a huge underinvestment in infrastructure around the world over the past 30 years. As governments seek to redress this problem, public sector fiscal and debt constraints will limit their ability to respond, meaning there will be an ever-increasing need for private sector capital as part of the funding solution. In addition, 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. GLI's very attractive investment attributes will make it an important part of the financing solution to the world's infrastructure needs and, we believe, see it continue to grow and prosper over the longer term.

Contact details

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Notes:

1. Gross performance is the absolute performance of the fund before any fees (incl. management & performance)
2. Net performance is net of all fees (incl. management & performance)
3. All values in AUD