

4D Global Infrastructure Fund

ARSN: 610 092 503

Monthly performance update

As at 31 August 2017

Overview

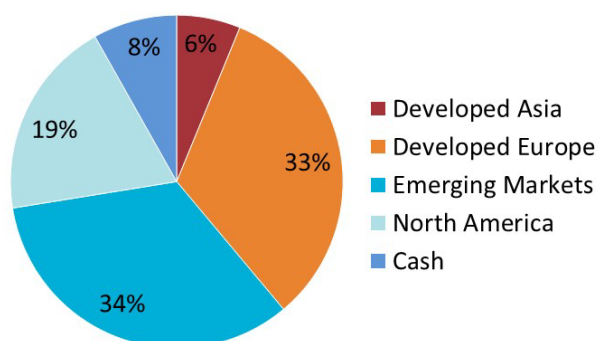
4D Infrastructure (4D) is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable,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

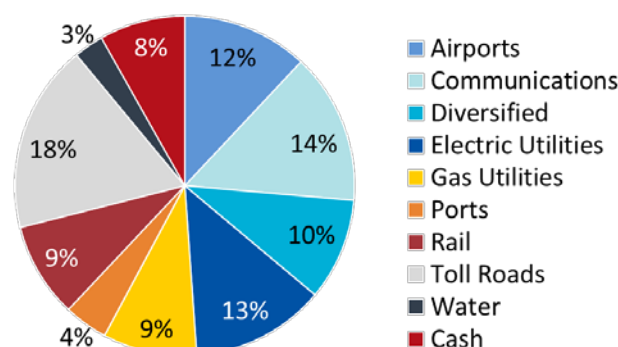
	1 month	3 month	6 month	1 year	Inception (pa)*
4D Global Infrastructure Fund	2.63%	0.74%	15.26%	11.00%	14.90%
Benchmark: OECD G7 Inflation Index + 5.5%	0.51%	1.85%	3.90%	7.17%	7.22%
Over/under performance	2.11%	-1.11%	11.36%	3.83%	7.68%

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	38
Application/Redemption Price (AUD)	1.2186/1.2113
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	5.09
Cellnex Telecom	5.00
DP World	4.18
Shenzhen International	4.08
Jasa Marga	4.08
Transurban Group	4.01
Ferrovial	3.77
Iberdrola	3.72
Cheniere Energy	3.51
Kinder Morgan	2.97
Top 10 Total	40.41

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Portfolio performance review

The 4D Global Infrastructure Fund was up a net 2.63% in August (AUD), outperforming our benchmark of 0.51% by 2.11%. The Fund was broadly in line with the FTSE 50/50 Infrastructure Index, which was up 2.69% for the month.

A generally supportive results season saw the Fund up in August, with the majority of our positions beating expectations and providing positive rhetoric on strategy execution and operational outlook.

August was a strong month for the tower sector in the Americas. The top performer for the month was our favoured US tower operator SBA Communications, up 11.6% following solid H1 results which supported strategy execution. Mexican tower operator Telesites also had a strong month, up 8.1%, as did US tower operator Crown Castle, up 7.8%—again the result of positive H1 results that were supportive of their long-term strategies.

Sydney Airport was also a winner in August, up 10% for the month. Strong results, and with yield coming back into favour, helped Sydney recover value it had lost in the more recent Australian infrastructure sell-off. Investors have realised that while we are in a rising interest rate environment it will be a slow and steady step up.

By contrast the weakest performer for August was NZ fiber play Chorus down 10.3% for the month, with the market disappointed post their FY results which saw accounting changes, an increase in capex profiles and faster copper substitution than anticipated. Chorus remains undervalued, but investors may need to wait for clarity on regulation before they realise their upside.

We remain buyers of the global economic growth story, so continue overweight in user pays and underweight regulated utilities. However, we do realise that geo-political tensions are on the rise, so retain a core holding in defensive names offering solid yields which should insulate on the downside.

Market review

Global equity markets were quite flat in August. The US S&P 500 finished up just 5bp, the broader MSCI World index finished +19bp, and the MSCI Emerging Markets index was up 2%. The US bond market rallied strongly with 10-year US treasuries closing at a yield of 2.12% pa, down 17bp. Closer to home, the ASX200 finished down 11bp.

In commodities, WTI Oil was down 5% to \$47 a barrel in August. Iron ore and coking coal continued their strong runs, up 14% and 17% respectively for the month and 24% and 51% over the past 12 months. Copper has also been strong, up 7% for August and 47% over the past year. Given these market moves, it is no surprise the AUD has been strong of late, although it gave up 0.7% in August.

Global tensions remain elevated, with ongoing provocations from North Korean missile launches and the tragic terror attacks in Spain tempering the market's enthusiasm. Sadly, man's inhumanity to man knows no bounds—nor does nature's fury, with Hurricane Harvey's trail of destruction.

Chaos continued in Washington, although by month-end Mr Trump was talking tax reform. Equity markets remain optimistic Mr Trump will be able to deliver some form of tax reform plus an infrastructure investment program, so this is a critical phase for the Trump administration. US GDP printed strongly at 3% year-on-year, as did other countries such as Canada, while the economics from Europe remained generally positive. A synchronised global recovery looks to remain in place—so much so that the Central Bankers symposium at Jackson Hole, USA proved a real snooze fest with absolutely no policy indications emerging. Meanwhile the US Fed, Bank of England and our RBA all left policy rates on hold.

Brexit talks looked to have stalled, with EU representatives suggesting the UK was asking for 'the impossible'. There are four broad areas of negotiation: (1) the legal status of EU residents in the UK post Brexit; (2) Irish borders; (3) a mooted ~40b euro EU exit fee for the UK; and (4) the post-Brexit trade relationships between the EU and the UK. EU negotiators want to start with (1), while the UK wants to start at (4). Clearly this process has a way to go, and its trials and tribulations will hang over equity markets.

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. Net performance is net of all fees (incl. management & performance)
2. All values are in Australian dollars.

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