4D Global Infrastructure Fund

ARSN: 610 092 503

Monthly performance update

As at 31 May 2018

Overview

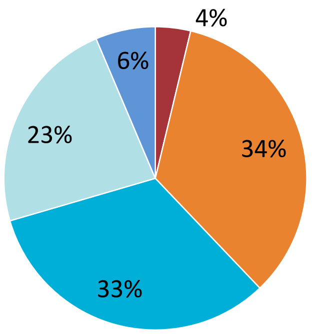
4D Infrastructure (4D) is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable,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

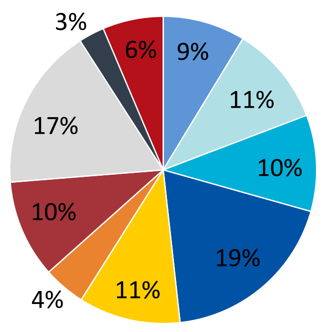
	1 month	3 month	6 month	1 year	Inception (pa)*
4D Global Infrastructure Fund	-2.88%	0.92%	-3.91%	2.78%	10.67%
Benchmark: OECD G7 Inflation Index + 5.5%	0.80%	2.07%	3.87%	7.53%	7.32%
Over/under performance	**-3.68%**	**-1.16%**	**-7.79%**	**-4.75%**	**3.34%**

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

Regional Breakdown



Sector Breakdown



Top 10 Positions

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
Getlink	4.92
Cellnex	4.82
DP World	4.44
Cheniere Energy	4.33
Shenzhen International	4.01
Jasa Marga	3.95
Kinder Morgan	3.92
Transurban	3.76
Ferrovial	3.71
Norfolk Southern	3.71
Top 10 Total	**41.58**

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	39
Application/Redemption Price (AUD)[1]	1.2395/1.2321
Distribution Frequency	Quarterly
Management Fee[2]	0.95% p.a. (including GST)
Performance Fee[3]	10.25% p.a. (including GST)
Buy/Sell Spread	+/- 0.30%
Minimum Investment (AUD)	25,000

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4D infrastructure

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Portfolio performance review

The 4D Global Infrastructure Fund was down a net 2.88% (AUD) in May, under-performing the benchmark return of 0.8% by 3.68%, and the FTSE 50/50 Infrastructure Index which was down 0.93%.

May was a difficult month, driven by macro and political headwinds (discussed below) impacting the portfolio and in particular our exposure in Italy (election outcome) and Brazil (truck strike).

The strongest portfolio performer for May was Chinese gas distributor ENN Energy which was up 17.4%, driven by continued strong gas demand across China as the country continues to promote the move from coal to gas within the energy mix. Interestingly, the second strongest performer in May was US LNG shipper Cheniere up 14.6% who is capitalising on this theme, working to meet the strong Chinese and global demand for LNG.

The weakest performer in May was Brazilian toll road operator Ecorodovias down 15.9% (strongest performer in April), with the stock caught up in the Brazilian trucking strike as well as general Brazilian political turmoil. The stock, along with its Brazilian peers, has been oversold on what remain solid fundamentals.

Given the global macro environment, we remain overweight user pay assets which have a direct correlation to macro strength. However, ongoing geo-political concerns plus near-term elections sees us maintain core exposure to quality defensive utility assets.

Market review

Developed Market equities were up in May, while Emerging Markets (EMs) came under pressure. The US S&P 500 finished up 2.2% and the broader MSCI World index was +0.7%, while the MSCI EM index was in the red to the tune of -3.3%. Rising US interest rates (the 10-year US T-Bond touched a yield of 3.11% during May), oil prices and a stronger US$ converged to create instability in EMs.

Global politics continued to be dominated by US President Trump. Much to the consternation of allies, the US withdrew from the 2015 Iran nuclear deal and Mr Trump cancelled, then reinstated, the 12 June meeting with North Korea. Sentiment surrounding the China trade talks ebb and flowed. The Canadian government made the remarkable decision to nationalise the troubled Trans Mountain oil pipeline project, agreeing to pay developer Kinder Morgan C$4.5 billion to acquire the project.

Political instability resumed on the continent. The biggest winners in the March 2018 Italian elections were two extreme parties – the 5 Star Movement and the League. After a false start they have formed a government, which helped to steady markets. However, Italian governments can be short-lived – Italy has had 65 governments since 1945. In Spain a no-confidence motion against PM Rajoy over a corruption scandal saw him resign, replaced by Socialist leader Pedro Sanchez. However, the Socialists only control 84 of 350 seats in Congress so they will be dependent on the support of several other parties to pass legislation.

Political unrest was not limited to Europe, with Malaysia removing the Barisan Nasional (BN) coalition government after 60 years of conservative rule. The new PM is former BN leader Dr Mahathir Mohamad, who at 92 years of age became the oldest elected leader in the world. The Brazilian economy was paralysed by a nine-day transport strike – all over the price of diesel.

US economic activity indicators for April were mixed, with the ISM indicators retracing a little but remaining positive. Non-farm payrolls rose 164k against 193k expected, while the unemployment rate dropped to 3.9%. China's manufacturing PMI rose, while activity indicators in Europe remained in positive territory.

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.

How to invest

The Fund is open to investors directly via the PDS (available at 4dinfra.com), or the following platforms.

Platforms	
Hub24 (IDPS, Super)	Netwealth (Super Service, Wrap Service, IDPS)
Macquarie Wrap (IDPS, Super)	Powerwrap (IDPS)

Contact details

Call us on: 1800 895 388 (AU) or 0800 442 304 (NZ)
Email us at: client.services@bennelongfunds.com
Mail us at: Level 26, 20 Bond Street Sydney NSW 2000
Visit our website at: 4dinfra.com

1. All unit prices carry a distribution entitlement.
2. Management fee is 0.95% p.a. (including GST net of reduced input tax credits) of the Net Asset Value of the Fund.
3. 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 G7 inflation index + 5.5% per annum).
All values are in Australian dollars.