4D Global Infrastructure Fund

ARSN: 610 092 503

Monthly performance update

As at 31 December 2018

Overview

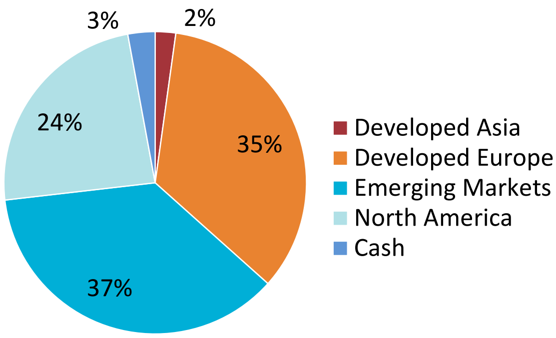
4D Infrastructure (4D) is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable,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

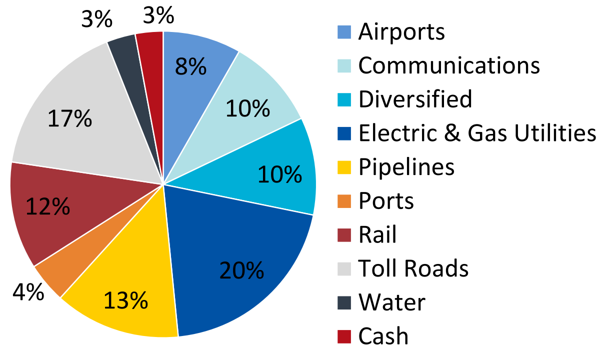
	1 month	3 month	6 month	1 year	2 years (pa)	Inception (pa)*
4D Global Infrastructure Fund	1.54%	-0.61%	0.22%	0.49%	10.74%	9.48%
Benchmark: OECD G7 Inflation Index + 5.5%	0.51%	1.68%	3.80%	7.65%	7.55%	7.40%
Over/under performance	**1.03%**	**-2.29%**	**-3.59%**	**-7.16%**	**3.18%**	**2.08%**

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]	1.258/1.2504
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

Top 10 Positions

IN ORDER OF PORTFOLIO WEIGHT	END WEIGHT %
Getlink	5.32
Cellnex	4.58
Jasa Marga	4.31
Iberdrola	4.31
DP World	4.27
Cheniere Energy	4.20
Shenzhen International	4.00
Ferrovial	3.86
Kinder Morgan	3.59
Aena	3.28
Top 10 Total	**41.72**

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Portfolio performance review

The 4D Global Infrastructure Fund was up a net 1.54% (AUD) in December, out-performing the benchmark return of 0.51% (by 1.03%) and the FTSE 50/50 Infrastructure Index, which was up 0.08% (AUD) in December. The weaker A$ was a strong contributor to sector performance, falling 3.5% versus the US$.

The strongest portfolio performer for December was Mexican airport operator GAP up 13.1%, recovering from an oversold position in November.

The weakest performer in December was US rail operator Norfolk Southern down 11.2%. This was part of an overall weak end to the year for US equities, as fears of a 2019 economic slowdown coupled with concerns the Fed made a mistake in raising rates in December weighed heavily on stocks.

Despite the expectation of a slowing global macro environment, it remains in positive territory and supportive of our overweight to user pay assets which have a direct correlation to macro performance. However, ongoing geo-political concerns see us maintain core exposure to quality defensive utilities.

Market review

December saw the end of a tough year for equities, with major markets delivering their worst performance since the GFC. December 2018 was one of the most brutal months, with the S&P 500 down over 8% and the broader MSCI World down over 7%. EMs weren't so pessimistic, down just under 3%. The US 10-year bond was a key beneficiary of the equity market sell-off, rallying strongly to close at a yield of 2.68% p.a., down 31bp over the month but still up 27bp for 2018 from 2.41% at the end of 2017.

There were numerous macro events in play during 2018 that caused equity markets to fret, including slowing global growth, US/China trade wars, Mr Trump's erratic nature, Chinese military expansionism, Brexit, Paris riots, Italian/EU budget negotiations and a partial US government shutdown. One macro factor that we want to explore here was when President Trump effectively threatened the US Fed. Markets didn't like this at all. The combination of an independent but unelected Central Bank (hence insulated from short-term political pressures) managing monetary policy (money supply and interest rates, with a narrow inflation target objective) combined with an elected government managing fiscal policy (taxing and spending) has been a cornerstone of global economic management over the past 20 years. Generally, this has been a prosperous global period, and it's hard to argue with the crucial role Central Banks played in responding to the GFC. Therefore, when President Trump looked to be angling for some sort of intervention at the Fed, threatening this pillar of economic management, markets got very twitchy. Fortunately, his administration has since re-affirmed the tenure of US Fed Chairman Powell, but the market remains nervous given Mr Trump's unpredictability.

The trigger for this Central Bank focus was the Fed hiking the US cash rate to 2.50%. The market sold off on this, as it thought the hike unnecessary given a number of economic indicators hinted at a slowing global economy, with no inflation pressures.

The landmark free trade deal (the Trans-Pacific Partnership (TPP-11) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam) came into force at the end of December. The TPP will slash tariffs across much of the Asia-Pacific region and is potentially one of the most significant trade deals ever completed.

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.