4D Global Infrastructure Fund

Performance report | 31 August 2021

Overview

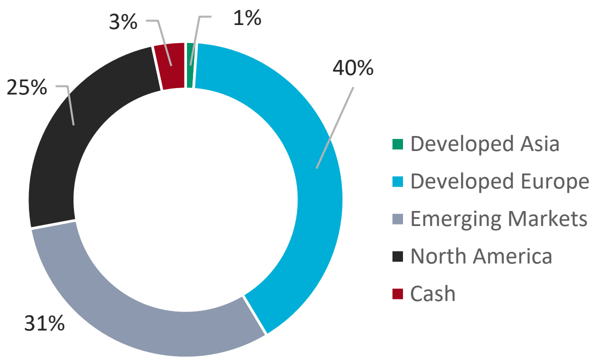
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing dividends. The 4D Global Infrastructure Fund aims to outperform the OECD G7 Inflation Index + 5.5% 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[2] p.a.
Fund	1.65%	4.31%	16.92%	20.61%	4.13%	10.14%	9.36%	10.53%
Benchmark[1]	1.02%	3.10%	5.49%	9.18%	7.41%	7.32%	7.40%	7.39%
Value added	0.63%	1.21%	11.43%	11.43%	-3.28%	2.82%	1.96%	3.14%

'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

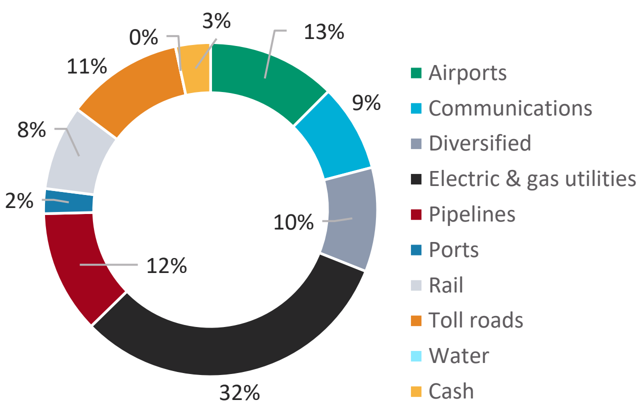
Regional breakdown



Top 10 positions

Stock	End weight %
Cellnex	5.41
Iberdrola	4.94
Jasa Marga	4.15
Enel	3.99
Getlink	3.87
Shenzhen International	3.83
Ferrovial	3.50
Cheniere Energy	3.33
Nextera	3.01
AENA	2.96
Total	38.98

Sector breakdown



Portfolio performance review

The 4D Global Infrastructure Fund was up a net 1.65% (AUD) in August 2021, out-performing the benchmark's return of 1.02% (by 0.63%) but under performing the FTSE 50/50 Infrastructure Index which was up 2.87% (AUD). Currency contributed 29bps to performance in August.

The strongest performer for August was Chinese port operator, China Merchant Port Holdings up 21.1% post a positive H1 profit alert followed by results beating revised expectations. The stock is positioned very well to capitalise on the on-going recovery in demand.

The weakest performer in August was Brazilian toll road Ecorodovias down 9.7% on concerns of rising interest rates and the incorrect view that all infrastructure is a 'bond proxy'.

Despite the Delta wave we continue to position for economic recovery, with infrastructure an integral component of that global bounce back. There remains a raft of attractive investment opportunities on offer in the sector.

Month in review

Now that is money well spent! Recent IMF research shows that when governments invest in infrastructure, they create many new jobs. The IMF evaluated the direct employment effect of public investment in the key infrastructure categories of electricity, roads, schools, hospitals, water and sanitation. Using data from 41 countries over 19 years, the IMF estimates that US$1 million of public spending in infrastructure creates 3-7 jobs in advanced economies, 10-17 jobs in emerging market economies, and 16-30 jobs in low-income developing countries. Overall, the IMF estimate that 1% of global GDP in public investment can create more than 7 million jobs worldwide through its direct employment effects alone.

This type of infrastructure investment is also beneficial to both the publicly listed and private infrastructure sectors as it improves economic efficiency and enhances GDP growth thereby benefitting GDP correlated '*User Pay*' infrastructure assets (eg. toll roads, rail, ports and airports) in particular. It also leads to a pool of possible future privatisation candidates which would see the asset class continue to expand.

And it appears the infrastructure investment message may be getting through. After months of negotiations, the US Senate passed a US$550 billion infrastructure plan that would represent the biggest burst of spending on US public works in decades. The bipartisan 69-30 vote marked a significant victory for President Joe Biden's economic agenda. The bill still faces hurdles in the House, which is scheduled to be on break until September 20. If the package clears both chambers, it includes new spending for roads and bridges, power grid upgrades and broadband expansion.

Similarly, India, Reuters' reports, will launch a 100 trillion rupee (US$1.35 trillion) national infrastructure plan that will help generate jobs and expand use of cleaner fuels to achieve the country's climate goals, PM Narendra Modi said. The infrastructure program, called '*Gati Shakti*', will help boost productivity of industries and boost the economy, Mr Modi said during his speech at the Independence Day celebrations in New Delhi: *'We will launch a masterplan for Gati Shakti, a big program ... (it) will create job opportunities for hundreds of thousands,'* Mr Modi said. Boosting infrastructure in Asia's third largest economy is at the heart of Mr Modi's plan to pull back the country from a sharp, COVID driven economic decline.

US Federal Reserve Chair Jerome Powell signalled in his speech at the Jackson Hole symposium that the Fed will likely begin monetary tapering before the end of the year. Importantly though, a reduction in Fed asset purchases will not be matched with a direct increase in interest rates. The Fed will continue to hold the target range for the federal funds rate at 0-0.25% until the economy reaches conditions consistent with maximum employment, inflation has reached 2% and is on track to moderately exceed 2% for some time. *'The Fed has much ground to cover to reach maximum employment, and time will tell whether inflation reached 2% on a sustainable basis'* Mr Powell added. The weak August US job numbers released in early September will only increase this *'ground to cover'*.

Clearly inflation remains a key factor in the Fed's thinking. Their view has been that recent inflationary '*blips*' were '*transitory*'. One of the arguments supporting the '*transitory*' view has been that temporary '*supply chain disruptions*' caused by the pandemic have contributed to recent price hikes. Bloomberg reports that these disruptions remain prevalent in the global economy. Chip shortages that have held back automakers and computer manufacturers are getting worse. Chip lead times, the gap between ordering a semiconductor and taking delivery, increased by more than 8 days to 20.2 weeks in July from the previous month. That gap was already the longest wait time since tracking this data began in 2017. Shortages of microcontrollers, logic chips that control functions in cars, industrial equipment and home electronics jumped in July. Even Toyota is affected. The automaker warned it will suspend output at 14 plants across Japan and slash production by 40% due to supply disruptions including chip shortages. So, the important question is how long will these disruptions last?

In 4D's country analysis a feature we always view favourably is if a country has some form of legislated fiscal deficit/public debt cap rule. Well, the EU does via its '*Stability and Growth Pact*'. The '*SGP*' sets upper limits for EU country budget deficits at 3% of GDP, and public debt at 60% of GDP. Not surprisingly given COVID, the SGP was suspended in 2020 and 2021 and will remain so in 2022. Discussions are now turning to 2023 and what might happen. Given the huge level of post-COVID public debt globally these SGP discussions, and similar discussions re budget rules around the world, will attract increasing attention.

Finally, Stephen Hawking was once asked[1]: '*What world-changing idea, small or big, would you like to see implemented by humanity?*' He answered: '*This is easy. I would like to see the development of fusion power to give an unlimited supply of clean energy, and a switch to electric cars. Nuclear fusion would become a practical power source and would provide us with an inexhaustible supply of energy, without pollution or global warming*'. It sounds amazing: a technology that could unleash nearly unlimited clean energy and safely power the world for centuries. Yet Bloomberg reports that sustainable nuclear fusion, long hypothesized, took a step closer to reality in August. Scientists at the US National Ignition Facility, part of the Lawrence Livermore National Laboratory in California, announced that they had produced about 10 quadrillion watts of fusion power after blasting a hydrogen capsule with an array of laser beams. The burst lasted only a fraction of a second, but it offered new evidence that harnessing fusion energy could one day be feasible.

[1] Stephen Hawking: Brief Answers to the Big Questions, 2018

Fund details

Feature	Information
APIR code	BFL0019AU
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	42
Application/redemption price (AUD)[3]	1.5820/1.5726
Distribution frequency	Quarterly
Management fee[4]	0.95% p.a. (including GST)
Performance fee[5]	10.25% p.a. (including GST)
Buy/sell spread	+/- 0.30%
Minimum investment (AUD)	25,000

How to invest

The Fund is open to investors directly via the PDS (available on our website), mFund (code: 4DI01) or the following platforms. Visit How to invest to find out more.

Platforms

- BT Asgard (Panorama)
- Hub24 (IDPS, Super)
- Macquarie Wrap (IDPS, Super)
- Mason Stevens
- Netwealth (Super Service, Wrap Service, IDPS)
- Powerwrap (IDPS)
- Wealthtrac
- Praemium (Non Super, Super)
- Wealth O2

Get in touch

4Dinfra.com

1800 895 388 (AU) or 0800 442 304 (NZ)

client.experience@bennelongfunds.com

1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 7 March 2016.

3 All unit prices carry a distribution entitlement.

4 Management fee is 0.95% 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 G7 inflation index + 5.5% per annum). All values are in Australian dollars.