

Performance report | 31 July 2024

4D Global Infrastructure Fund (Unhedged)

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 that are trading below fair value and have sustainable, growing earnings combined with sustainable, growing dividends. The 4D Global Infrastructure Fund (Unhedged) aims to outperform the OECD G7 Inflation Index + 5.5% p.a. over the medium to long term (before fees). It is currency unhedged.

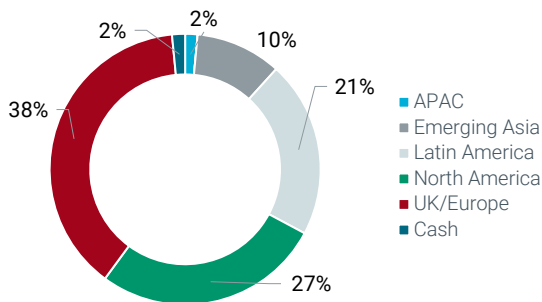
Net returns

	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception ² p.a.
Fund	7.19%	4.73%	5.64%	7.16%	5.85%	9.21%
Benchmark ¹	0.86%	2.82%	8.54%	10.85%	9.38%	8.56%
Value added	6.33%	1.91%	-2.90%	-3.69%	-3.53%	0.65%
FTSE Global Core Infra 50/50 Net Total Return Index (AUD) ³	8.81%	8.02%	12.21%	8.04%	5.56%	8.75%
S&P Global Infra. Net Total Return Index (AUD) ⁴	6.72%	6.79%	11.91%	10.08%	5.89%	8.23%

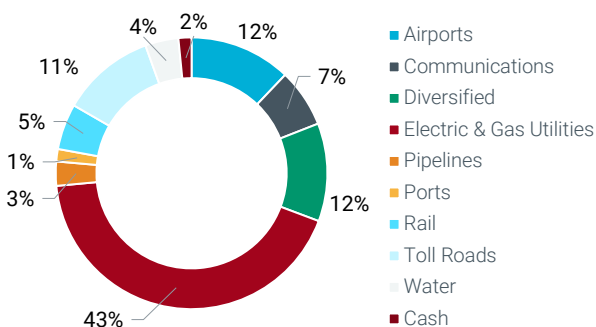
Performance figures are net of fees and expenses.

¹Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

Regional breakdown



Sector breakdown



Top 10 positions

Stock	End weight %
Cellnex	5.44
Iberdrola	5.22
Sempra Energy	5.18
Nextera Energy	4.62
Jasa Marga	4.07
American Water Works	3.96
National Grid	3.54
SSE	3.52
Fraport	3.47
Ferrovial	3.26
Total	42.30

Portfolio performance review

The 4D Global Infrastructure Fund (Unhedged) was up a net 7.19% (AUD) in July, outperforming the benchmark's return of 0.86% (by 6.33%) but underperforming the FTSE 50/50 Infrastructure Index which was up 8.81% (AUD). Currency contributed 250bps to performance in July.

The strongest performer for July was US utility, Edison International +12.6% benefiting from an overall sector re-rate on the back of upgraded load demand outlook and an anticipated imminent inflection in interest rates.

The weakest performer in July was Chinese gas distributor, ENN Energy -14.7% with ongoing regional dynamics weighing on sentiment.

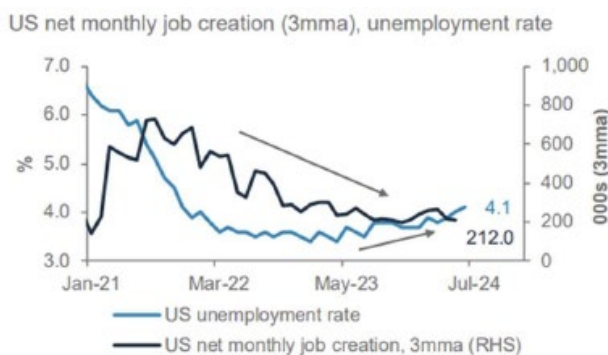
Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are at peak policy rates, with market expectations of rate cuts in 2024 being pared back from the aggressive levels seen at the start of the year. The pace of disinflation has slowed, but the delayed impact of high interest rates on economic growth may yet to fully be seen. There remains a fine balancing act between holding rates in restrictive territory too long and hitting activity – and loosening too quickly before inflation is sustainably within target ranges. Listed infrastructure, as an asset class, fundamentally can do well in either scenario - with explicit or implicit inflation hedges and long-term predictable earnings profiles underpinned by contract or regulation.

Month in review

Markets rallied in July, with global equities up 1.7%. US ten-year yields fell 36bps to 4.02%, driven lower by a third favourable monthly US Core CPI print. This shifted the market expectations from pricing in a full two cuts earlier in the month to pricing three Fed rate cuts by year end. This helped market leadership amongst rate sensitive names, with US Utilities index up 7.43% in July, taking its year to date performance to 18.35% after a very weak 2023.

In the US, Core CPI rose +0.10% Month-on-Month in June, down from +0.2% in May and 0.3% in April – giving the market confidence that the Fed is close to kicking off its easing cycle. The labour market has been cooling with a slowdown in job creation, and the unemployment rate ticking up to 4.1%. In his Senate testimony, Fed Chair Powell acknowledged that the labour market has cooled back to pre-pandemic levels.

Chart 1; US job creation and unemployment rate

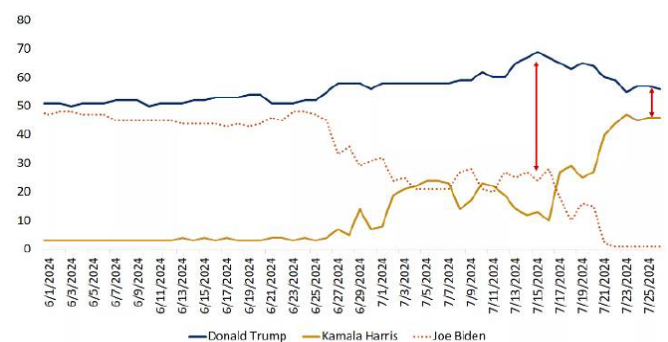


(Source; Standard Chartered)

On a positive note, US retail sales surprised to the upside, with the control-group sales +0.86% for June vs 0.20% expected and running at a healthy 6m annualised 2.8%.

In China, the Third Plenum met in mid-July, which is used to set five year economic plans and reforms across the country. There was some disappointment that no major stimulus or policy changes were announced – with a focus on the quality, rather than quantity, of growth. China data out during the month was weak – credit growth slowed, and retail sales were weak (+2% YoY v 3.4% expected) signalling consumption weakness. Stimulatory measures were announced during the month with incremental measures to help boost domestic consumption and growth - including a RMB300bn consumer stimulus (for white goods and equipment trade ins), as well as cutting the 7 day repo rate and 1 year MLF rate by 10bps and 20bps respectively.

Chart 2; VP Harris picking up lost ground against Trump



(Source: Edward Jones, Predictit)

As with most of 2024, July was a noisy month geopolitically impacting market sentiment and returns. July 13 saw Donald Trump surviving an assassination attempt at a campaign rally in Pennsylvania. This led to an initial tick up in betting for him to win the November election, and ultimately forced Biden's hand to step down as presidential candidate 8 days later. The "Trump trade" picked up speed, which involves higher growth and rates expectations amongst a higher-inflationary policy environment (new tariffs and tax-cut extensions). Kamala Harris has started her campaign strong, with several important endorsements, fundraising efforts and her odds improving markedly over the month.

Lastly, France went to the polls in July. Despite winning by a clear margin in the first round, the far-right National Rally (RN) came in third in the second-round vote, with centrist and left-wing parties forming alliances leading into the vote to dampen RN's success. This means that no single party will have an overall majority, and the first hung parliament since 1958 will remain until the wider French Presidential elections in 2027. Another snap legislative election cannot be called for 12 months. Markets were relieved that a worse case result was avoided (a RN majority or victory) – major ratings agencies retained their stable outlook on France, but market risk pricing remains elevated post-election.

Fund details

Feature	Information
APIR code	BFL0019AU
Investment manager	4D Infrastructure
Portfolio manager	Sarah Shaw
Reporting currency	A\$ Unhedged
Recommended investment period	Five years
Cash limit	10%
No. of securities	35
Application/redemption price (AUD) ⁵	1.7211/1.7143
Distribution frequency	Quarterly
Management fees and costs ⁶	1.00% p.a. (including GST)
Performance fee ⁷	10.25% p.a. (including GST)
Buy/sell spread	+/- 0.20%
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

AMP North	Netwealth (Super Service, Wrap Service, IDPS)
BT Asgard (Panorama)	OneView
CFS (FirstWrap, Edge)	Powerwrap (IDPS)
Dash	Praemium (Non Super, Super)
Hub24 (Super, IDPS)	
Macquarie Wrap (IDPS, Super)	
Mason Stevens	

Get in touch



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1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 7 March 2016.

3 The reference index is the FTSE Global Core Infrastructure 50/50 Net Total Return in AUD. This is provided as an indicative comparison only and is not the Fund Benchmark.

4 The reference index is the S&P Global Infra AUD Net Total Return Index. This is provided as an indicative comparison only and is not the Fund Benchmark.

5 All unit prices carry a distribution entitlement.

6 Management fees and costs consist of annual management fee rate and capped recoverable expenses. For a detailed split of the fees and costs, please refer to the fund(s) PDS.

7 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.

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