

# Performance report | 30 September 2024

## 4D Emerging Markets Infrastructure Fund

### 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 Emerging Markets Infrastructure Fund aims to outperform the OECD G20 Inflation Index + 8% p.a. over the medium to long term (before fees).

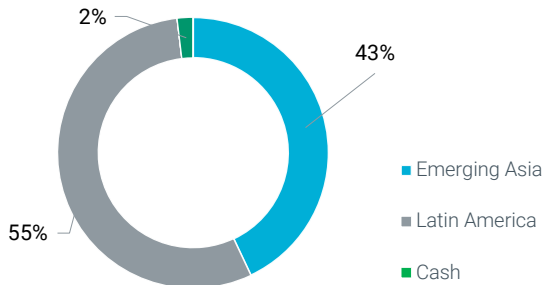
### Net returns

	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception <sup>2</sup> p.a.
Fund	2.22%	2.05%	3.66%	8.41%	2.28%	4.24%
Benchmark <sup>1</sup>	0.93%	3.65%	15.73%	15.90%	14.20%	13.34%
Value added	1.29%	-1.60%	-12.07%	-7.49%	-11.92%	-9.10%

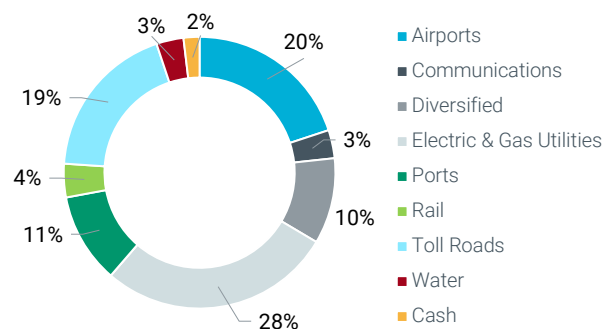
Performance figures are net of fees and expenses.

<sup>1</sup>Value 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 %
Santos Brasil	6.63
Shenzhen International	6.25
GAPB	5.69
China Resources Gas	5.66
Ecorodovias	5.55
Jasa Marga	5.34
ENN Energy	5.12
CPFL	4.80
CCR	4.70
OMA	4.64
<b>Total</b>	<b>55.28</b>

## Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up net 2.22% (AUD) in September, outperforming the benchmark return of 0.93% (by 1.30%). Currency detracted 220bps from performance in September.

The strongest performer for September was Chinese airport operator, Beijing Capital International Airport up 23.9% after the market rebounded off a very low base on strong government policy response.

The weakest performer in September was Brazilian toll road operator, Ecorodovias down 11.6% as the Brazilian Central Bank raised interest rates 25bps and Ecorodovias sold off on the “bond proxy trade” ignoring very resilient fundamentals.

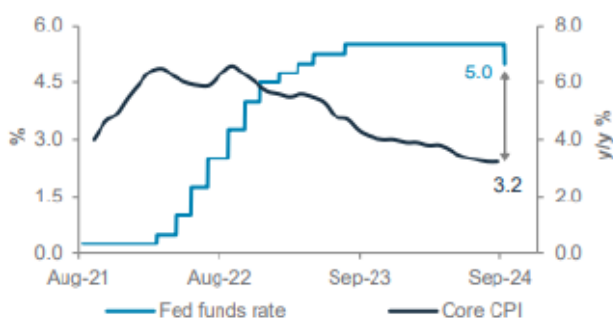
Markets remain volatile on the outlook for inflation, economic growth and the state of the labour market. Most developed market Central Banks are at (or past) peak policy rates. The pace of disinflation has slowed, but the delayed impact of high interest rates on economic growth may yet to fully be seen. Weakness in the US labour market may be the first signs of a bigger cooling to potential growth. 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

Global equities continued their rally in September, spurred on by a larger rate cut in the US and positive coordinated policy response in China. MSCI World was up 1.50% in September, hitting all-time highs. US ten year yields hit their lowest level of the year (3.60%), ending the month down 12bps to 3.78%.

The Fed cut rates 50bps at its September meeting, a larger cut than the market expected. The Fed has pivoted since July to focusing more on its employment mandate, with its inflation mandate mostly under control. Labour market data has been soft the last few months, with job growth back to 2019 averages. The Fed signalled a further 250bps of cuts to 2026, with the market now focusing on the size and timing of these cuts – with the deterioration in the labour market being the main factor to track.

Chart 1; Fed funds rate & US Core CPI



Source – Standard Chartered

On the data front in the US, headline inflation fell to 2.5% YoY – the lowest since February 2021. Three month annualised average core inflation is now 2.1% - close to the Fed's 2% inflation target.

China's CSI 300 was up 21% for September, with a set of coordinated policy announcements in the final week taking the market by surprise. The market has been very pessimistic on China for over a year, with equity outflows and historically very low valuations. The policy announcements were related to three main areas; easing monetary policy (cutting policy rates and reserve requirements), stopping the fall in the stock market (providing swaps for banks to buy equities and funding buybacks) and putting a floor under the property market. The property market policies are key to improve household and business sentiment who have watched house prices fall 15% from their peak (the majority of household wealth), increasing savings/paying down debt at the expense of credit demand and consumption. Property measures included cutting existing mortgage rates, cutting downpayment ratios and providing more funding for SOEs to buy unsold developer inventory.

Chart 2 – China CSI300 since Covid reopening



Source- 4D, Bloomberg, to 30/9/24

The coordinated response across the Politburo and the PBOC surprised the market, as opposed to piecemeal approach since reopening. The market (and ourselves) now keenly await implementation of these policies, in particular if the property measures can cut the excess inventory and halt a decline in prices. There is also hope that this signals a permanent change in the Central government leadership's mindset to support growth as the economy adjusts to the property sector decline and that fiscal stimulus is next. This could be in the form of additional household appliance trade in schemes and potentially handouts to large family households.

In Eurozone, the ECB cut rates for the second time this year in September, as per market expectations. Germany continues to lag (with manufacturing still contracting) whilst Spain has upgraded its growth. In the UK, the BoE kept rates unchanged at 5%, with core inflation ticking up to 3.6% YoY in August and services inflation remaining elevated at 5.6% YoY.

Elsewhere in Emerging Markets, Bank Indonesia surprised and cut rates in September due to stable inflation, an appreciating IDR and slowing growth momentum. In Brazil, the BCB diverged from the Fed's easing cycle, and hiked rates – with inflation expectations edging upwards, whilst growth has also been upgraded. The market is expecting a further 150bps of tightening this cycle.

## Fund details

Feature	Information
APIR code	BFL7394AU
Investment manager	4D Infrastructure
Portfolio manager	Sarah Shaw
Reporting currency	A\$ Unhedged
Recommended investment period	Five years
Cash limit	10%
No. of securities	25
Application/redemption price (AUD) <sup>3</sup>	1.0385/1.0343
Distribution frequency	Annually
Management fees and costs <sup>4</sup>	1.20% p.a. (including GST)
Performance fee <sup>5</sup>	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](#)) or the following platforms. Visit [How to invest](#) to find out more.

### Platforms

Hub24 (IDPS)  
Mason Stevens  
Macquarie Wrap (IDPS)

## Get in touch



[4Dinfra.com](https://4Dinfra.com)



[client.experience@bennelongfunds.com](mailto:client.experience@bennelongfunds.com)



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

1 OECD G20 Inflation Index + 8%.

2 Inception date is 16 August 2017.

3 All unit prices carry a distribution entitlement.

4 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.

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 G20 inflation index + 8% per annum). All values are in Australian dollars.

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