Performance report | 31 October 2024

4D Emerging Markets Infrastructure Fund

Overview

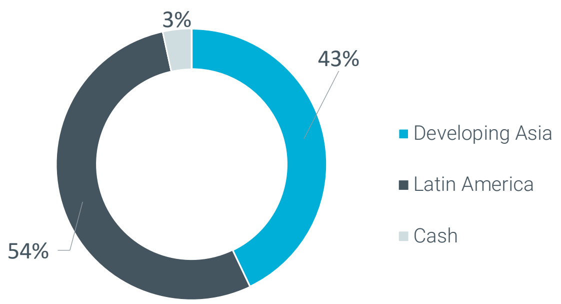
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

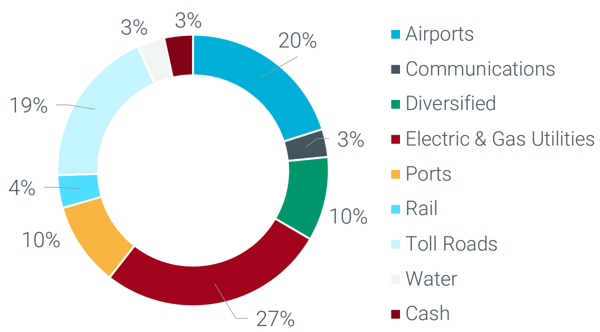
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.77%	0.20%	10.35%	11.01%	2.23%	4.30%
Benchmark[1]	1.17%	3.15%	15.48%	15.93%	14.28%	13.36%
Value added	-0.40%	-2.95%	-5.13%	-4.92%	-12.05%	-9.06%

Performance figures are net of fees and expenses.
'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 %
Shenzhen International	6.23
GAPB	5.90
China Resources Gas	5.66
Ecorodovias	5.62
Santos Brasil	5.57
Jasa Marga	5.49
ENN Energy	5.07
CPFL	4.86
OMA	4.81
CCR	4.77
Total	53.98

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up net 0.77% (AUD) in October, underperforming the benchmark return of 1.17 (by 0.40%). Currency added 249bps to performance in October.

The strongest performer for October was Chinese port operator China Merchants Port +3.4% on stronger throughput data YTD and improved outlook.

The weakest performer in October was Chinese gas distributor, ENN Energy -8.9% on market disappointment around NDRC commentary (see below)

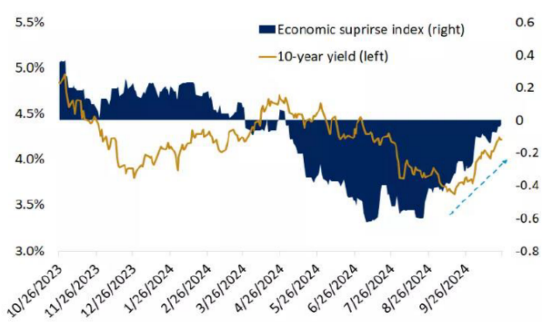
Markets remain volatile on the outlook for inflation, economic growth and the state of the labour market as well as geopolitical concerns. Most developed market Central Banks are at (or past) peak policy rates. However, there remains a fine balancing act between holding rates in restrictive territory 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 (-0.9%) and bonds sold off in October as bond yields rose in the US. After hitting year lows in September of 3.60%, yields rose 50bps in October to 4.28%. This was due to stronger US economic data, as well as improving odds of a Republican Trump sweep in the US elections on November 6. Trump is broadly seen to be inflationary with higher tariffs, greater fiscal spending and debt resulting in a higher outlook for long term rates, as well as looser regulation (banking, crypto, energy).

On the economic front, the US remains resilient with recession probabilities continuing to drop – Q4 GDP is running at 2.8% annualised, well above long term trend (according to Atlanta Fed GDPNow estimate). Labour market strength continued after two months of weaker than expected labour reports and downward revisions – non-farm payrolls added 254k vs 150k expected, with the unemployment rate also dropped 0.1% to 4.1%. Core inflation was also 10bps higher than expected in September (+0.3%). Lastly, US core (control group) retail sales were stronger than expected at 0.7% month on month, vs 0.3% expected and 0.2% in the prior month.

Chart 1; Positive economic surprises & increasing 10y yields



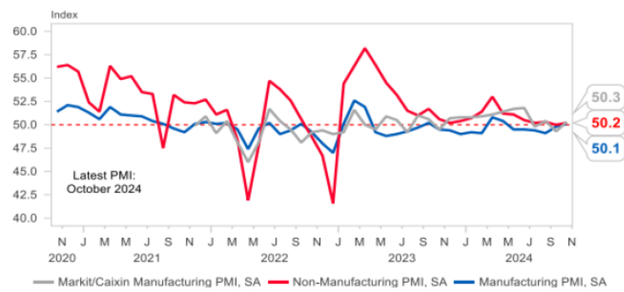
Source; Edward Jones, Citi

These strong data prints (labour market, inflation, retail sales) pushed back rate cut expectations after the bigger than expected 50bps Fed cut earlier in September. At the end of October the market was pricing 5x Fed cuts to the end of 2025, from 8x at the start of the month.

After gaining 21% in September, Chinese equities were down 3% in October (CSI 300) as policy intention announcements were underwhelming – China's National Development and Reform Commission (NDRC) did not announce any new stimulus at its briefing, whilst indicating confidence in achieving the official growth target of "around 5%" this year. The market continues to want additional follow up detail on a fiscal policy package – the amount of long term bond issuances and its use (repaying local government debt and absorbing excess unsold developer inventory). Some additional property specific measures were announced, notably an expansion of the "whitelist" of property projects supported by government funding.

On the data front, the National Day holidays saw positive domestic tourism numbers- with domestic tourist trips +5.9% on 2023 and spend +6.3% (765mn trips during the October Golden Week holidays). Positively, activity data released at the end of October showed a broad based pick up in economic activity across manufacturing and services, returning to expansion for the first time in six months (Purchasing Managers Index). Key is for the positive activity data to sustain itself after the September stimulus.

Chart 2- China PMI's pick up in October activity



Source- UOB

European growth continues to be sluggish, with continued softness in activity indicators. The ECB cut rates 25bps in October, the third cut this year. Disinflation continues, with Euro area inflation falling further below the 2% target to 1.7% in September vs 2.2% in August, dragged lower by energy and services.

In the UK, gilts and inflation expectations increased after a fiscally expansive budget was announced. Government debt issuance is set to increase along with taxes.

In Japan, the incumbent Liberal Democratic Party (LDP) suffered a crushing defeat after the new party leader Ishiba called a snap election earlier in the month. The LDP lost it's parliamentary majority and is negotiating with coalition parties to form government. There continues to be a lot of public discontent from slush fund scandals and lawmaker donations.

In Indonesia, it's eighth President was sworn in on October 20 after elections earlier in the year. President Prabowo Subianto is seen as broadly market neutral, with domestic priorities including food security, higher social welfare, anti-corruption and better governance.

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)[3]	1.0465/1.0423
Distribution frequency	Annually
Management fees and costs[4]	1.20% p.a. (including GST)
Performance fee[5]	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

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.