Performance report | 31 January 2024

4D Emerging Markets Infrastructure Fund

Overview

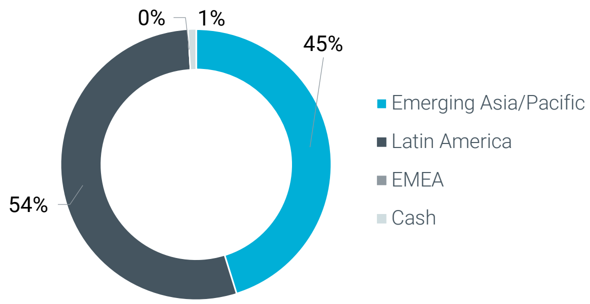
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

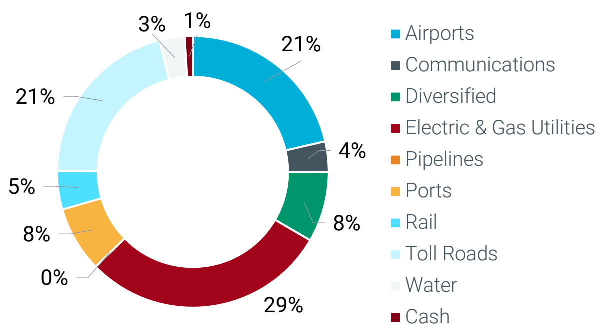
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	-1.39%	8.66%	10.39%	10.08%	3.80%	4.56%
Benchmark[1]	1.11%	3.63%	14.08%	15.43%	13.60%	13.11%
Value added	-2.50%	5.03%	-3.69%	-5.35%	-9.80%	-8.55%

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 %
OMA	5.35
Jasa Marga	5.29
GAP	5.18
Ecorodovias	5.03
CCR	4.94
Shenzhen International	4.88
ASUR	4.77
Rumo	4.60
ENN Energy	4.54
CPFL	4.51
Total	49.09

A Bennelong boutique

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down a net 1.39% (AUD) in January, underperforming the benchmark return of 1.11% (by 2.50%). Currency contributed 172bps to performance in January.

The strongest performer for January was Chinese waste operator, Canvest +11% for the month. This follows positive policy developments regarding the waste sector and is off the back of an oversold position.

The weakest performer in January was Chinese diversified player, Guangdong Investments down 20.1%. This follows a FY profit warning impacting the dividend outlook for the stock resulting in a strong sell off.

Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are getting close to peak policy rates, with market expectations of aggressive rate cuts in 2024. Inflation continues to ease, but the delayed impact of high interest rates on economic growth is 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.

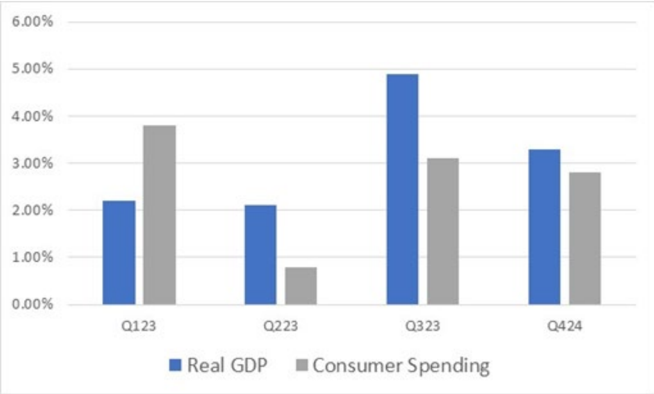
Month in review

Markets continued to grind higher in January, buoyed by continued strength in US economic data, with MSCI World (Local) up 1.23% in January, and the S&P 500 up 1.68% hitting all time highs. Whilst bond yields ended flat for the month at 3.91% (US ten years), they had a 25bps intra-month range and continue to be volatile as the market digests both the timing of the first Fed rate cut and the magnitude of 2024 rate cuts.

US economic data continues to be robust and surprise to the upside. Retail sales (core control group) were very strong in December, rising 0.8% vs 0.2% consensus. The economy expanded more than expected, up 3.3% QoQ in Q4 vs 2% consensus and a very strong 4.9% Q3, boosted by a resilient consumer which grew at 2.8% and above trend. The Fed's preferred CPI reading, the core personal consumption expenditures (PCE) deflator, came in below expectations at 2.9% YoY in December, below 3% for the first time since March 2021.

In the UK, inflation surprised to the upside in December with core +5.1% YoY vs consensus of 4.9%, which pushed back the market's expectations for rate cuts this year.

Chart 1; US GDP & Consumption



(Source – Bloomberg)

Geopolitics will continue to be a key market driver in 2024. In January we saw election results in Taiwan's presidential election which should lead to no major foreign policy changes with China, as the incumbent party stayed in power but lost their majority. Tensions also remain heightened in the Middle East with further attacks on shipping tankers in the Red Sea. This has led to a spike in global shipping rates, particularly from Asia to Europe – which have doubled this year but are still less than half of their Covid peaks. This has had a limited impact so far for global inflation, but impacts Europe more than the US and will become a bigger risk as elevated shipping rates drag on and are passed on to consumers.

Chart 1; Shanghai Export Containerised Freight Index

(Source – Bloomberg)

In Europe, Germany continues to be weak. European services PMI fell to 48.4 (contracting), banks continue to tighten lending standards and consumer confidence was lower than expected. ECB's Lagarde continues to push back market pricing of rate cuts – saying they are likely in the European summer whilst the market is pricing in April cuts.

MSCI China was down 10.5% in January as the market digested continued property market weakness and incremental stimulus measures to try and turn investor sentiment. Broadly in December, fixed asset investments and factory output were better – whilst retail sales were slow and financing, home prices and sales were lower month on month. Chinese GDP in Q4 was lighter than expected, growing 1% QoQ from 1.5% in Q3.In late January, China cut the reserve requirement ratio 50bps in a surprise move which injected up to $1trn yuan into the economy. Policies were also announced to support real estate developers by broadening the use of new commercial loans.

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	28
Application/redemption price (AUD)[3]	1.1285/1.1239
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.