Performance report | 31 July 2024

4D Emerging Markets Infrastructure Fund

Overview

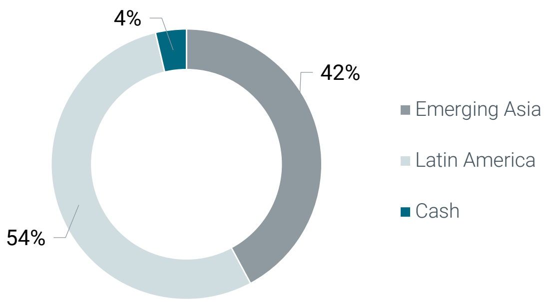
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

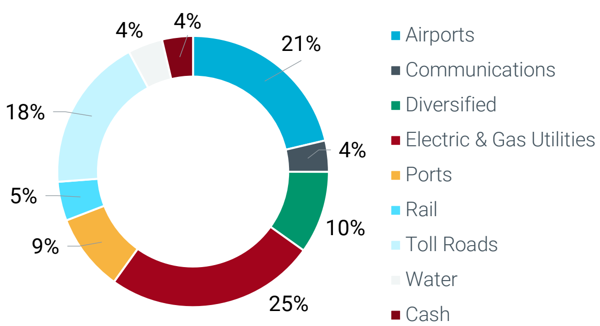
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	2.63%	-2.52%	-2.19%	8.30%	2.38%	4.43%
Benchmark[1]	1.66%	4.28%	15.77%	16.00%	14.14%	13.36%
Value added	0.97%	-6.80%	-17.96%	-7.70%	-11.76%	-8.93%

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	5.86
OMAB	5.60
GAPB	5.47
ASURB	5.38
Santos Brasil	5.38
Jasa Marga	5.34
Ecorodovias	5.12
CCR	4.97
ENN Energy	4.95
China Resources Gas	4.74
Total	52.81

A Bennelong boutique

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up a net 2.63% (AUD) in July, outperforming the benchmark return of 1.66% (by 0.97%). Currency contributed 141bps to performance in July.

The strongest performer for July was Indonesian told road Jasa Marga +11.6% after another very strong reporting period and ongoing progress on value crystallisation through the sale of a stake in a core subsidiary.

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

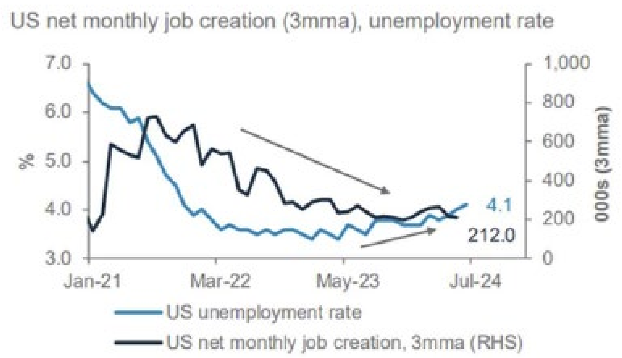
Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are at peak policy rates, with market expectations of rate cuts in 2024 being pared back from the aggressive levels seen at the start of the year. The pace of disinflation has 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

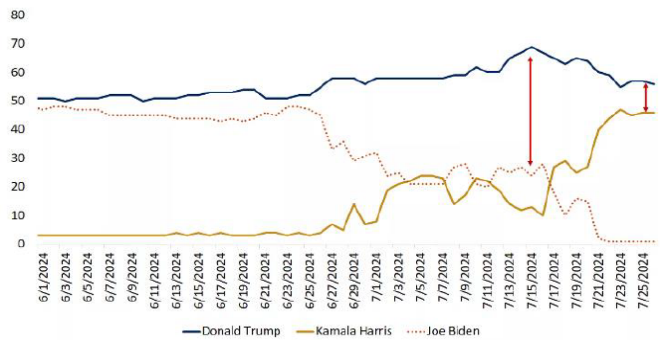


(Source; Standard Chartered)

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 7day 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	BFL7394AU
Investment manager	4D Infrastructure
Portfolio manager	Sarah Shaw
Reporting currency	A$ Unhedged
Recommended investment period	Five years
Cash limit	10%
No. of securities	26
Application/redemption price (AUD)[3]	1.0444/1.0402
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.