

Performance report | 30 June 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).

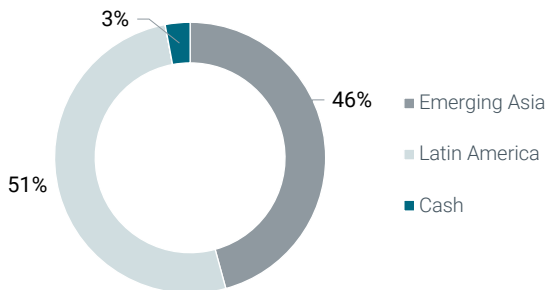
Net returns

	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception ² p.a.
Fund	-3.75%	-4.83%	-3.32%	7.00%	2.58%	4.09%
Benchmark ¹	0.99%	3.82%	15.29%	15.80%	14.03%	13.27%
Value added	-4.74%	-8.65%	-18.61%	-8.80%	-11.45%	-9.18%

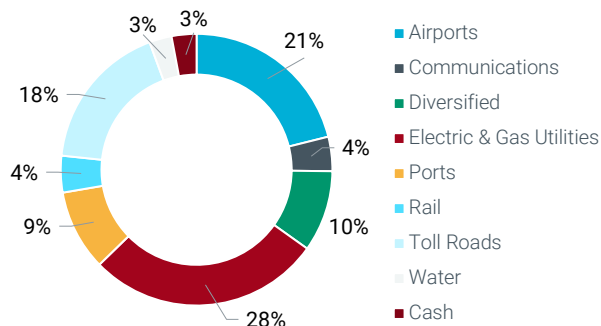
Performance figures are net of fees and expenses.

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 %
Santos	5.68
Shenzhen International	5.51
Jasa Marga	5.20
China Resources	4.76
ENN Energy	4.73
ECOR	4.68
OMAB	4.61
CCR	4.55
ASURB	4.48
GAPB	4.47
Total	48.68

Portfolio performance review

The 4D Emerging Market Infrastructure Fund was down net 3.75% (AUD) in June, underperforming the benchmark return of 0.99% (by 4.74%). Currency detracted 326bps from performance in June.

The strongest performer for June was Brazilian port operator Santos Brazil up 18.6% bouncing off an unwarranted oversold position.

The weakest performer in June was Thai airport operator AOT down 11.2%. This followed news that the operator was looking to reclaim some commercial areas with an anticipated hit to earnings as a result.

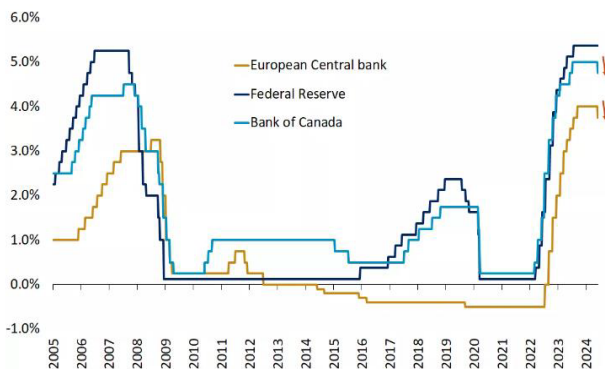
Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are at peak policy rates, with market expectations of rate cuts in 2024 being pared back from the aggressive levels seen at the start of the year. The pace of disinflation has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

Global equity markets were mixed in June, with MSCI World (Local) up 2.39% and S&P 500 up 3.59%, driven by concentrated tech & AI gains. China (-2.8%) and Europe (-1.8%) lagged. After a strong 17% start to the year, the US utilities index fell 5.9% in June. Yields traded tightly within the 4.20-4.60% band of the last quarter, and Fed rate cut expectations also ended the month in line (1 to 2 cuts).

June saw two G7 member countries cut interest rates for the first time this cycle. Canada cut rates 25bps with CPI within their 1-3% target band. Meanwhile, the ECB cut rates in Europe by 25bps as it got comfort with the gradual decline of CPI towards 2% target, despite a tick up in May due to wage pressures. The move by the ECB was seen as quite hawkish, with little commitment to the future speed of rate cuts, with ECB President Lagarde stressing data dependency and a meeting-by-meeting approach.

Chart 1; Europe & Canada cut rates in June



(Source; Edward Jones)

In the US, June saw a deterioration of economic data, with data overall now missing vs expectations (a negative surprise). This data is being closely tracked to interpret the Fed's read on slowing growth and the impact of higher rates on the economy.

Chart 2; Citi Economic Surprise Index & 10 year yield



(Source; 4D, Bloomberg)

On the downside, US Manufacturing ISM came in weaker than expected, and the forward looking 'new orders' component signalled weakness ahead. Retail sales (excluding auto and gas) were lower than expected in May, rising 0.1% month on month vs 0.4% expected. Job creation surprised to the upside early in the month adding 272k payrolls vs consensus of 180k, which pushed back rate cut expectations for the Fed. Wage growth continued to stay strong, making the 'last mile' of the disinflation process difficult.

US CPI continued to head in the right direction, with Core +0.16% month on month, the lowest print since August 2021. Shelter remains high, running at 0.4% month on month. The Core PCE Pric Index, the Fed's most trusted inflation measure, was also in line with expectations at 0.1% for May. Considering these moves, the Fed in their June monetary statement acknowledged the "modest" progress on inflation versus "a lack of progress" in the May statement. S&P Global US Services PMI surprised to the upside, expanding 55.1 (vs 54 expected).

In Australia, CPI continues to prove difficult to contain, with the May monthly inflation indicator at 4% year on year vs 3.8% consensus. Q2 trimmed CPI is tracking at 1% Quarter on Quarter, which has shifted the market to now pricing in the chance of a rate hike by the RBA in the second half. RBA governor Bullock also held a hawkish press conference before this data release, stating that the Board had discussed the case for a rate hike and not a rate cut in the prior May meeting.

The geopolitical landscape remained active in June. The Indian election results surprised the market, with Modi not receiving the majority most polls expected. However, even under a coalition, India's economic and corporate earnings growth outlook remains strong, even with Modi's reduced mandate. In France, Macron made an abrupt call for snap parliamentary elections after poor election results in the European Parliamentary elections showed a swing to the right leaning "National Rally" party. Lastly, the Mexican election resulted in Claudia Sheinbaum being elected as it's first female president, with the major surprise being the extent of the win and gaining a majority in both chambers of Congress.

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	27
Application/redemption price (AUD) ³	1.1142/1.1098
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.

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