Performance report | 31 March 2024

4D Emerging Markets Infrastructure Fund

Overview

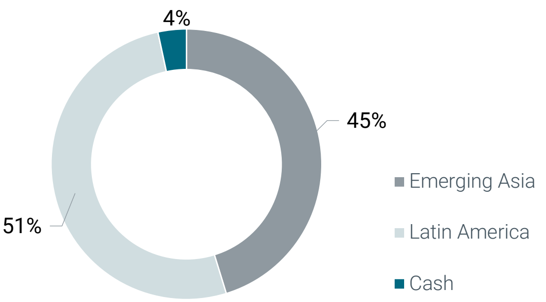
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies, trading at or below fair value with sustainable, growing earnings combined with sustainable, growing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

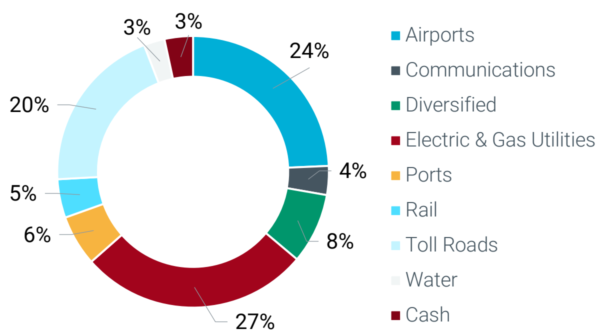
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.73%	2.32%	8.28%	10.33%	5.04%	5.03%
Benchmark[1]	1.45%	3.49%	15.06%	15.65%	13.87%	13.16%
Value added	-0.72%	-1.18%	-6.78%	-5.33%	-8.83%	-8.13%

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 %
Jasa Marga	5.32
CCR	5.11
OMA	5.10
GAP	5.06
Malaysia Airports	4.81
ASSURB	4.81
Shenzhen International	4.77
ECOR	468
China Resources Gas	4.67
Rumo	4.60
Total	48.92

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Portfolio performance review

The 4D Emerging Market Infrastructure Fund was up net 0.73% (AUD) in March, underperforming the benchmark return of 1.45% (by 0.72%). Currency detracted 14bps from performance in March.

The strongest performer for March was Brazilian Port Operator, Santos Brasil, up 27.6%. This followed very strong FY 23 results with management remaining optimistic on 2024 volumes and returns. We saw significant upgrades to our forecasts, and it remains a core position.

The weakest performer in March was Chinese diversified player Guangdong Investment, which was down 28.1% following a very disappointing dividend cut as part of their FY results presentation. We had reduced our position leading into the results on concerns re market expectations around the dividend.

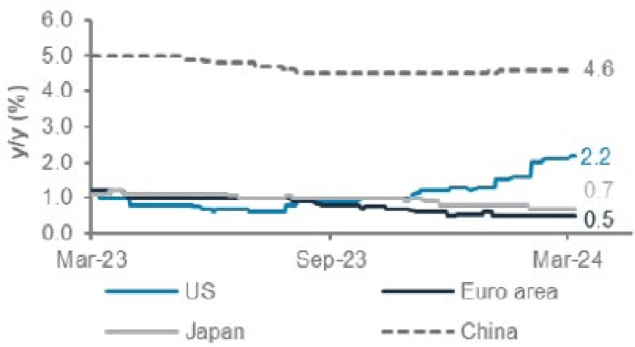
Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are at peak policy rates, with market expectations of rate cuts in 2024 being pared back from the aggressive levels seen at the start of the year. The pace of disinflation has 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 up for the fifth month in a row in March, with MSCI (Local) gaining 3.36% and 10.06% for Q1. Central bank updates were a key focus in March.

March economic data reinforced the “soft landing” thematic in the US, with further evidence of economic resilience but a slowing path of disinflation. Core US CPI was persistent and rose by 0.4% Month on Month in February. Headline CPI rose on the back of the continued rise in housing and rebound in energy prices. Broad based price increases, especially across services, impacted core inflation. February monthly retail sales were weaker, with the control group flat vs 0.4% expected. Amongst major economies, US growth continued to be upgraded over Q1.

Chart 1; Consensus 2024 growth estimates



Source – Standard Chartered, Bloomberg

The Fed Chair, Jerome Powell, downplayed the higher-than-expected inflation prints the last two months and reinforced a dovish tone. In its quarterly economic projections, the Fed maintained its median of 3 cuts this year, whilst revising up core inflation 20bps to end 2024 at 2.6% and 2025 flat at 2.2%. The Fed also upgraded its outlook for economic growth. Market pricing for 2024 cuts is now in line with the Fed, at 75bps, halving from 150bps at the start of the year.

The Bank of England also signalled a dovish stance, with two remaining hawkish members (of nine members) turning neutral and no longer pushing for a hike. CPI continues to fall, hitting 3.4% YoY in February after being 3.9%-4% for the prior three months. In Europe, manufacturing, economic sentiment, and tepid consumption continue as headwinds. The ECB continues to signal rate cuts by the middle of the year to encourage growth.

The Bank of Japan increased its interest rates for the first time in 17 years, normalising monetary policy and being the final major economy to abandon negative interest rate policy, as well as its yield curve control and ETF purchase operations policy. This coincided with the Nikkei 225 index marking a record high, 34 years after its 1989 bubble burst.

Chart 2; China’s key economic targets

Year	Growth target	CPI	Fiscal deficit	Local govt. special bond quota (RMB tn)
2019	6.0 - 6.5%	3.00%	2.80%	2.15
2020	None	3.50%	3.60%	3.75
2021	Above 6.0%	3.00%	3.20%	3.65
2022	Around 5.5%	3.00%	2.80%	3.65
2023	Around 5.0%	3.00%	3.80%	3.80
2024	**Around 5.0%**	**3.00%**	**3.00%**	**3.90**

Source – Standard Chartered, Bloomberg

In China, at the National People’s Congress, the 5% growth target for 2024 was renewed, as well as a budget deficit target of 3% (lower than the 3.8% in 2023). Some investors expected additional stimulus to be announced, on top of the multi-year central government bond issuance plan and special local government bond issuance plans.

Underlying Chinese data seems to be showing further signs of stabilisation. China’s exports and imports started the year on a positive note, both extended the recovery seen in late 2023. The monthly activity date showed retails sales in line, and industrial production the fastest in two years, whilst property investments slowed more than expected.

Elsewhere in Emerging Markets, Brazil and Chile continued their easing cycle, whilst Mexico implemented its first rate cut 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	28
Application/redemption price (AUD)[3]	1.1708/1.1662
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.