Performance report | 31 August 2024

4D Global Infrastructure Fund (Unhedged)

Overview

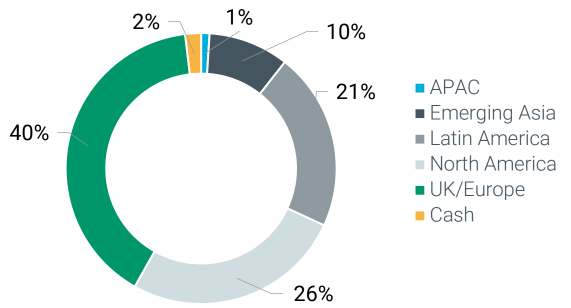
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies that are trading below fair value and have sustainable, growing earnings combined with sustainable, growing dividends. The 4D Global Infrastructure Fund (Unhedged) aims to outperform the OECD G7 Inflation Index + 5.5% p.a. over the medium to long term (before fees). It is currency unhedged.

Net returns

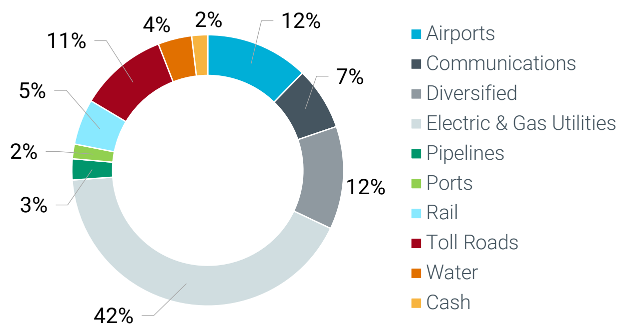
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.27%	2.21%	8.31%	6.67%	5.65%	9.15%
Benchmark[1]	0.66%	2.51%	8.53%	10.72%	9.38%	8.56%
Value added	-0.39%	-0.30%	-0.22%	-4.05%	-3.73%	0.59%
FTSE Global Core Infra 50/50 Net Total Return Index (AUD)[3]	0.01%	5.46%	14.07%	7.06%	4.91%	8.66%
S&P Global Infra. Net Total Return Index (AUD)[4]	0.62%	3.69%	13.63%	9.47%	5.48%	8.23%

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 %
Sempra Energy	5.52
Cellnex	5.46
Iberdrola	5.32
Nextera Energy	4.51
American Water Works	4.02
Jasa Marga	3.98
National Grid	3.77
SSE	3.53
Ferrovial	3.52
Aena	3.51
Total	43.15

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Portfolio performance review

The 4D Global Infrastructure Fund (Unhedged) was up a net 0.27% (AUD) in August, underperforming the benchmark's return of 0.66% (by 0.39%) but outperforming the FTSE 50/50 Infrastructure Index which was up 0.01% (AUD). Currency detracted 287bps from performance.

The strongest performer for August was Mexican airport operator GAP, up 17.3% for the month following a positive Master Development Plan – that gives regulatory clarity for 5 years and was well ahead of market expectations removing significant overhang and boosting valuations.

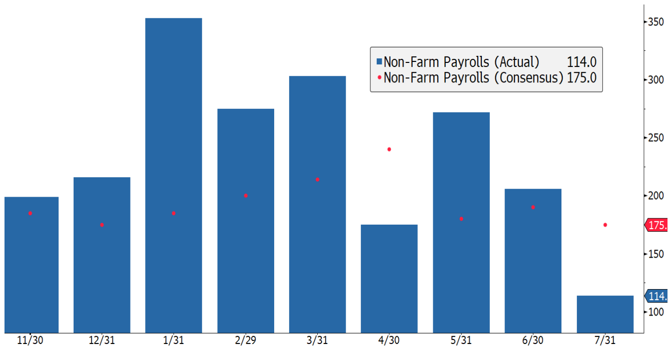
The weakest performer in August was Chinese gas distributor, ENN Energy down 7.3% after weaker than expected H1 results.

Markets remain volatile on the outlook for inflation, economic growth and the state of the labour market. Most developed market Central Banks are at (or past) peak policy rates. The pace of disinflation has slowed, but the delayed impact of high interest rates on economic growth may yet to be fully seen. Weakness in the US labour market may be the first signs of a bigger cooling to potential growth. 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

August was a volatile month – and a tale of two halves. The first week of August saw a heavy sell off across risk assets globally. This was due to a combination of several factors. Firstly, much weaker than expected US Non-farm Payrolls data, which spooked the market around a potential hard landing of the US economy. The unemployment rate also rose 0.2% to 4.3%, more than expected and triggering the Sahm rule - a historically accurate recession predictor when the US unemployment rate 3-month average is 0.5% higher than its prior 12 month minimum (3.5%). These two signs of a weakening labour market ignited a big shift in market expectations for the Fed to release its brake on the economy (restrictive monetary policy), moving to the expectations of a double rate cut at the next September FOMC meeting. Total rate cuts for the remaining three meetings of 2024 also blew out to a cumulative four cuts.

Chart 1; US Non-farm Payrolls – Big miss vs expectations



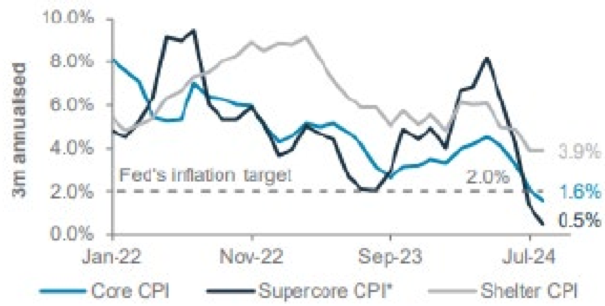
Source – 4D, Bloomberg

Global risk appetite was also hit at the same time as the market became unnerved by a Bank of Japan rate hike and a further hawkish tone on the final day of July, which led to a large unwinding of Yen carry trades. This caused the Nikkei to fall 12% in one day, and the Yen to appreciate 11% off its July lows.

The risk tone started to shift in the second half of August, as the Bank of Japan governor made comments around being vigilant around market volatility. At Jackson Hole, Fed Chair Powell also eased markets, by saying "the time has come for policy to adjust".

US economic data released later in the month showed more economic resiliency, going against the hard landing narrative. Monthly retail sales were well above forecasts, coming in at 1% vs forecasts of 0.4% and prior months -0.2%. US CPI also continued its moderating trend, with Core +0.2% for July and 3.2% YoY. Most global equities markets ended in the green for the month - after being down nearly 7% earlier in the month they ended up 1.95% for the month (MSCI Local).

Chart 2; US core inflation measures cooling (3 month annualised)



Source – Standard Chartered

In Europe, core inflation held at 2.9% for a third month in a row (year on year) slightly above the 2.8% expected. European services inflation remains high (4%), and the ECB will remain highly vigilant to the inflation and wages data month to month, before continuing its easing cycle.

Meanwhile, the BOE kicked off its easing cycle at the start of the month with a 25bps rate cut, however the Board was split on the call. The hawkish undertone at the conference reinforced the markets view that the BOE is in no rush to cut rates quickly.

Lastly, in China, the July activity data painted a weak picture, with industrial production and retail sales in line with consensus, but fixed asset investment unexpectedly slowing. The property market remained weak, with prices continuing to fall, as did residential property sale values and real estate investment. The Chinese government is awaiting the impact of several incremental measures to help boost domestic consumption over the next few months.

Fund details

Feature	Information
APIR code	BFL0019AU
Investment manager	4D Infrastructure
Portfolio manager	Sarah Shaw
Reporting currency	A$ Unhedged
Recommended investment period	Five years
Cash limit	10%
No. of securities	35
Application/redemption price (AUD)[5]	1.7258/1.7190
Distribution frequency	Quarterly
Management fees and costs[6]	1.00% p.a. (including GST)
Performance fee[7]	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), mFund (code: 4DI01) or the following platforms. Visit How to invest to find out more.

Platforms

AMP (North, My North)

BT (Asgard, Panorama)

CFS (First Wrap, Edge)

Dash

Hub24 (Super, IDPS)

Macquarie Wrap (IDPS, Super)

Mason Stevens

Netwealth (Super Service, Wrap Service, IDPS)

OneView

Powerwrap (IDPS)

Praemium (Non Super, Super)

Get in touch

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1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 7 March 2016.

3 The reference index is the FTSE Global Core Infrastructure 50/50 Net Total Return in AUD. This is provided as an indictive comparison only and is not the Fund Benchmark.

4 The reference index is the S&P Global Infra AUD Net Total Return Index. This is provided as an indictive comparison only and is not the Fund Benchmark.

5 All unit prices carry a distribution entitlement.

6 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.

7 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 G7 inflation index + 5.5% per annum). All values are in Australian dollars.