4D infrastructure

Performance report | 29 February 2024

4D Global Infrastructure Fund (Unhedged)

Overview

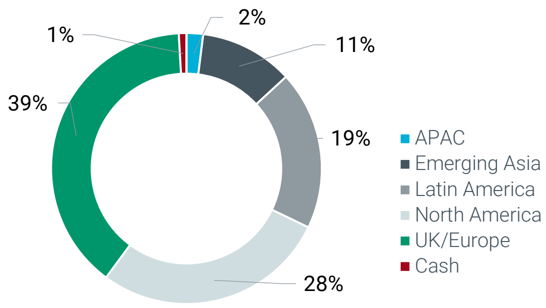
4D Infrastructure is a boutique asset manager investing in listed infrastructure companies across all four corners of the globe. Our investment objective is to identify quality infrastructure companies that are trading below fair value and have sustainable, growing earnings combined with sustainable,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

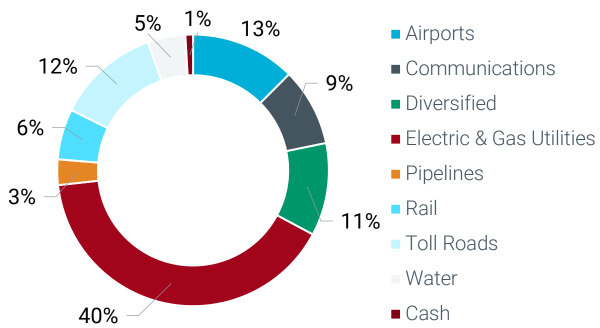
	1 mth	3 mths	1 year	3 years p.a.	5 years p.a.	Since inception[2] p.a.
Fund	0.41%	1.71%	10.86%	10.57%	7.02%	9.09%
Benchmark[1]	0.21%	1.37%	8.58%	10.98%	9.21%	8.49%
Value added	0.20%	0.35%	2.28%	-0.41%	-2.19%	0.60%
FTSE Global Core Infra 50/50 Net Total Return Index (AUD)[3]	2.19%	4.41%	6.42%	10.28%	5.46%	7.87%
S&P Global Infra. Net Total Return Index (AUD)[4]	1.45%	2.60%	4.52%	10.72%	5.38%	7.23%

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 %
Cellnex	6.49
Iberdrola	5.04
Sempra Energy	4.98
Jasa Marga	3.98
Getlink	3.54
SSE	3.51
American Water Works	3.51
Ferrovial	3.50
AENA	3.47
Fraport	3.43
Total	41.45

Portfolio performance review

The 4D Global Infrastructure Fund (Unhedged) was up net 0.41% net (AUD) in February, outperforming the benchmark's return of 0.21% (by 0.20%) but under-performing the FTSE 50/50 Infrastructure Index which was up 2.19% (AUD). Currency contributed 117bps to performance in February.

The strongest performer for February was Chinese gas distributor, ENN up 11.3% for the month. The stock has been completely over sold on Chinese property market concerns and ongoing domestic demand weakness. The February bounce suggests there could be some optimism around Government intervention/stimulus which would indirectly support the stock.

The weakest performer in February was Italian integrated utility, Enel down 7.2%. With no driver for the weakness, we have taken the opportunity to top up our portfolio weight.

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 aggressive rate cuts in 2024 paring back recently from levels seen at the start of the year. 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

During February, equity momentum remained strong, and many indices reached all-time highs – Japan's Nikkei was +7% and surpassed its 1989 peak, whilst the US S&P and German Dax also reached new highs. There remains narrow breadth and leadership in the market, with technology and AI related sectors outpacing small cap and value sectors.

US CPI surprised to the upside in February, which pushed bond yields higher as well as pushing out 2024 Fed rate cut expectations. In February, US 10 year yields increased 33bps to 4.25%, whilst the market expectations for Fed rate cuts in 2024 reduced more than 2 full cuts, from 145bps to 84bps. The US Fed's preferred inflation measure, the core personal consumption expenditure (Core PCE) price index rose +0.42% month on month in January, the strongest rate in a year and taking the three month annualised average to 4%. The last mile of inflation, towards the Fed's 2% target, is proving both difficult and bumpy – driven by services and shelter components.

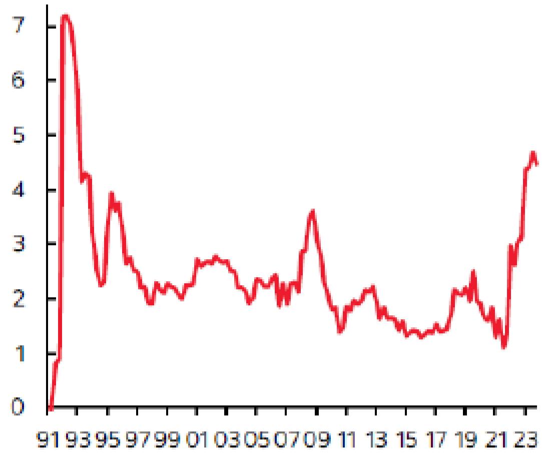
Chart 1; 2024 Fed rate cuts priced in by the bond market

(Source – Bloomberg)

January's US job's report showed the economy continuing to generate more jobs than expected, however a falling number of weekly hours worked suggest underlying labour demand is softening. Meanwhile, US consumption fell in January due to a moderation after December's holiday season and bad weather.

In Europe, 2024 ECB rate cuts were also pared materially in Feb by over 2 cuts, but this was largely driven by ECB messaging than upside inflation data. The ECB is concerned around labour market strength and high wage growth and jumping the gun on rate cuts. Data released during the month showed that European consumption was weaker than expected but investor confidence improved.

Chart 2 – ECB's Indicator of Negotiated Wage Rates (% annual rate of change)



(Source – Scotiabank, ECB)

In emerging markets, China rebounded in February bouncing off a near-13 year low, with the Hang Seng +7%, amongst low valuations and weak investment sentiment. The government cut the 5 year loan prime rate (impacting mortgages) more than expected, with a 25bps cut in an attempt to stabilise sentiment in the property sector and boost new home sales. The Lunar New Year holiday period saw travel and consumer activity above 2019 levels, but spending down on a per capita basis. In Indonesia, Prabowo won the election to become President for 2024-29. This was a positive outcome, which should see policy continuity and a continued focus on domestic investment and consumption.

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]	1.6651/1.6585
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
- BT (Panorama)
- Colonial First Wrap
- Dash
- Hub24 (Super, IDPS)
- Macquarie Wrap (IDPS, Super)
- Mason Stevens
- Netwealth (Super Service, Wrap Service, IDPS)
- 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.

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