

# Performance report | 31 December 2023

## 4D Global Infrastructure Fund (AUD Hedged)

### 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 (AUD Hedged) aims to outperform the OECD G7 Inflation Index + 5.5% p.a. over the medium to long term (before fees) while mitigating the impact of currency by hedging foreign currency exposure.

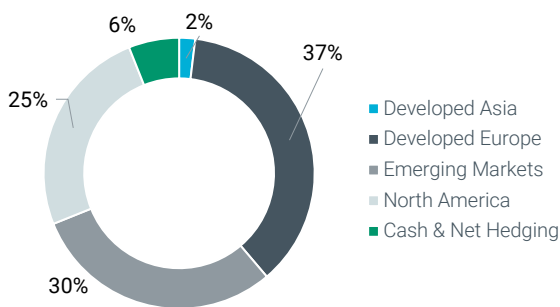
### Net returns

|  | 1 mth | 3 mths | 6 mths | 1 year | 3 years p.a. | Since inception <sup>2</sup> p.a. |
|--|-------|--------|--------|--------|--------------|-----------------------------------|
| Fund   | 3.65% | 10.43% | 2.71%  | 11.66% |              | 3.16%                             |
| Benchmark <sup>1</sup>   | 0.63% | 2.16%  | 4.63%  | 9.57%  |              | 10.37%                            |
| Value added  | 3.02% | 8.28%  | -1.92% | 2.1%   |              | -7.21%                            |
| FTSE Global Core Infra 50/50 Total Return Index (AUD) <sup>3</sup> | 3.30% | 8.51%  | 0.53%  | -0.77% |              | -4.92%                            |
| S&P Global Infra. Net AUD Index <sup>4</sup>                       | 2.97% | 7.83%  | 0.83%  | 3.38%  |              | -1.06%                            |

Performance figures are net of fees and expenses.

<sup>1</sup>Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

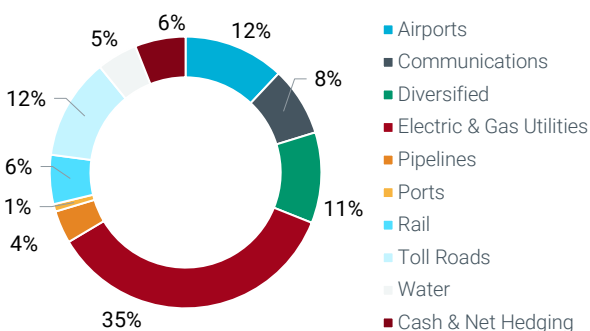
### Regional breakdown



### Top 10 positions

| Stock                | End weight % |
|----------------------|--------------|
| Cellnex              | 6.25         |
| Iberdrola            | 4.94         |
| Sempra energy        | 4.91         |
| Jasa Marga           | 3.98         |
| Williams             | 3.89         |
| Ferrovial            | 3.46         |
| Getlink              | 3.41         |
| American Water Works | 3.39         |
| Aena                 | 3.39         |
| Fraport              | 3.34         |
| <b>Total</b>         | <b>40.97</b> |

### Sector breakdown



## Portfolio performance review

The 4D Global Infrastructure Fund (Hedged) was up 3.65% net in December 2023, out-performing the benchmark's return of 0.63% (by 3.02%) and out-performing the FTSE 50/50 Infrastructure Index which was up 3.30%.

The strongest performer for December was Mexican Airport operator, ASUR up 21.3%. Following a turbulent couple of months as a result of regulatory change, in December ASUR secured an attractive Master Development Plan for the next 5 years. This outcome appeased the market easing fears that the regulator was going to be increasingly antagonistic. It proved to be a sector catalyst with strong re-rating across the names.

The weakest performer in December was US midstream operator Williams down 4.1% as a result of weaker global commodity prices. The stock has limited fundamental earnings exposure to prices but was caught up in sentiment trade.

Markets remain volatile on the outlook for inflation, interest rates and economic growth. Most developed market Central Banks are getting close to peak policy rates, with market expectations of aggressive rate cuts in 2024. 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.

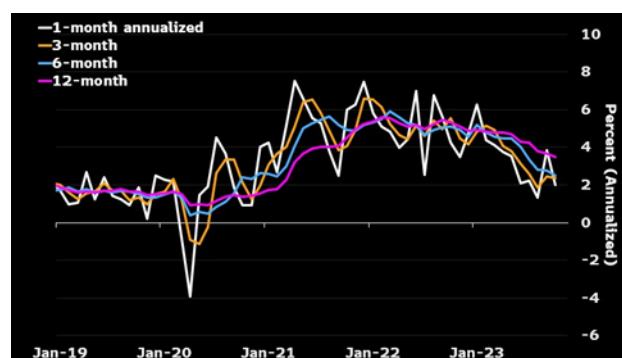
## Month in review

Markets carried over their positive tone from November, with MSCI World (Local) up 4.2% for December. After falling 60bps in November, US 10 year bond yields fell a further 45bps to end December at 3.88%. This gave a boost to equities, reflecting further repricing for a lower interest rate environment with an ongoing trend of weaker data and dovish tones from Central Bankers.

The “soft-landing” narrative for the US economy continues to drive market positioning, driven by inflation continuing its downward trend and the growth outlook softening. The market is pricing in aggressive rate cut assumptions of 140bps for 2024 and to start cutting in March, nearly double what the Fed is forecasting. The Fed’s updated summary of economic projections in December showed their preferred core PCE inflation measure falling faster than they predicted in their prior September update. This was followed by dovish comments from Fed Chair Powell who did not push back against rate cut expectations and noted “reasonable progress” on inflation.

On the data front, PCE core inflation for November was better than expected at 3.2% YoY, the lowest since April 2021 and bringing the 6m rolling average close to the Fed’s 2-3% target range. The labour market continues to soften just enough, with job openings falling more than expected.

Chart; US Core PCE Inflation



Source – Bloomberg

There was also favourable inflation news in Europe and UK, which both dropped faster than expected. In the UK, inflation is proving far less sticky than feared with November headline CPI falling 3.9% YoY (4.3% expected) and core falling 5.1% YoY from 5.7% prior month (cons 5.6%). Services inflation remains elevated but continues to trend downwards. This has seen 80bps of rate cuts by the Bank of England being priced in by the market in 2024.

Brazil’s economy continues to benefit from strong agricultural and commodity exports which is shielding it from any global geopolitical uncertainties. It’s trade surplus is on track to rise from US\$44bn in 2022 to a record US\$80bn in 2023, by far the largest in Latin America. S&P Global lifted its sovereign rating one notch to BB due to tax reform changes, following Fitch who upgraded Brazil to BB in July.

Chart; Record Brazilian trade surplus



Source – Itau

Chinese equities were weak in December, with data showing continued subdued economic activity. Moody’s put it’s Chinese rating on negative outlook, citing weaker mid term growth. Weaker imports in November also pointed to weak domestic demand amidst a weak property market. China also held it’s Central Economic Work Conference, stating that fiscal policy will be “proactive” heading into 2024 and stabilising economic growth will be one of it’s key priorities for next year.

A more subdued global growth outlook in 2024, and lack of additional OPEC+ supply cuts has kept oil prices down, despite continued conflict in the Middle East. Oil prices were down 5.7% in December, hitting their lowest levels since June 2023.

## Fund details

| Feature   | Information                 |
|---|-----------------------------|
| APIR code                                       | BFL3306AU                   |
| Investment manager                              | 4D Infrastructure           |
| Portfolio manager                               | Sarah Shaw                  |
| Reporting currency                              | A\$ Hedged                  |
| Recommended investment period                   | Five years                  |
| Cash limit                                      | 10%                         |
| No. of securities                               | 35                          |
| Application/redemption price (AUD) <sup>5</sup> | 1.0300/1.0258               |
| Distribution frequency                          | Quarterly                   |
| Management fees and costs <sup>6</sup>          | 1.00% p.a. (including GST)  |
| Performance fee <sup>7</sup>                    | 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

|                      |   |
|----------------------|---|
| AMP North            | Macquarie Wrap (IDPS, Super)            |
| BT Asgard (Panorama) | Netwealth (Super Service, Wrap Service) |
| CFS (FirstWrap)      |   |
| Dash                 | Praemium (Super, Wealth)                |
| Hub24 (Super, IDPS)  |   |

## Get in touch



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1800 895 388 (AU) or 0800 442 304 (NZ)

1 OECD G7 Inflation Index + 5.5%.

2 Inception date is 1 August 2022.

3 The reference index is the FTSE Global Core Infrastructure 50/50 Net Total Return in AUD. This is provided as an indicative 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 indicative 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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