

Macquarie Global Infrastructure Securities Fund

(Hedged) – Class A Units

Monthly report – 31 December 2022

Investment objective

Aims to provide total returns (income and capital growth) after costs and before tax, above the Dow Jones Brookfield Global Infrastructure Net Total Return Index Australian Dollar Hedged (Benchmark) over the long term.

Key information

Fund details

APIR code (Class A Units)	AMP1595AU
Inception date	15 July 2010
Fund size*	\$444.1m
Distribution frequency	Quarterly
Management fee*	0.80% pa
Minimum investment (Direct)	\$500,000
Unit prices and spreads	macquarie.com.au/unit_prices

*Read the Product Disclosure Statement for more details on fees and costs.

*As the Fund has one or more classes of units on issue, this figure represents the assets under management (AUM) of the Fund as a whole (rather than the AUM attributable to the class of units specified in this report).

Class performance to 31 December 2022

	Total Class return (gross)	Total Class return (net)	Benchmark return	Total excess return (net)
1 month (%)	-3.40	-3.46	-4.00	0.54
3 months (%)	8.23	8.04	6.58	1.46
1 year (%)	4.83	4.00	-5.26	9.26
3 years (% pa)	3.46	2.55	0.91	1.64
5 years (% pa)	7.61	6.67	4.53	2.14
Since inception (% pa)	11.80	10.83	10.52	0.31

Past performance is not a reliable indicator of future performance.

Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

Total net Class returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

Macquarie Investment Management Global Limited (MIMGL) was appointed as the investment manager of the Fund from 26 March 2022 and Macquarie Investment Management Australia Limited (MIMAL) was appointed as the responsible entity of the Fund from 26 April 2022. Prior to these dates, the fund was managed or operated by another entity or entities. Please see the offer document of the Fund or contact Client Service on 1800 814 523 for further information.

Top overweight positions

	%
Cellnex Telecom Sa	3.47
Severn Trent Plc	2.97
Ppl Corp	2.75
East Japan Railway Co	2.63
SSE Plc	2.52
Terna-Rete Elettrica Naziona	2.49
Enav Spa	2.48
CLP Holdings Ltd	2.14
Essential Utilities Inc	2.10
West Japan Railway Co	1.52

Top 3 stock attribution (alphabetical)

	bps
SSE PLC	12
CLP HOLDINGS LTD	11
PPL CORP	10

*Italics denotes underweight

Top underweight positions

	%
Williams Cos Inc	-2.95
American Tower Corp	-2.50
Consolidated Edison Inc	-2.49
SBA Communications Corp	-2.23
American Water Works Co Inc	-2.04
P G & E Corp	-1.93
Edison International	-1.79
Fortis Inc	-1.75
Pembina Pipeline Corp	-1.73
Centerpoint Energy Inc	-1.39

Bottom 3 stock attribution (alphabetical)

	bps
<i>PG&E CORP</i>	-14
<i>HONG KONG & CHINA GAS</i>	-13
<i>AMERICAN WATER WORKS CO INC</i>	-09

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Sector allocation

Sector	Portfolio (%)	Benchmark (%)
Airports	4.12	3.75
Communications Infrastructure	14.02	17.05
Diversified Infrastructure	0.00	1.09
Electric Utility	22.20	16.61
Electricity And Gas Distribution	7.59	14.95
Electricity Generation	0.55	0.00
Electricity Transmission	3.44	2.11
Energy Infrastructure	22.66	28.17
Rail / Other Transportation	4.16	0.59
Cash	1.74	0.00

Regional allocation

Country	Portfolio (%)	Benchmark (%)
Australia	1.97	3.77
Belgium	0.00	0.47
Brazil	0.54	0.33
Canada	12.68	16.29
China	3.54	4.37
Denmark	0.55	0.00
France	5.94	5.95
Germany	0.00	0.42
Italy	9.06	2.54
Japan	4.16	1.32
Luxembourg	0.00	0.23
Mexico	1.11	1.07
Netherlands	1.20	0.18
New Zealand	0.00	0.55
Spain	5.87	5.27
Switzerland	0.00	0.27
United Kingdom	12.96	6.06
United States	38.68	50.31
Cash	1.74	0.00

Market overview

The US Federal Reserve (Fed) maintained their aggressive tightening stance by increasing target rates by 0.5% to 4.5%. There was some good news on inflation, with the month-on-month rise in both headline and core Consumer Price Index (CPI) both coming in better than expected, which pushed the year-on-year rates lower. However, the employment data continues to portray a tight labour market, which is underpinning higher wages growth. This situation was highlighted by the Fed Chair in his press conference underpinning their policy guidance that further tightening is needed. While the Fed also recognised the growing evidence of a slowing economy (the weakness was evident in retail sales in particular) they clearly want to see much greater slowing of activity to be convinced that inflation will fall sustainably to its target.

The economic weakness across China was evident in all data released in the past month. However, this was completely overshadowed by the significant change in policy by the leadership, which has bowed to building grassroots pressure to loosen the tough zero-tolerance policy to Covid. Progressively through December, further relaxation measures were announced culminating in the border re-opening, where inbound passengers will no longer be subject to Covid testing or quarantine measures on arrival.

Meanwhile in Japan, it was the change in policy by the Bank of Japan that captured attention. Governor Kuroda said that the decision to widen the range for the 10-year bond yield to trade from +/-0.25% to +0.5% was not a rate hike rather an assistance to market functioning. He backed this up by announcing a 9 trillion yen a month increase in bond purchases. Markets believe this is just the start, even if the process is long and slow, to normalise policy.

The Reserve Bank of Australia delivered a 25bps hike in the December meeting, as they continue to slow the pace of tightening and take the official Cash rate to 3.10%. The Australian CPI stands at 0.2% month-on-month and 6.9% year-on-year, with both the quarterly and annual pace of inflation slowing

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Fund performance review

The Fund has an overweight allocation to Electric Utilities, Rail/ Other transportation and water sectors. It has an underweight allocation to communications, Electricity and Gas distribution and the Energy infrastructure sector.

In local terms, relative to the benchmark and stripping out the effect of any currency movements, the Fund produced above benchmark contributions from Electric utilities, Water and Toll Road sectors. Below benchmark contributions came from the Electricity and Gas Distribution and Electricity Transmission sectors.

The top three individual contributors to relative performance in the period were from overweight positions in SSE PLC, CLP Holdings and PPL corp. SSE PLC, an operator of electricity transmission and renewable energy production, rose slightly as the market appreciated its attractive collection of assets and reasonable valuation.

The bottom three individual contributors to relative performance during the period were from an underweight position in PG&E Corp, Hong Kong China Gas and American water works.

Market outlook and investment strategies

We end 2022 in a very different place than we ended 2021. Global vaccine rollouts and strong global fiscal and monetary stimulus have led to substantial recoveries in economies and mobility. The challenge now facing global economies is the pervasive inflation that has impacted multiple areas and has led to substantial central bank tightening in most economies around the world. We expect meaningful impact from this tightening and recessions to occur through much of the world. This slowdown is further exacerbated by the ongoing conflict in the Ukraine which has led to an energy crisis in Europe. While we look to 2023 with a cautious eye, we believe the “stagflationary” environment in which we now find ourselves remains a favourable environment for listed infrastructure.

For more information speak to your financial adviser, call us on 1800 814 523, email mam.clientservice@macquarie.com or visit macquarieim.com

Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFS Licence 238321 is the issuer of units in, and responsible entity of the Fund. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

The above information is not personal advice and does not take into account the investment objectives, financial situation or needs of any person. The Fund is designed for investors who are seeking capital growth and income distribution, are intending to use the Fund as a satellite within a portfolio, have a medium to long-term investment timeframe, have a high or very high risk/return profile and require the ability to have daily access to capital. Please review the Target Market Determination available at macquarieim.com/TMD and consider if the Fund may be suitable for you. Investors should consider the offer document relating to the Fund in deciding whether to acquire or continue to hold units in the Fund. The offer document is available by contacting us on 1800 814 523.

Past performance is not a reliable indicator of future performance. Future results are impossible to predict. This report includes opinions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Forward-looking statements constitute the investment manager's judgement as at the date of preparation of this report and are subject to change without notice.

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