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Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

January 2021

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Performance Review

Fund performance for the month ending January 2021 was -1.47% (net of fees) versus the benchmark return of +0.48%, as measured by the OECD G7 CPI Index plus 5.5%.

January was a busy month for news flow, kicking off with the Democrats securing a slim majority in the US Senate. This victory increases the likelihood of a new round of fiscal stimulus and also improves the prospects for Biden's green initiatives, such as making the electricity-generation sector carbon free by 2035. This is a really exciting prospect from the point of view of our US utility holdings, and anything related to renewable energy. This energy transition is already taking place around the world as renewable energy is now cheaper than fossil fuel generation in many instances. As an example, January saw Spain generate 52% of its electricity from renewable sources, with a target of 74% of all energy by 2030.

On the back of this energy transition, Ormat, a global leader in geothermal energy, rose +26% during the month. Geothermal power generation is a niche, but interesting technology as it does not create greenhouse gases and is also available 24/7 unlike intermittent wind and solar.

Elsewhere, some of our regulated or contracted pipelines rose by +5 to +6% during the month on the back of continued compliance by OPEC+ members. Canadian pipeline company, Pembina, was the standout performer, rising over 12%.

Concern over the speed of the COVID-19 vaccine rollout, combined with rising infection rates and some worry over the efficacy against emerging strains has impacted our Transportation names, in particular. Companies such as Ferrovial, Sydney Airport, Aena, Aéroports de Paris and Getlink all declined by over -10% in January. The prospects for a resumption in international air traffic should improve over the next few months as the vaccine is rolled out and, hopefully, infections start to fall. Our long-term modelling shows that these names are looking very cheap, but clearly their share prices in the short term are susceptible to news flow sentiment.

Outlook

The long-term outlook for Essential Infrastructure looks very positive. Valuations are looking cheap for certain sectors (Transportation and Regulated or Contracted pipelines). In addition, long-term secular growth thematics such as the energy transition or the rollout of 5G technology are very supportive for the prospects of Utilities and our mobile phone tower companies. Given the opportunities available, the fund remains fully invested.

Clearly, short-term market volatility has increased recently, and infrastructure has not been immune. Certain defensive sectors, such as Utilities and mobile phone towers have been sold off as investors chase the cyclical recovery story which has been boosted by the prospect of further stimulus. This has meant that Essential Infrastructure has been overlooked by many investors, which in itself has meant that there are lots of opportunities for long-term investors such as ourselves.

As ever, the team managing your money will continue to consistently and diligently apply the process we have developed and scour the market for long-term opportunities in high-quality names that have attractive valuations and sound ESG credentials.

Performance

Returns as at 31 January 2021

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	-1.47	0.48	-1.95
3 months	0.10	1.51	-1.41
6 months	-2.79	3.05	-5.84
FYTD	-2.73	3.56	-6.29
CYTD	-1.47	0.48	-1.95
1 year	-18.22	6.36	-24.59
2 years pa	4.60	6.72	-2.12
Since inception pa Date: December 2018	6.89	6.75	0.14

Top 10 Stock Holdings

Name	Fund %
Nextera Energy	4.82
National Grid	4.46
Ameren	4.37
Sempra Energy	4.32
Aeroport De Paris	4.29
Emera	4.15
Ferrovial	4.02
Aena	3.91
Atlas Arteria	3.86
United Utilities Group	3.82

Sector Allocation

Sector	Fund %
Communications Infrastructure	12.61
Energy Infrastructure	10.84
Transportation	27.72
Utilities	47.77
Cash	1.07
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	12.26
Europe	26.56
North America	47.88
United Kingdom	12.23
Cash	1.07
Total	**100.00**

1. The benchmark is the OECD G7 CPI Index plus 5.5% per annum, which is an accumulation index maintained by Ausbil. The OECD G7 CPI Index is published on a monthly basis, generally five weeks after the end of the period. Therefore, the benchmark return shown is an estimate based on the OECD G7 CPI Index for the previous published month.

Infra-know

During the month, US mobile phone tower company SBA Communications paid California utility PG&E Corp US$973m to buy the rights to lease out space on PG&E's electricity transmission towers. This is an innovative solution as it allows PG&E to gain extra income from its existing infrastructure, but also provides SBA with a significant additional footprint of new mobile phone towers which it can lease out to the Mobile Network Operators such as Verizon, T-Mobile/Sprint and AT&T.

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A short notice on the COVID-19 public health event, and how it can impact investments