

Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

June 2021

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‘Our top-down and bottom-up indicators continue to show solid valuation support despite the strong performance during the quarter’

Performance Review

Fund performance for the quarter ending June 2021 was +6.54% (net of fees) versus the benchmark return of +2.04%, as measured by the OECD G7 CPI Index plus 5.5%.

We thought the first three months of 2021 were extremely eventful but the second may have eclipsed that! The infrastructure asset class bounced back strongly in the second quarter of 2021 after a difficult prior quarter. The rapid rise in bond yields globally in the first quarter of 2021 stabilised in the second quarter – in fact, the yield on 10-year US Government bonds reached its highest on 31 March of 1.74%. Since then yields have stabilised and more recently drifted lower. Together with supportive macro-economic data in key markets, this provided an accommodative set of conditions for the infrastructure asset class to perform.

We tip our infrastructure hats to our internal Ausbil Chief Economist who had astutely forecast such macro-economic conditions and, in anticipation, we subsequently positioned to benefit, adding further duration to the Portfolio in the form of mobile towers.

During the quarter, all sectors contributed to performance but, as noted above, mobile towers were the stand-out rising 12.6% as a group. Energy infrastructure was also strong, rising 16.9% with our largest holding Cheniere Energy moving 20.5% higher. Transport infrastructure, but particularly toll roads and European airports, was strong during the quarter. ADP, owner of Charles De Gaulle airport in Paris and other airports in France, rose 7.8% as success with the vaccine roll-out in Europe and the US fuelled optimism regarding international travel resuming in the European summer. While Utilities overall contributed positively, Renewable companies continued with their weak performance. We have opportunistically added to global leaders in offshore wind infrastructure name, Ørsted, and in geothermal through Ormat, together with participating in the IPO of Spanish renewable energy company Acciona Energias.

M&A also continued during the quarter after UK-based water utility Pennon acquired Bristol Water, but also concurrently announced an intention to return £1.9bn to shareholders. Equity markets rewarded Pennon and we further increased our position in the company.

Outlook

The stabilisation in bond markets, together with supportive macro-economic indicators, provide an accommodative environment for the essential infrastructure asset class to perform well. Both our top down and bottom-up indicators continue to show solid valuation support despite the strong performance during the quarter.

From a bottom-up perspective, we continue to see attractive investment opportunities across the asset class to support our long-term investment goals. For example, in the Airport space, equity markets, particularly in Europe, continue to overly discount the impact of COVID on long-term cash flows, particularly as vaccination programs are showing real success in reducing serious illness and hospitalisations. We are also excited about the secular growth opportunities presented by the infrastructure asset class, most notably in renewable energy companies and energy transition leaders within the Utilities sector, but also mobile tower companies as they continue to benefit from co-location opportunities and the rollout of 5G technology.

Performance

Returns as at 30 June 2021

Period	Fund Return	Benchmark ¹	Out/Under Performance
	Net		Net
1 month	2.50	0.73	1.78
3 months	6.54	2.04	4.51
6 months	7.82	3.64	4.18
FYTD	6.44	6.81	-0.37
CYTD	7.82	3.64	4.18
1 year	6.44	6.81	-0.37
2 years pa	2.09	6.90	-4.81
Since inception pa	9.57	6.92	2.65

Date: December 2018

Top 10 Stock Holdings

Name	Fund
SBA Communication	4.98
Cellnex Telecom	4.68
Nextera Energy	4.63
Getlink SE	4.59
Aeroports De Paris	4.39
Sempra Energy	4.26
Ameren	4.22
National Grid	4.13
Aena Sme	3.82
Emera	3.72

Sector Allocation

Sector	Fund
Communications Infrastructure	16.67
Energy Infrastructure	9.59
Transportation	26.39
Utilities	46.23
Cash	1.12
Total	100.00

Region Allocation

Country	Fund
Asia Pacific	11.44
Europe	31.73
North America	44.1
United Kingdom	11.61
Cash	1.12
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

Ørsted held its much-anticipated Capital Markets Day on 2 June 2021. The event showcased the extraordinary investment opportunity in renewable energy ahead for companies like Ørsted. Ørsted anticipates a seven-fold increase in offshore wind capacity and a 2.5-3 fold increase in onshore renewable capacity (solar and wind) globally over the next 10 years (excluding China). Ørsted also outlined the huge potential for green hydrogen with 2030 targets ranging from 30-100GWs of installed electrolyser capacity. Companies like Ørsted and NextEra in particular, as global leaders in offshore wind and US renewables respectively, are set to benefit over the decades to come. These long-term secular growth investment opportunities align strongly to what we are trying to achieve for our investors.

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

Given the currently evolving issues around the Coronavirus (or Covid-19) globally, which has officially been designated a pandemic by the World Health Organisation, we wish to notify that, as with many firms, business may be disrupted. A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in Australia, Italy, China, South Korea, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact investment returns in any of Ausbil Investment Management Limited's registered managed investment schemes (the Funds). Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, an inability on behalf of authorities to contain this pandemic) may adversely impact any investment, including by delaying or causing supply chain disruptions or by causing staffing shortages. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to any investment or fund performance.