

Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

July 2021

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‘Top-down valuations have moved notably off the lows we witnessed in March 2021’

Performance Review

Fund performance for the month ending July 2021 was +5.37% (net of fees) versus the benchmark return of +0.75%, as measured by the OECD G7 CPI Index plus 5.5%.

The Fund rose strongly in July, building on a recent solid period of performance. While macro-economic indicators buoyed equity markets, bond yields continued to drift lower as markets were increasingly concerned with the rapid spread of the delta variant of COVID in many countries. Concerns over inflationary pressures seemed to take a back seat. This provided an accommodative backdrop for Essential Infrastructure.

Utilities, mobile phone towers and transport infrastructure all rose, with energy infrastructure the only sector down. M&A was again a feature of the month with Sydney Airport receiving a non-binding offer by a consortium led by IFM at \$8.25/share (now upgraded to \$8.45 a share), with the shares initially rising 35% as a result. The proposed transaction, though currently rejected by Sydney Airport, underscores the significant value arbitrage that exists. Sydney Airport was the strongest contributor to performance for the month.

On the flipside, we did see weakness in European airports but particularly ADP, owner of airports located in France, most notably the Charles De Gaulle Airport in Paris, which fell by 7% on renewed pessimism regarding the spread of the Delta variant and its impact on travel and quarantine arrangements for the European summer.

Our utility holdings rose 5% with particularly strong performance from our regulated water holdings in the UK and North America. Equity markets continue to reward the UK regulated water companies that have high regulatory certainty, are strong operational performers and will also directly benefit from the UK's Green Recovery Fund, and any transitory increase in inflation. Severn Trent was the strongest performer rising 12%. Elia, owner of electric transmissions grids in Belgium and Germany, also rose by 12% after increasing its FY21 earnings guidance. The market also welcomed the release of a draft regulatory ruling in Germany on allowed returns that provided some comfort regarding the likely outcomes of regulatory pricing deliberations.

Finally, mobile phone tower companies rose 2% as we saw better than expected financial results from SBA Communications and Vantage, but also a favourable macro backdrop for the longer-duration infrastructure assets.

Outlook

The Fund has performed strongly in recent months, with our increased exposure to longer-duration sectors really benefitting from the stabilisation in bond markets, together with strong individual stock performance. As a result, top-down valuations have moved notably off the lows we witnessed in March 2021. However, considering the macroeconomic settings in front of us as the globe recovers from the pandemic, we remain positive on the asset class and continue to run low cash levels.

At a sector and stock level, we are not having any challenges finding attractive investment opportunities, from deep value and COVID recovery plays, to strong income generators and multi-decade secular growth stories.

In European airports, for example, we continue to see a real value opportunity for long-term investors as equity markets continue to focus on short-term traffic trends and overly discounting the impact of COVID on long-term cash flows given the compelling evidence of the effectiveness of vaccination.

We also remain excited about secular growth opportunities in the utilities, renewables and mobile phone tower sectors. While we are seeing equity markets starting to reward some of these companies, active management on our part will see us continually review our exposures to exploit mispricing of value and quality attributes across sectors and regions.

Performance

Returns as at 31 July 2021

Period	Fund Return	Benchmark ¹	Out/Under Performance
	Net		Net
1 month	5.37	0.75	4.63
3 months	9.01	2.19	6.82
6 months	15.31	3.92	11.39
FYTD	5.37	0.75	4.63
CYTD	13.61	4.42	9.20
1 year	12.09	7.08	5.01
2 years pa	4.29	6.97	-2.68
Since inception pa	11.45	6.99	4.46
Date: December 2018			

Top 10 Stock Holdings

Name	Fund
SBA Communications	5.05
Cellnex telecom	4.80
Nextera Energy	4.77
Getlink	4.46
Aeroports De Paris	4.35
Sempra Energy	4.20
Ameren Corporation	4.19
Aena SME SA	4.03
National Grid	3.95
Transurban Group	3.85

Sector Allocation

Sector	Fund
Communications Infrastructure	16.75
Energy Infrastructure	8.53
Transportation	26.95
Utilities	46.63
Cash	1.13
Total	100.00

Region Allocation

Country	Fund
Asia Pacific	11.60
Europe	32.56
North America	43.00
United Kingdom	11.71
Cash	1.13
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

Our Fund has a significant exposure to Florida regulated utilities through key Fund holdings NextEra and Emera. We believe that the Florida investment landscape is the most constructive in North America, if not globally. Recent regulatory data points further underscore our belief in this regard. Both Emera and NextEra settled their regulatory rate cases with key interveners, for the next three and four years respectively, on attractive terms for long-term infrastructure investors. Allowed returns will be 50-100bps above the US average, with the ability for returns to be increased should bond yields spike higher. Investment levels will accelerate but, importantly, bill increases will remain contained to around inflation. Florida is the 'Holy Grail' for utility investors. It has proven, over a long period time, irrespective of whether it is Republican or Democrat state, to be a supportive regulatory environment. Bills are low, energy volumes are growing, and the state is accelerating investment in renewable energy to decarbonise the energy systems.

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Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil Global Essential Infrastructure Fund (ARSN 628 816 151) (Fund). References in this document to the Fund or Ausbil Global Essential Infrastructure Fund – Unhedged, accordingly refer to the unhedged class of units in the Fund as the context requires. This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at www.ausbil.com.au before acquiring or investing in the fund. The OECD G7 CPI Index is published on a monthly basis (five weeks after the end of the period) and represents the weighted average changes in the prices of consumer goods and services purchased by households for the Group of 7 countries in the Organisation for Economic Co-operation and Development (OECD). The Group of 7 countries are Canada, France, Germany, Italy, Japan, United Kingdom and United States. Ausbil maintains an accumulation index calculated by converting the movement in OECD G7 CPI Index reported, plus 5.5 per annum into a daily return. As the OECD usually publishes the OECD G7 CPI Index around five weeks after the end of the period, eg the 31 December data will generally not be released by the OECD until the first week of February, the performance return for the benchmark in the table provided is estimated using the previous months OECD G7 CPI Index. As the OECD G7 CPI Index calculation methodology allows for historical revision of the index (such as when an included country revises their national accounts), at a minimum we will update any material revisions to reported OECD data first published during the previous six months when presenting performance data in Fund reports. However, we do not republish previously released reports due to OECD data revisions. The OECD G7 CPI Index is published on the OECD website at: www.oecd.org/std/prices-ppp/.

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.