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Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

November 2021

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Performance Review

Fund performance for the month ending November 2021 was +2.17% (net of fees) versus the benchmark return of +0.88%, as measured by the OECD G7 CPI Index plus 5.5%.

The main driver of global markets during the month was the emergence of the latest COVID strain of concern, Omicron. Omicron emerged towards the end of the month and took most equity indices into negative territory, reversing gains from earlier in the month. In addition to this was a surprise pivot by the US Fed to a more hawkish stance, leading markets to expect Interest rate rises earlier than previously expected.

Given this backdrop, and especially with respect to Omicron, Transportation was the weakest sector of Essential Infrastructure in November. Individual names such as Groupe ADP (owner of Charles de Gaulle Airport amongst others), Ferrovial, Vinci and Spanish Airport group AENA all fell close to 10% during the month.

Energy Infrastructure was also weak during November, with North American gas and oil pipeline company TC Energy being the weakest performer in the portfolio, falling 10.5%. The company fell on the announcement that it was reducing dividend growth in order to fund an increased capex pipeline. We view this approach positively and believe that the market reaction was overdone.

On the positive side for the month, the sectors of utilities and communications displayed their defensive characteristics, despite a more hawkish Fed. Elia, which runs electricity grid networks in Belgium and Germany was the best performer in the portfolio, rising by 9% on the back of solid results highlighting the resilience of its business. Indeed, the company raised guidance for this year.

Other utilities, such as UK companies National Grid, Severn Trent and Pennon all rose over 5%. These companies benefitted not only from strong operational performance, but are also amongst the most inflation-protected assets in the Essential Infrastructure universe.

Outlook

Clearly, the discovery of the Omicron strain has roiled markets. The transmissibility and severity of this strain are still to be determined, but in some sectors a ‘worst case’ scenario of further lockdowns was quickly factored into some assets, most notably airports. We think this is an overreaction and that share prices are not reflecting longer-term fundamentals. Similarly, some of the higher quality names across Essential Infrastructure fell meaningfully during the month, which we see as unjustified. From a top-down view, our proprietary modelling shows valuations close to neutral overall and we view the recent pullback in share prices as a good opportunity to selectively add to high quality companies that we believe will be sound long-term investments.

There may well be further volatility as we learn more about Omicron and also get a better feel for when and how fast the Fed will raise interest rates. Indeed, if the Fed is correct in its new view that inflation is likely to be more persistent than transitory, then assets with either explicit or implicit inflation protection, such as Essential Infrastructure, should be in demand by investors.

Overall, we see the long-term outlook as supportive for Essential Infrastructure and we continue to add to our preferred names on weakness. As always, the team will continue to apply the process we have developed in a consistent manner as we seek attractive investment opportunities in high-quality names that also offer sound ESG credentials.

Performance

Returns as at 30 November 2021

Period	Fund Return % Net	Benchmark[1] %	Out/Under Performance % Net
1 month	2.17	0.88	1.28
3 months	-1.25	2.41	-3.66
6 months	9.56	4.75	4.81
FYTD	6.88	3.99	2.89
CYTD	15.24	7.78	7.46
1 year	11.70	8.32	3.38
2 years pa	1.94	7.46	-5.52
Since inception pa Date: December 2018	10.62	7.32	3.30

Top 10 Stock Holdings

Name	Fund %
Nextera Energy	5.04
Transurban Group	4.81
Getlink	4.66
Aeroports De Paris	4.63
Cellnex Telecom	4.58
Ameren	4.35
National Grid	4.33
Sempra Energy	4.23
Aena SME	4.05
SBA Communications	4.00

Sector Allocation

Sector	Fund %
Communications Infrastructure	15.87
Energy Infrastructure	8.48
Transportation	29.01
Utilities	46.26
Cash	0.39
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	9.63
Europe	39.33
North America	41.52
United Kingdom	9.13
Cash	0.39
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
There has been a lot of buzz recently about Hydrogen and its place in the energy transition to help the world achieve net zero carbon emissions. Hydrogen made from the electrolysis of water using renewable electricity is labelled 'green' hydrogen. In order to support the level of demand envisioned by the Hydrogen Council by 2050, over US$5 trillion in capex spending on wind and solar capacity is required. In size, this equates to five times the current wind and solar market and should present significant opportunities for the renewable energy sector. Essential Infrastructure is perhaps the best positioned of all sectors to benefit from this massive opportunity with Hydrogen, in firms such as NextEra and Ørsted, and utilities that deliver the benefit of Hydrogen to customers.

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