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Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

December 2021

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'Both valuations and sentiment are relatively neutral, and we see strong secular growth themes that will drive sectors over the coming years'

Performance Review

Fund performance for the quarter ending December 2021 was +6.21% net of fees, versus the benchmark return of +2.51% as measured by the OECD G7 CPI Index plus 5.5%.

December kicked off with concerns over the latest COVID-19 variant, Omicron. However, despite the initial worst-case fears, concerns were alleviated to a certain degree after preliminary observations that this variant was relatively mild compared to previous ones. As a result, the threat of a new round of restrictions and lockdowns was assuaged during the month. This relief allowed investors to focus on fundamentals for 2022 and as a result markets rallied around the world, after falling in November.

That said, the Fed's about-turn with regard to inflation being more persistent than transitory did send a shockwave through the market and led market observers to fear that the Fed is behind the curve and interest rates may have to rise faster than previously expected. This will undoubtedly play out over coming months.

During the quarter, all major sectors contributed positively to the fund with Utilities (+11%) and Communications infrastructure (+7%) leading the way. National Grid in the UK was the standout performer during the quarter rising 21%, with other utilities such as NextEra in the US and Terna, which owns and operates the electricity transmission grid in Italy, both rising over 15%. National Grid is in the process of transitioning to a portfolio of electricity assets and positioning itself as an Energy Transition company, and this strategy was well received by the market.

On the negative side, Spanish airport monopoly AENA was the weakest performer in the portfolio, falling 7% in the quarter. Transport stocks (+3%), and airports in particular are clearly waiting for the post-COVID recovery, and whilst the emergence of Omicron is a setback, we do not expect it to materially alter the recovery path of cross-border travel.

Outlook

From a top-down view, we see an overall environment that is supportive for Essential Infrastructure. Both valuations and sentiment are relatively neutral, and we see strong secular themes that will drive growth over the coming years.

Given the increased concern we are seeing recently over inflation and the possible pace of interest rate increases, particularly in the US, it is likely that macro factors may be the primary movers of markets over the coming months. Whilst long-dated stocks are usually the victims of such market fears, we have factored increased rates into our valuation models and await any opportunities that the market may present.

From a bottom-up perspective, we continue to see attractive investment opportunities across the asset class that support our long-term investment goals. For example, the COVID reopening positions (airports, toll roads) remain high conviction holdings in the portfolio. We believe that markets, particularly in Europe, continue to overly discount the impact of COVID on long-term cash flows. We are also excited about the secular growth opportunities within the asset class. The energy transition is probably the highest profile secular opportunity, which we are playing through both renewable energy companies, and energy transition leaders within the Utilities sector. However, there are also lesser-known opportunities, such as in mobile phone tower companies as they continue to benefit from co-location opportunities and the roll out of 5G technology.

Performance

Returns as at 31 December 2021

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	4.70	0.91	3.79
3 months	6.21	2.56	3.65
6 months	11.90	4.93	6.97
FYTD	11.90	4.93	6.97
CYTD	20.65	8.75	11.90
1 year	20.65	8.75	11.90
2 years pa	4.00	7.62	-3.62
3 years pa	12.44	7.43	5.01
Since inception pa Date: December 2018	11.99	7.43	4.56

Top 10 Stock Holdings

Name	Fund %
Nextera Energy	5.12
Transurban Group	4.75
Getlink SE	4.66
Cellnex Telecom	4.61
Aeroports De Paris	4.56
Ameren Corporation	4.49
Sempra Energy	4.30
Aena SME	4.26
National Grid	4.14
SBA Communications	4.01

Sector Allocation

Sector	Fund %
Communications Infrastructure	16.17
Energy Infrastructure	8.26
Transportation	29.50
Utilities	45.43
Cash	0.64
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	9.71
Europe	40.81
North America	40.13
United Kingdom	8.72
Cash	0.64
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

The case of the vanishing infrastructure asset: Ausbil's infrastructure team has been called in to investigate a disturbing finding. The ASX-listed infrastructure space, at its height, had over 15 listed companies. Most of these have vanished now, bought by pension and super funds, other infrastructure firms and private equity. At this rate, if the acquisitions of Sydney Airport and AusNet complete in one form or another, there is potentially only going to be four ASX-listed infrastructure companies that meet Ausbil's Essential Infrastructure criteria. These are Transurban (TCL), Atlas Arteria (ALX), APA Group (APA) and Auckland Airport (AIA, dual listed on the ASX and NZX). Should the proposed acquisition of AusNet Services succeed (following the privatisation of Spark Infrastructure), there will be no listed regulated utility on the ASX. There is no listed mobile phone tower company on the ASX, with the recent sale of 49% in Telstra's towers going to the Future Fund and other super funds. Moreover, following the takeovers of Infigen and Tilt, there is no pure-play renewable energy company listed on the ASX that meets our essential infrastructure criteria, leaving the only options for pure-play renewables exposures in offshore companies, such as global renewable powerhouses like NextEra and Ørsted. In fact, apart from the four assets we rate as essential infrastructure listed in Australia, the only other options are offshore, fundamentally underscoring the importance of allocating to global infrastructure opportunities.

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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** and the target market determination which is available at **https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds** 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.