

Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

January 2022

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‘Volatility in markets during January has allowed us to increase positions in high quality companies that are now being significantly under-priced by the market’

Performance Review

Portfolio performance for the month ending January 2022 was -2.88% (net of fees) versus the benchmark return of +0.92%, as measured by the OECD G7 CPI Index plus 5.5%.

Anticipation of faster than previously expected US interest rate hikes to control inflation saw bond yields spike in January. This had a knock-on impact to equity markets and particularly hit those sectors with long-dated cashflows, such as renewable energy companies and mobile phone towers. To compound this, there was also a sell-off in high quality companies, as value investing held sway. Furthermore, escalating tensions between the US and Russia over Ukraine only added to the market turmoil.

During the month, mobile phone towers suffered the most, falling 14% in both the US and Europe. Spanish company Cellnex was the largest detractor in the portfolio at -21% for the month, and is trading significantly below our valuation, even with a rising interest rate cycle factored in. Similarly, SBA Communications in the US fell 16% during the month, despite positive results from one of its peers.

In the renewable energy sector, Acciona Energia, NextEra and Ørsted all fell by 16% during the month. NextEra announced positive results and increased guidance for the next few years, but this was ignored by the market.

On the positive side, Energy Infrastructure performed well, continuing its recent strong performance. US natural gas pipeline company Williams was the top performer in the fund rising 15%. TC Energy and LNG export facility Cheniere both rose over 10%. There was also solid performance from some of our transportation names as the earlier concerns over Omicron fade, and markets look towards the reopening of borders. French airport group ADP rose close to 6% and Spanish airport group AENA rose 3%.

Outlook

Whilst the volatility in markets during January has hurt performance in the short term, it has allowed us to increase positions in high quality companies that are now being significantly under-priced by the market. Some of these companies have already reported earnings, and some companies such as NextEra have increased their earnings guidance for the next few years. Fundamentals are therefore sound, but the short-term nature of the market is ignoring this. We expect that over the coming months, markets will absorb the interest rate trajectory and fundamentals will once again re-assert themselves. The current volatility therefore provides us with an opportunity to increase both the quality and the valuation support of the portfolio. This is a similar strategy that we have used during previous market volatility, to good effect.

Overall, we therefore see the long-term outlook as supportive for Essential Infrastructure and will 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 have sound ESG credentials.

Performance

Returns as at 31 January 2022

Period	Fund Return % Net	Benchmark ¹ %	Out/Under Performance % Net
1 month	-2.88	0.92	-3.81
3 months	3.88	2.74	1.15
6 months	3.13	5.12	-1.99
FYTD	8.68	5.90	2.77
CYTD	-2.88	0.92	-3.81
1 year	18.92	9.23	9.69
2 years pa	-1.39	7.79	-9.17
3 years pa	9.17	7.55	1.62
Since inception pa Date: December 2018	10.60	7.54	3.07

Top 10 Stock Holdings

Name	Fund %
NextEra Energy	5.43
Sempra Energy	4.73
Ameren	4.72
Cellnex Telecom	4.59
Getlink	4.40
Transurban Group	4.37
Aena SME	4.21
National Grid	3.94
Aeroports De Paris	3.93
Cheniere Energy	3.89

Sector Allocation

Sector	Fund %
Communications Infrastructure	15.70
Energy Infrastructure	9.75
Transportation	27.59
Utilities	45.06
Cash	1.90
Total	100.00

Region Allocation

Country	Fund %
Asia Pacific	8.80
Europe	39.25
North America	41.53
United Kingdom	8.52
Cash	1.90
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

Moving energy from one place to another, and over long distances, is not a trivial task. Fossil fuels have proven to be an effective way of packing a high-energy content into a portable form which can be moved from A to B in a straightforward way. It is no wonder then, that the way we transport energy today hasn't really changed a great deal since the Industrial Revolution. According to research by BofA Securities, over 5 billion tonnes of coal are (still) transported around the world each year, a lot of it in trains just as it has ever since Richard Trevithick debuted the first rolling stock locomotive in 1802, built by the Coalbrookdale Company in Shropshire, in the United Kingdom. Add in more than 4 billion tonnes of oil, and we are moving the equivalent of 1 million Eiffel towers by weight each year to deliver fossil fuel energy from source to point of consumption. The infrastructure underpinning this global fossil fuel distribution system is a big part of the physical landscape we see today: trucks, trains, tankers, ships; but in a net zero world it will all need to be replaced. This is part of what is called the Energy Transition, shifting energy transport to electricity grids and hydrogen pipelines, the two key methods for transporting for clean energy at scale, and yes, this clean energy will still use the trains that have served us well for more than 200 years.

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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.