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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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