

# Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

February 2022

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## Performance Review

Fund performance for the month ending February 2022 was -0.16% (net of fees) versus the benchmark return of +0.85%, as measured by the OECD G7 CPI Index plus 5.5%.

February was a tumultuous month for markets. Undoubtedly, the Russian invasion of Ukraine overshadowed all other events, and the knock-on effects for commodity prices, inflation and potential interest rate hikes sent ripples through global markets that will continue to reverberate for a while yet.

For clarity, the Fund does not, and has never owned any company listed in either Russia or Ukraine, and there are no companies from either country included in our investable universe.

There are many ramifications of the Russian invasion, not least with the devastation and destruction wrought on the Ukrainian people. With respect to Essential Infrastructure, there are likely to be some positives, as well as negatives, partially reflected in stock performance for the month.

On the positive side, renewable energy stocks in Europe jumped on the likelihood that there will be increased investment in renewable energy so that Europe can wean itself off Russian gas. Offshore wind company Ørsted spiked 23% in the month from recent lows, and Spanish renewable name Acciona Energia jumped 11% as well. Electricity transmission grid companies in Europe such as Elia and Terna also performed well during the month as grid investment needs to go hand-in-hand with investment in renewables.

In addition, US LNG export company Cheniere rose 19% on the back of a positive business update but also on the back of expected higher demand as Europe swaps Russian gas for LNG imports.

On the negative side, the likelihood of higher inflation leading to higher interest rates impacted some of the longer-duration stocks in the Fund. American Tower was the Fund stock that fell the most during the month, falling close to 10%. This was followed by SBA Communications at -7%, and American Water Works at -6%. More dovish comments from the Fed towards the end of the month should help these stocks going forwards.

## Outlook

The duration and extent of the invasion of Ukraine is at this point uncertain, and will clearly lead to geopolitical uncertainty, increased inflationary pressures, and uncertainty over the quantum of interest rate hikes. All of this is likely to lead to increased volatility as markets swing back and forth on the latest news flow, whether it be news from Ukraine, utterances from the Fed or the latest economic data print.

Volatility in markets can clearly hurt performance in the short term, but it does allow us to increase positions in high quality companies that are core long-term holdings for the Fund at favourable prices. This is a standard strategy that we employ at times like this, taking advantage of volatility to increase both the quality and the valuation support of the Fund. We firmly believe that this strategy places the Fund in a stronger position over the longer term.

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 28 February 2022

Period	Fund Return % Net	Benchmark <sup>1</sup> %	Out/Under Performance % Net
1 month	-0.16	0.85	-1.01
3 months	1.51	2.70	-1.19
6 months	0.24	5.17	-4.93
FYTD	8.50	6.80	1.70
CYTD	-3.04	1.78	-4.82
1 year	23.69	9.62	14.07
2 years pa	0.80	7.94	-7.14
3 years pa	7.55	7.67	-0.12
Since inception pa Date: December 2018	10.28	7.63	2.65

## Top 10 Stock Holdings

Name	Fund %
NextEra Energy	5.16
Cellnex Telecom	4.76
Sempra Energy	4.68
Cheniere Energy	4.58
Getlink Se	4.39
Transurban Group	4.35
Ameren Corporation	4.33
Ørsted	4.31
Aena SME	4.25
Aeroports De Paris	4.14

## Sector Allocation

Sector	Fund %
Communications Infrastructure	15.26
Energy Infrastructure	9.83
Transportation	28.66
Utilities	45.06
Cash	1.20
<b>Total</b>	<b>100.00</b>

## Region Allocation

Country	Fund %
Asia Pacific	8.88
Europe	41.68
North America	39.78
United Kingdom	8.46
Cash	1.20
<b>Total</b>	<b>100.00</b>

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

Europe is at a crossroads in terms of its energy supply. It is already reeling from an energy crisis, as gas prices have spiked over the last twelve months, impacting both gas and electricity prices to consumers. Russia accounts for over 40% of the gas imported into the European Union, and if this 'umbilical cord' is cut-off due to the ongoing war, then Europe clearly has a big problem to solve. We believe that Europe stands at a crossroads in terms of its energy independence and one path that it will almost inevitably have to take is to significantly increase spending on renewable energy, and accelerate the electrification of their economies. It will be fascinating to watch just how far, and fast, Europe can make this change over the coming weeks, months and years. We think this will spark similar changes across the world, including in Australia for one reason or another.

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