

# Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

April 2022

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## Performance Review

Fund performance for the month ending April 2022 was +1.39% (net of fees) versus the benchmark return of +0.97%, as measured by the OECD G7 CPI Index plus 5.5%.

The Fund performed well during April with all sectors showing positive returns. This followed on from a solid first quarter of 2022 with the Fund continuing to deliver strong downside protection versus broader equity indices during a volatile period.

This period of strong outperformance versus global equities has occurred during a period of rising interest rates, defying a commonly held view that rising interest rates play to the 'bond proxy' characteristics of infrastructure, creating a significant headwind. Invariably, infrastructure's relationship with inflation is more complicated and more positive, with the context around why interest rates are rising the critical factor. Generally, because of the structural regulated and contracted pricing models across the sector, rising inflation leads to higher revenues and cash flows especially in the short to medium term. In the current situation, sharply rising inflation and, to some extent, concerns over a slowing global economy, is providing a macro 'sweet spot' for the asset class to perform well. Some 96% of Ausbil's Essential Infrastructure Fund offers significant pass-through benefits in a rising inflationary environment such that revenues and earnings rise in these conditions. This helps to offset some of the impacts on long-term discount rates applied to value the sector.

On the positive side for April, Elia rose a further 9% taking YTD performance to 31% as investors continue to upwardly revalue pure-play electricity transmission assets leveraged to the energy transition, which include inflation protections. Other strong performers included a number of the transport companies, with Transurban (+6%), Atlas Arteria (+7%) and Getlink (+5%) all generating good returns for the month.

On the negative side this month, NextEra Energy fell 17% during the month as concerns grew regarding the potential impact on the solar panel supply chain from a US Department of Commerce investigation into anti-dumping of Chinese supplied panels into South-East Asia for export to the US. We see this as a short-term set back, and consequently lifted our position.

## Outlook

Markets will likely remain focused on the implications of the Russian invasion of Ukraine, energy prices, inflation and interest rates, but more recently, China's zero-COVID policy.

While the Fund has performed well during this period, the outlook remains robust for the asset class and we continue to see attractive investment opportunities from both a top-down and bottom-up perspective. The backdrop of rising inflation and interest rates together with solid but slowing global growth sets up the asset class well from a macro perspective. Cash levels consequently remain low.

We have been reducing positions in companies that have performed particularly well during this period, recycling those proceeds into stronger conviction investments from a value, quality and ESG perspective. We have also sought to further enhance the inflation protection characteristics of the Fund by adding to select UK and European regulated utilities where bottom-up fundamentals are also solid (such as Terna and Pennon), selectively reducing some of the transport exposure, and adding to mobile communications where we are seeing more conviction.

## Performance

Returns as at 30 April 2022

Period	Fund Return % Net	Benchmark <sup>1</sup> %	Out/Under Performance % Net
1 month	1.39	0.97	0.41
3 months	4.50	2.83	1.68
6 months	8.56	5.64	2.92
FYTD	13.57	8.89	4.68
CYTD	1.49	3.77	-2.28
1 year	17.49	10.45	7.04
2 years pa	8.81	8.36	0.45
3 years pa	7.72	7.97	-0.24
Since inception pa Date: December 2018	11.25	7.86	3.38

## Top 10 Stock Holdings

Name	Fund %
Nextera Energy	5.48
Cellnex Telecom	5.09
Transurban Group	4.51
Ameren Corporation	4.39
Vinci	4.35
Cheniere Energy	4.16
Ferrovial	4.14
Getlink SE	4.08
Sempra Energy	3.92
Terna SPA	3.90

## Sector Allocation

Sector	Fund %
Communications Infrastructure	16.88
Energy Infrastructure	8.90
Transportation	28.66
Utilities	44.15
Cash	1.42
<b>Total</b>	<b>100.00</b>

## Region Allocation

Country	Fund %
Asia Pacific	8.97
Europe	41.12
North America	40.25
United Kingdom	8.24
Cash	1.42
<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

The energy transition underway in the US is incredibly exciting as infrastructure investors. While at a Federal level, policy settings as they relate to renewables and the energy transition can be hampered by the prevailing political environment (as is the case now with President Biden), however the transition is happening and at a rising pace. It is important to understand the reality on the ground against the political rhetoric that may be occurring. For example, during the period of the Trump administration and despite the rhetoric, the US installed more renewable energy and retired more coal generation than under any previous administration – either Republican or Democrat. Inevitably, the Federal policy settings in the US are important, but this energy transition is occurring and is likely to occur more quickly than most anticipate, irrespective of who resides in the White House.

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