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Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

May 2022

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Performance Review

Fund performance for the month ending May 2022 was +0.71% (net of fees) versus the benchmark return of +1.08%, as measured by the OECD G7 CPI Index plus 5.5%.

During May, markets continued to be mired in a myriad of uncertainties. The situation in Ukraine, inflation, interest rate rises, Covid related lockdowns in China and supply-chain disruptions created a long menu of daily concerns for market participants. Despite this backdrop, Essential Infrastructure continued to largely deliver in line with expectations and grind higher, demonstrating the key characteristics of the asset class – secure, long-term streams of cashflow, inflation protection and secular growth opportunities.

On the positive side, North America was the strongest region, rising over 4% as a group, with Energy Infrastructure and Utilities particularly strong. Ormat, a global leader in geothermal energy, Williams, a US natural gas pipeline company, and US utility name NiSource all rose over 8% during the month. In addition, renewable energy behemoth NextEra rebounded over 7% from recent lows.

On the negative side, the UK was the weakest region of Essential Infrastructure falling close to 7%. UK water name Pennon was the weakest performer in the portfolio, falling 10%, with fellow water name Severn Trent falling over 7%. Concerns over cost-base inflation drove these falls, which we believe are an overreaction by the market given the inflation protection these companies enjoy, via their regulation.

European mobile phone tower names Vantage Towers and Cellnex were also weak during the month – Deutsche Telekom is rumoured to be looking to monetise its mobile phone tower assets and both Vantage and Cellnex are thought to be interested, which has weighed on both stocks. We will continue to monitor developments closely, but ultimately believe a combination between Cellnex and Deutsche Telekom's towers is the most likely outcome, which, depending on how a deal is structured, could be a positive catalyst for Cellnex.

Outlook

Equity markets are unlikely to move meaningfully higher until we see evidence of inflation peaking, and therefore have a clearer picture of the interest rate cycle. Other concerns such as Ukraine, Chinese lockdowns, and supply chain issues are likely to add more volatility to markets, depending on the latest news flow.

Given this uncertain backdrop, we believe Essential Infrastructure continues to be well placed to benefit from its inherent inflation protection, security of cashflow growth and secular growth opportunities. These powerful secular growth drivers include the Energy Transition, RePower EU – replacing Russian gas in Europe with renewables, grid investment, and increased LNG shipments, particularly from the US. Both of these thematics will take many years to accomplish and we see many fertile opportunities to benefit within Essential Infrastructure.

Performance

Returns as at 31 May 2022

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	0.71	1.08	-0.37
3 months	5.42	3.06	2.36
6 months	7.01	5.84	1.17
FYTD	14.38	10.07	4.31
CYTD	2.21	4.89	-2.68
1 year	17.24	10.86	6.37
2 years pa	7.67	8.69	-1.02
3 years pa	7.32	8.14	-0.83
Since inception pa Date: December 2018	11.18	8.00	3.19

Top 10 Stock Holdings

Name	Fund %
Nextera Energy	5.64
Cellnex Telecom	4.71
Transurban Group	4.41
Ameren	4.35
Vinci	4.13
Getlink SE	4.11
Cheniere Energy	4.05
Ferrovial	3.97
Terna SPA	3.89
Sempra Energy	3.85

Sector Allocation

Sector	Fund %
Communications Infrastructure	16.18
Energy Infrastructure	9.05
Transportation	28.29
Utilities	43.47
Cash	3.01
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	8.79
Europe	40.28
North America	40.43
United Kingdom	7.49
Cash	3.01
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

We recently spent a day shadowing a mobile phone tower maintenance crew in the UK, in order to gain a deeper understanding of the evolution in the mobile phone tower industry, as well as understanding better the supply chain dynamics. Key take-aways included the miniaturisation of equipment, which means more, and increasingly intelligent equipment can be attached to the towers, as well as the need for further towers to support the continued 5G network rollout. In addition, we visited a trial for driverless cars, which could see significant extra demand for towers in the longer term (none of which is being factored into valuations at this point). Also, modern towers are typically much more efficient and better looking "pole towers" compared to the older lattice-work towers that are still in use. These poles can easily be replaced by stronger poles if additional operators want to use the tower, thereby creating good economies of scale for the mobile phone tower owner.

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