Contactus@
ausbil.com.au

ausbil

Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

June 2022

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

'For its part, Essential Infrastructure continues to have many attractive qualities given the current environment'

Performance Review

Portfolio performance for the quarter ending June 2022 was -0.32% (net of fees) versus the benchmark return of +3.12%, as measured by the OECD G7 CPI Index plus 5.5%.

The decline in global equity markets continued in June, as seemingly all roads lead to recession. Views oscillated from concerns over raising rates causing a recession to not raising rates leading to potential runaway inflation and further rate rises, thus also potentially leading to a recession. The echo chamber of panicked market participants reached fever pitch, and equity markets moved with the prevailing negative sentiment.

Given the weight of this negativity, Essential Infrastructure also fell during the month. However, it was able to once again exhibit its defensive characteristics, falling significantly less than global equities. Indeed, the outperformance of Essential Infrastructure to global equities so far this year is significant, even despite a backdrop of rising interest rates. One of the traditional misconceptions of infrastructure is that it performs poorly in a rising rate environment. The historical evidence suggests the opposite, and the first half of this year has been another significant data point to help disprove this simplistic theory.

On the positive side for the month, toll road operator Atlas Arteria was the best performer, rising over 12% as serial infrastructure predator IFM built a stake of just under 15% of the company. The management of Atlas Arteria are refusing to open the books to IFM unless they make a bid. IFM for their part have said they need to look at the books in order to make a bid, so we are currently in an infrastructure version of a Mexican stand-off (hopefully taking place on a toll road somewhere). Who says infrastructure isn't exciting!

Elsewhere, renewable energy names NextEra and Acciona Energia both rose during the month, as did inflation protected businesses like Transurban and Ferrovial.

On the negative side, it was a mixture of energy infrastructure names and airports that fared the worst during June. US gas pipeline company, Williams, was the weakest name in the portfolio falling close to 15%. European airport operators ADP and AENA both fell over 13% on a variety of concerns ranging from the potential for a recession impacting the travel outlook, to the airports and airlines not being able to keep up with demand. A lack of available qualified staff and industrial action did not help, but we believe these issues will be resolved and that the underlying demand for air travel is very strong.

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. Encouragingly we are starting to see some of the inflationary indicators start to crest. Supply chains are slowly improving and inventories are being rebuilt. These are trends which could lead to a more optimistic outlook over the next few months, if they continue.

For its part, Essential Infrastructure continues to have many attractive qualities given the current environment. Strong embedded inflation protection and long-term secular growth, through multi-decade thematics such as the energy transition and RePower Europe, are two qualities that are increasingly in demand by investors. Security of earnings and cashflow is another highly appealing quality at this point in time.

As always, the team will continue to diligently apply the process we have developed in a consistent manner. We are always on the lookout for attractive investment opportunities for the long-term, and the current market will inevitably lead to further mispricing in some of these assets. We will be ready.

Performance

Returns as at 30 June 2022

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	-2.37	1.04	-3.41
3 months	-0.32	3.12	-3.44
6 months	-0.22	5.98	-6.20
FYTD	11.66	11.21	0.45
CYTD	-0.22	5.98	-6.20
1 year	11.66	11.21	0.45
2 years pa	9.02	8.99	0.03
3 years pa	5.19	8.32	-3.13
Since inception pa Date: December 2018	10.16	8.12	2.04

Top 10 Stock Holdings

Name	Fund %
NextEra Energy	6.27
Cheniere Energy	4.74
Transurban Group	4.59
Ameren Corporation	4.48
Cellnex Telecom	4.40
Ferrovial	4.29
Vinci	4.15
Getlink	4.09
Terna SPA	3.91
Aeroports De Paris	3.91

Sector Allocation

Sector	Fund %
Communications Infrastructure	16.54
Energy Infrastructure	7.23
Transportation	30.41
Utilities	42.37
Cash	3.45
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	10.32
Europe	41.06
North America	37.64
United Kingdom	7.53
Cash	3.45
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 have been asked increasingly about the outlook for a nuclear energy renaissance, given the growing energy needs of Europe in particular. Whilst we don't take a particular view on nuclear energy we would note from experience that nuclear generation plants in Europe and the US have tended to run over budget and be significantly delayed. It can take well over 10-years to get the necessary permits and to construct a nuclear plant, and in this timeframe significantly more renewable energy could be built that will come on-line and reduce bills immediately. Given this situation it is little surprise that very few of the companies that we have spoken to in the US or Europe are even willing to entertain the idea of investing in nuclear generation at this point.

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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**/.