

# Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

September 2022

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## Performance Review

Fund performance for the quarter ending September 2022 was -4.10% (net of fees) versus the benchmark return of +3.26%, as measured by the OECD G7 CPI Index plus 5.5%.

Markets sank in September on the back of a combination of events around the world. Inflation remains stubbornly high and the Federal Reserve reiterated its hawkish stance to the disappointment of the market. The Fed raised interest rates by 75bps in September and other central banks followed suit - the Bank of England raised by 50bps and the ECB raised by 75bps. However, future inflation expectations reduced as markets assumed an increased probability of recession around the world. To make matters worse in the UK, the new Chancellor of the Exchequer sent markets into a spin and the sterling to an all-time low after announcing a fiscal package that was poorly received.

This wave of negative sentiment affected all equity markets, and infrastructure was not immune from the fallout. We have seen this scenario several times in the past, and what we have experienced is that infrastructure tends to recover quicker than broader equities from knee-jerk sell-offs. This is primarily due to investors ultimately recognising the resilience of cash flows and profits of infrastructure companies. Whether this happens this time round remains to be seen, but we remain confident in the high-quality defensive companies we have in the Fund.

During September, although all sectors and regions of infrastructure fell sharply, it was the more interest-sensitive sectors such as utilities and mobile phone tower companies that suffered the most. Spanish tower company Cellnex was the biggest faller in the Fund, tumbling 18%, with Belgian electricity transmission company, Elia falling 17% and offshore wind leader Ørsted down 16%. UK names such as water companies Pennon and Severn Trent both fell over 15% during the month as investors gave a big thumbs down to the government’s new fiscal package.

On the positive side for the month, US LNG export name Cheniere continued its strong run. The company raised guidance for the year by 12%, increased its dividend by 20%, increased its buyback plan from \$1bn to \$5bn and lowered its long-term leverage target. Despite this combination of positive news, the share price only managed to climb 3% during September.

Elsewhere, German mobile phone tower company Vantage Towers rose over 2% as rumours swirled of Private Equity players eyeing a stake. This is not a surprise, in our view, given that listed European tower companies are trading on around half the multiples that similar assets have recently traded at in the private market.

## Outlook

Markets are likely to remain volatile whilst the progression of inflation and interest rates remain uncertain, and equities have been increasingly pricing in recessions in the major economies.

Our modelling is now showing that infrastructure is significantly oversold, and as a result we have been deploying our cash into the best opportunities we can find. In this downdraft, the market has been indiscriminate, and we are now seeing valuations for some of the highest quality infrastructure companies that we have not seen for many years.

We continue to follow our process and look for opportunities to improve the overall quality, ESG and valuation metrics of the Fund.

## Performance

Returns as at 30 September 2022

Period	Fund Return % Net	Benchmark <sup>1</sup> %	Out/Under Performance %
1 month	-6.94	1.04	-7.98
3 months	-4.10	3.26	-7.36
6 months	-4.41	6.49	-10.89
1 year	1.63	12.24	-10.61
2 years pa	8.34	9.92	-1.57
3 years pa	1.50	8.84	-7.34
Since inception pa Date: December 2018	8.25	8.47	-0.23

## Top 10 Stock Holdings

Name	Fund %
NextEra Energy	6.39
Cellnex Telecom	5.55
Cheniere Energy	5.48
Sempra Energy	4.52
Ameren Corporation	4.48
Vinci	4.42
Transurban Group	4.36
Ferrovial	4.36
Ørsted	4.29
SBA Communications	4.22

## Sector Allocation

Sector	Fund %
Communications Infrastructure	17.77
Energy Infrastructure	8.05
Transportation	29.70
Utilities	40.41
Cash	4.07
<b>Total</b>	<b>100.00</b>

## Region Allocation

Country	Fund %
Asia Pacific	9.74
Europe	39.26
North America	40.25
United Kingdom	6.67
Cash	4.07
<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

A sell-side broker recently put out a research note on the amount of money that needs to be spent to get the world to net zero carbon emissions. They estimate that \$3 trillion per year is needed on infrastructure alone over the next decade in order to mobilise a realistic path to decarbonising the world – roughly double what has been spent per year over the past five years. Importantly, over half of this amount is related to electricity grids and renewables – right in the sweet spot of Essential Infrastructure. The point is that you do not need to go up the risk curve in order to best access the global decarbonisation opportunity, and investors are able to combine this secular opportunity with defensive characteristics via solutions such as Ausbil Essential Infrastructure.

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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](http://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/](http://www.oecd.org/std/prices-ppp/).