

Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

October 2022

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Performance Review

Fund performance for the month ending October 2022 was +5.56% (net of fees) versus the benchmark return of +1.09%, as measured by the OECD G7 CPI Index plus 5.5%.

Markets rebounded strongly in October on the back of a positive start to the earnings season, against relatively low expectations and depressed market sentiment. All eyes remain focused on the actions of central banks globally, as the market looks for signposts that the current pace of tightening could slow.

Globally, the war in Ukraine continues, with the team monitoring the broader implications for the fund. We also saw the end of Liz Truss’ tenure as Prime Minister in the UK (just 44 days in office) after her plan to debit-fund tax cuts sent financial markets and the sterling into a steep decline, and UK bonds on to a post-financial crisis high before the plan was pulled. Rishi Sunak was elected as Prime Minister by conservative MPs and his first task is to try and steady the party, the economy and the markets.

During October, all sectors and regions of infrastructure were positive with the Energy and Transportation sectors leading the group. Energy infrastructure companies Williams (+14%) and Cheniere (+6%) were up strongly while European airport operators ADP and AENA were up 15% and 11% in local currency, respectively.

The main detractors in the period were the larger cap, long duration equity holdings as small cap and value factors led the way. US mobile phone tower companies SBA Communications (-5%) and American Tower (-3%) along with US utility NextEra Energy (-1%) all traded lower in the period. These three companies are all high quality with a strong secular growth tailwind and remain core positions in the fund.

Portfolio Strategy

Markets are likely to remain volatile in the coming months whilst the progression of inflation and interest rates remains uncertain. Equities have been increasingly pricing in recessions in the major developed market economies.

Despite this backdrop, many of the secular tailwinds for infrastructure continue apace. Whether the energy transition from fossil fuels towards renewable energy, the repowering of Europe away from Russian gas, or the continued rollout of 5G mobile phone networks around the world: Infrastructure is benefiting from some major thematic developments. These long-term structural trends are less affected by the short-term machinations of markets – even more so when they are insulated within the regulatory or long-term contract structures that we require for a company to make it into our Essential Infrastructure universe.

Our modelling is now showing that infrastructure is oversold, and as a result we remain fully invested. The current market volatility offers opportunities for us to raise the grade of portfolio assets, and improve the overall quality and risk adjusted return. Taking advantage of short-term volatility in order to benefit from long-term trends is at the heart of what we will continue to do for our investors.

Performance

Returns as at 31 October 2022

Period	Fund Return % Net	Bench- mark ¹ %	Out/Under Performance %
1 month	5.56	1.09	4.47
3 months	-3.89	3.32	-7.21
6 months	-0.47	6.61	-7.08
1 year	8.05	12.62	-4.57
2 years pa	11.27	10.25	1.02
3 years pa	3.62	9.03	-5.41
Since inception pa Date: December 2018	9.58	8.58	1.00

Top 10 Stock Holdings

Name	Fund %
Nextera Energy	5.87
Cellnex Telecom	5.62
American Tower Corp	5.18
Transurban Group	4.59
Ameren	4.53
Cheniere Energy	4.53
Sempra Energy	4.49
Vinci	4.45
Ferrovial SA	4.32
Ørsted	4.30

Sector Allocation

Sector	Fund %
Communications Infrastructure	18.44
Energy Infrastructure	8.16
Transportation	29.85
Utilities	42.91
Cash	0.64
Total	100.00

Region Allocation

Country	Fund %
Asia Pacific	10.23
Europe	38.73
North America	43.30
United Kingdom	7.09
Cash	0.64
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

Australia has a long history in infrastructure investing with toll roads dating back to 1811 when the first toll road (Sydney-Parramatta) was built, followed in 1932 when the first toll bridge (Sydney Harbour Bridge) was built by the NSW government, and in 1992 with the first sub-water tunnel toll (Sydney Harbour Tunnel). Today, Transurban (a portfolio holding) leads the toll road investment charge in Australia with 17 networks across Sydney, Melbourne and Brisbane. Toll roads offer strong cash flows that are relatively inelastic to demand across the cycle, have a long-term growth factor from population expansion, and the potential for capital growth from expansion, extension and new road building. Toll roads also enjoy the ability to pass on some or all of the inflation costs incurred, making them relatively resilient and a good hedge for inflation.

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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 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/.