

# Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

February 2023

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‘The current scenario of interest rates peaking is advantageous for infrastructure assets’

## Performance Review

Fund performance for the month ending February 2023 was -0.16% (net of fees) versus the benchmark return of +0.91%, as measured by the OECD G7 CPI Index plus 5.5% pa.

Global markets were weighed down in February by stronger economic data and inflation prints increasing interest rate expectations. Essential Infrastructure was not exempt from the market downturn, as longer duration stocks in the Fund were adversely affected by the possibility of higher inflation and interest rates that are likely to persist for an extended period compared to what the market previously expected.

Among the Essential Infrastructure stocks, the Mobile Phone Tower companies are the most sensitive to changes in interest rate expectations and were the largest detractors to performance during the month. US mobile phone tower companies SBA Communications and American Tower fell 12.8% and 11.4% respectively, despite delivering financial results and guidance that met expectations. We anticipate that the mobile phone tower sector will outperform once it becomes evident that interest rate expectations have peaked.

On the positive side, European airport operator AENA saw a rise of 6.5% as it reported traffic data that exceeded pre-pandemic levels for the first time and delivered better than expected results for the 2022 calendar year, yielding a higher-than-expected dividend.

Elsewhere, US LNG export operator Cheniere experienced an increase of 3.2% after posting positive financial results for the year ending December 2022, making the stock eligible for inclusion in the S&P 500 index. Additionally, the company delivered better than expected financial guidance for 2023 and announced pre-filing an expansion of its facilities which would commence operations later in the decade.

## Portfolio Strategy

The economic outlook remains uncertain, and interest rates are expected to stay high for an extended period with no anticipated rate cuts by the Federal Reserve in 2023. The market is likely to remain volatile until peak rates are clearly visible.

The current scenario of interest rates peaking is advantageous for infrastructure assets, particularly longer duration assets that did not perform well in 2022. Based on historical analysis, we have found that infrastructure tends to outperform broader equities once interest rates reach their peak, as the growth prospects for infrastructure remain mostly unchanged in a high interest rate environment. This secular growth is a key positive aspect of Essential Infrastructure and why we believe it will remain an attractive investment choice in the coming years, compared to other sectors.

As always, our team will maintain our consistent investment approach and seek attractive opportunities in high-quality names with strong ESG credentials.

### Infra-know

According to a recent study conducted in Norway, painting just one blade of a wind turbine rotor in black led to a 70% reduction in bird collisions. The black blade stands out and prevents the blending of the blades into a single image, making it easier for birds to recognize the object and avoid it. Further studies are underway to determine the maintenance requirements and practical and financial implications, but if the costs are manageable, we may witness the widespread implementation of this solution worldwide to the betterment of all.

## Performance

Returns as at 28 February 2023

Period	Fund Return % Net	Benchmark <sup>1</sup> %	Out/Under Performance % Net
1 month	-0.16	0.91	-1.08
3 months	-2.92	3.03	-5.94
6 months	-1.32	6.35	-7.67
1 year	4.66	13.18	-8.52
2 years pa	13.77	11.38	2.39
3 years pa	2.07	9.66	-7.59
4 years pa	6.82	9.02	-2.20
Since inception pa Date: December 2018	8.92	8.93	-0.01

## Top 10 Stock Holdings

Name	Fund %
Cellnex Telecom	5.78
Transurban Group	5.68
NextEra Energy	5.57
Vinci	5.09
American Tower	4.75
Ferrovial	4.65
Sempra Energy	4.55
Getlink	4.14
Ørsted	4.10
Terna	3.98

## Sector Allocation

Sector	Fund %
Communications Infrastructure	15.97
Energy Infrastructure	6.72
Transportation	31.25
Utilities	43.37
Cash	2.69
<b>Total</b>	<b>100.00</b>

## Region Allocation

Country	Fund %
Asia Pacific	10.70
Europe	40.43
North America	41.21
United Kingdom	4.97
Cash	2.69
<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.



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