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Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

August 2023

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'Prospects of a "soft landing" improved in August, and as a result expectations of higher-and-for-longer interest rates increased'

Performance Review

Fund performance for the month ending August 2023 was -2.56% (net of fees) versus the benchmark return of +0.78%, as measured by the OECD G7 CPI Index plus 5.5% pa.

Prospects of a 'soft landing' improved in August, and as a result expectations of higher-and-for-longer interest rates increased. Consequently, Essential Infrastructure stocks lost favour due to their defensive qualities and also their longer duration, with market preference turning towards riskier, more cyclical assets.

During the month, Essential Infrastructure stocks, on average, experienced a 4.7% decline. The weakest performance was observed in the Asia-Pacific region, where stocks fell by 7.0%. In the UK and North America, stocks also suffered, declining by 5.9% and 5.2%, respectively, while European stocks fared relatively better with an average drop of 3.3%.

Across the sectors within Essential Infrastructure, all experienced declines. Energy infrastructure showed the most resilience, with only a marginal decrease of 0.1%. This sector benefited from an improved commodity price backdrop and attractive dividend yields. Notably, TC Energy recorded a strong performance with a 3.3% increase in its stock value. We recently re-established our position in TC Energy, recognising its potential value after a period of underperformance, and the company's high-quality, predominantly natural gas pipeline network. We maintain our confidence in this sector's overall value proposition, particularly given its appealing yield support.

The weakest sectors overall were US and UK utilities, both experiencing declines of 6.0% and 5.9% respectively. Despite their current lack of favour due to their defensive characteristics, we maintain a positive long-term outlook for these sectors as we believe they will play a vital role in the energy transition.

Portfolio Strategy

The US economy remains robust, and as a result the market currently favours cyclical sectors such as technology. This preference, combined with the expectation of prolonged higher interest rates, has led to a recent underperformance of defensive sectors, including Essential Infrastructure. Based on the data emanating from the US, we maintain our belief that we are nearing the end of the current cycle for Federal Reserve rate hikes. This should bring relief to the asset class.

Our core scenario involves interest rates reaching their peak, alongside a sustained period of elevated inflation, which we view as a positive catalyst for Essential Infrastructure. Despite some segments of Essential Infrastructure, such as Utilities and Mobile Phone Towers, experiencing a sell-off, we do not believe that the positive industry drivers are currently reflected in stock prices. We believe there is currently a very appealing risk-reward profile in these areas. In addition, we are seeing good opportunities to play secular themes like the energy transition and re-powering Europe, which we believe are currently being overlooked by the market.

In light of these factors, we maintain our positive long-term outlook for Essential Infrastructure and continue to maintain a fully invested Fund, taking advantage of any short-term negative sentiment.

Performance

Returns as at 31 August 2023

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	-2.56	0.78	-3.34
3 months	-3.57	2.40	-5.97
6 months	0.40	5.26	-4.86
1 year	-0.93	11.94	-12.87
2 years pa	2.63	11.93	-9.30
3 years pa	7.80	10.39	-2.59
4 years pa	3.03	9.48	-6.46
Since inception pa Date: December 2018	8.02	9.12	-1.10

Top 10 Stock Holdings

Name	Fund %
Transurban Group	5.55
NextEra Energy	5.52
American Tower	5.38
Sempra Energy	4.89
SBA Communications	4.46
Cheniere Energy	4.42
Ferrovial	4.33
Williams Cos	4.03
Cellnex Telecom	4.03
Elia Group	3.50

Sector Allocation

Sector	Fund %
Communications Infrastructure	14.75
Energy Infrastructure	12.87
Transportation	25.55
Utilities	45.09
Cash	1.75
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	8.15
Europe	31.90
North America	52.87
United Kingdom	5.33
Cash	1.75
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.

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Infra-know

With interest rates stabilising and the 10-year treasury normalising as well, we are entering a period that is beneficial for infrastructure assets, on both yield and overall operational performance. Global Essential Infrastructure offers investors access to some of the highest quality, profitable infrastructure assets with solid balance sheets from around the world. Essential Infrastructure offers investors the opportunity to benefit from businesses with high barriers to entry, significant pricing power, an innate hedge for inflation, and long stable cash flows. Our Global Listed Infrastructure team has written a paper that highlights the investment benefits of infrastructure, you can read it here: **Global Essential Infrastructure: Understanding the opportunity.**

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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 hedged 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**/.