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Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

September 2023

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'For long-term investors, however, the sharp correction in Essential Infrastructure valuations has been overdone'

Performance Review

Fund performance for the quarter ending September 2023 was -8.86% (net of fees) versus the benchmark return of +2.34%, as measured by the OECD G7 CPI Index plus 5.5% pa.

After a strong start to the quarter, equity markets faded during August and September as the prevailing global theme of "higher for longer" interest rates sunk in. This sentiment was reinforced by remarks from New York Fed President John Williams, who indicated that the central bank may have reached or is very close to peak interest rates but emphasised the need for a continued restrictive stance to combat inflation. Consequently, Treasury bonds experienced a sell-off, resulting in yields reaching 16-year highs, which in turn exerted ongoing pressure on the overall market.

Essential Infrastructure stocks across our universe were not immune to these developments and experienced an average decline of 9.3% throughout the quarter. Stocks in North America witnessed the poorest performance, falling by 10.3%, closely followed by stocks in the Asia-Pacific region and Europe, which recorded declines of 10% and 9.4%, respectively. UK stocks fared somewhat better, with an average decline of 7.3%.

Across the board, all sectors within Essential Infrastructure faced declines. Notably, Energy infrastructure in North America displayed the most resilience to rising interest rates, experiencing only a marginal 0.3% decrease during the quarter. This sector benefited from an improved commodity price environment and attractive dividend yields. US LNG exporter, Cheniere Energy, was the top performer in the portfolio, posting a solid 9.2% increase. The LNG market faced multiple disruptions during the quarter, underscoring a tight supply-demand equilibrium that is expected to continue supporting Cheniere's operations.

On the downside, Mobile Phone Towers and Utilities in the US declined by 15.5% and 11.3% respectively in the quarter as investors continued to shed defensive, longer-duration positions.

Portfolio Strategy

The very sudden rise in real bond yields globally, particularly at the back end of the yield curve, has triggered a further sharp selloff in defensive sectors, including Essential Infrastructure. Ausbil's view is that the adjustment to real yields has largely occurred with a base case expectation of consolidation at around current levels. But equally the risk remains near term for bond yields to grind even higher which may cause further weakness for Essential Infrastructure.

For long-term investors, however, the sharp correction in Essential Infrastructure valuations has been overdone. When assessing the expected returns of our portfolio, the benefits of higher inflation are translating into improved cash flows. Currently, the equity Internal Rate of Return (IRR) for our portfolio stands at 9.5%, marking the highest level since the inception of our Essential Infrastructure strategy, excluding a brief uptick during the COVID-19 pandemic, with an average of 7.9% since inception. This instils confidence in achieving our objective over the cycle, particularly as inflation gradually moves closer to the 2-3% range targeted by central banks worldwide. In short, equity IRR is a calculation of total return per annum for all expected future cashflows in an investment, taking into account all revenues and costs, and any upfront equity investment. As a result, our positive long-term outlook for Essential Infrastructure remains unwavering.

Performance

Returns as at 30 September 2023

Period	Fund Return % Net	Bench-mark[1] %	Out/Under Performance % Net
1 month	-6.15	0.76	-6.90
3 months	-8.86	2.34	-11.19
6 months	-8.86	5.02	-13.87
1 year	-0.08	11.63	-11.71
2 years pa	0.77	11.93	-11.16
3 years pa	5.46	10.48	-5.03
4 years pa	1.10	9.53	-8.43
Since inception pa Date: December 2018	6.45	9.13	-2.67

Top 10 Stock Holdings

Name	Fund %
Transurban Group	5.70
American Tower	5.25
NextEra Energy	5.10
Cheniere Energy	4.84
Sempra Energy	4.73
Ferrovial	4.50
SBA Communications	4.28
Williams Cos	4.23
Cellnex Telecom	3.95
CenterPoint Energy	3.49

Sector Allocation

Sector	Fund %
Communications Infrastructure	14.35
Energy Infrastructure	13.63
Transportation	25.48
Utilities	44.34
Cash	2.20
Total	**100.00**

Region Allocation

Country	Fund %
Asia Pacific	8.55
Europe	30.70
North America	52.55
United Kingdom	6.00
Cash	2.20
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

When investors contemplate the potential for achieving net-zero climate change ambitions by 2050, their focus naturally gravitates toward renewable energy given the undeniable carbon intensity of fossil fuels. The scale of investment required in the renewable energy sector to achieve these goals is immense as it involves displacing and replacing existing technology and infrastructure. However, another enormous investment opportunity lies in the expansion potential for electricity grids so that they can accommodate the increased capacity for renewable energy. In a recent report from consultant BCG, the investment opportunity in grids up to 2050 is estimated to range from USD 21 to 27 trillion, which is comparable to the estimated USD 20 to 30 trillion for renewable energy. Furthermore, we are witnessing substantial increases in grid investment due to various factors, including fortification against climate change impacts such as wildfires, floods, and hurricanes, the implementation of smart metering, the expansion of electric vehicle charging infrastructure, and the necessity to replace aging grid infrastructure. Globally, these investments predominantly fall under the purview of regulated utilities, which are one of the core sectors within 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 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**/.