

Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

March 2024

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Performance

Returns as at 31 March 2024

Period	1 month	3 months	6 months	1 year	2 years pa	3 years pa	4 years pa	5 years pa	Since Inception pa ⁴
Fund return ¹ (%)	3.05	1.39	8.33	-1.26	1.72	7.28	5.08	5.18	7.44
OECD G7 CPI Index plus 5.5% pa ² (%)	0.63	2.07	4.35	9.58	11.37	10.92	9.73	9.23	9.10
Out/under performance (%)	2.42	-0.69	3.98	-10.84	-9.65	-3.64	-4.65	-4.05	-1.66
FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index (AUD) ³ (%)	3.37	5.28	10.80	4.32	3.76	7.96	6.48	5.09	7.11
Out/under performance (%)	-0.31	-3.89	-2.47	-5.58	-2.04	-0.67	-1.40	0.09	0.32

‘Among Essential Infrastructure sectors, the mobile phone tower stocks in Europe and the US experienced setbacks in the March quarter, declining by 8% and 10% respectively, largely due to uncertainty surrounding US interest rate policy’

Performance Review

Fund performance for the quarter ending March 2024 was +1.39% (net of fees) versus the benchmark return of +2.07%, as measured by the OECD G7 CPI Index plus 5.5% pa, and the reference index return of +5.28% as measured by the FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index in AUD.

In 2024, the macroeconomic landscape remains the primary force driving Essential Infrastructure stocks. Data from the US indicates a robust economy, with the Federal Reserve signalling a cautious approach to interest rate cuts in March, affirming the belief that rate adjustments will be gradual. Consequently, defensive asset classes like global bonds and Essential Infrastructure have trailed broader market performance.

Among Essential Infrastructure sectors, the mobile phone tower stocks in Europe and the US experienced setbacks in the March quarter, declining by 8% and 10% respectively, largely due to uncertainty surrounding US interest rate policy. US utilities also faced challenges, collectively declining by 6% during the quarter. However, there were bright spots, with US energy infrastructure and European transportation sectors both posting gains of 7%. The US energy infrastructure sector is particularly benefiting from the strength of the domestic economy.

In terms of individual companies, US energy infrastructure companies ONEOK and Williams saw increases of 16% and 13% respectively. ONEOK was newly added to the Fund during the quarter, with expectations of continued benefits from the strong US economy and synergies from a recent acquisition. In Europe, transportation operators SACYR, AENA and Ferrovial all enjoyed gains of 11% due to positive traffic trends.

Conversely, US mobile phone tower company SBA Communications saw a decline of 14% in the quarter, while UK water utility Pennon and Belgian electricity transmission operator Elia both dropped by 12%. These companies, being more leveraged within the Essential Infrastructure sector, continue to underperform due to overarching macroeconomic factors, despite strong fundamentals at the individual company level.

Top 10 Stock Holdings

Name	Fund %
NextEra Energy	6.58
Transurban Group	5.31
Pennon Group	4.54
Italgas	4.44
Elia Group	4.34
Cellnex Telecom	4.18
SBA Communications	3.85
American Tower	3.78
Williams Cos	3.75
Ferrovial	3.57

Sector Allocation

Sector	Fund %
Communications Infrastructure	13.76
Energy Infrastructure	17.61
Transportation	27.47
Utilities	40.28
Cash	0.88
Total	100.00

Region Allocation

Region	Fund %
Asia Pacific	7.58
Europe	33.89
North America	50.29
United Kingdom	7.36
Cash	0.88
Total	100.00

1. Fund returns are net of fees, before taxes and assume reinvestment of distributions.
2. The benchmark is the OECD G7 CPI Index plus 5.5% per annum, which is an accumulation index maintained by Ausbil.
3. The Fund's reference benchmark is the FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index (AUD). Although the Fund is not managed to this reference benchmark, Ausbil believe the reference benchmark a more widely recognised global listed infrastructure index for investors and so is more useful for comparison and reference purposes.
4. Since Inception December 2018.

Portfolio Strategy

While the likelihood of the United States avoiding a recession in 2024 appears probable, uncertainties persist. The US Federal Reserve is not rushing to reduce interest rates, yet the progress made in addressing inflation suggests gradual cuts may begin in the latter half of the year.

Our central scenario involves interest rates peaking alongside a sustained period of elevated inflation, which we perceive as a favourable catalyst for Essential Infrastructure. Anticipated interest rate cuts are expected to bolster the sector positively, reaffirming our confidence in its prospects.

Despite prevailing negative sentiment towards most segments of Essential Infrastructure, we contend that the gap between fundamentals and share prices in this sector is unsustainable. We find the current risk-reward profile appealing, with promising opportunities to leverage secular themes such as the Energy Transition and grid repowering, supporting demand for new AI technology, which we believe are currently undervalued by the market.

Given these factors, we maintain our optimistic long-term outlook for Essential Infrastructure and continue to hold a fully invested portfolio, capitalizing on short-term negative sentiment.

Infra-know

The United States boasts the world's most extensive network of energy pipelines, surpassing other transportation methods in safety and cost-effectiveness. Compared to trucks or rail, pipelines demand less energy and leave a significantly reduced carbon footprint. Interestingly, it has also been estimated that, if all the pipelines were connected continuously, it would reach from the earth to the moon and back nearly three times. That's a lot of pipe!



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More information on the OECD G7 CPI Index plus 5.5% pa benchmark

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/.