Contactus@
ausbil.com.au

ausbil

Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

June 2024

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

Performance
Returns as at 30 June 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] (%)	-4.07	-4.01	-2.68	-5.22	-0.18	3.62	4.32	3.01	6.30
OECD G7 CPI Index plus 5.5% pa[2] (%)	0.63	2.10	4.22	9.03	10.82	10.95	9.90	9.31	9.08
Out/under performance (%)	-4.70	-6.11	-6.90	-14.25	-11.00	-7.33	-5.58	-6.31	-2.78
FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index (AUD)[3] (%)	-3.12	-1.81	3.37	2.39	2.18	5.88	6.51	3.62	6.43
Out/under performance (%)	-0.95	-2.19	-6.05	-7.61	-2.37	-2.26	-2.20	-0.61	-0.13

'After a positive month in May, June saw increased volatility for infrastructure stocks around the world'

Performance Review

Fund performance for the quarter ending June 2024 was -4.01% (net of fees) versus the benchmark return of +2.10%, as measured by the OECD G7 CPI Index plus 5.5% pa, and the reference index return of -1.81% as measured by the FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index in AUD.

This quarter we continued to see an increased appetite for all things AI, at the expense of more defensive sectors of the market, such as infrastructure. Inflation remains stubbornly high and expectations of rate cuts by the Fed, swung back and forth during the quarter with the market expecting the first cut in September.

After a positive month in May, June saw increased volatility for infrastructure stocks around the world. In Europe, the political landscape was rocked by the outcome of the elections for the European Parliament, which saw a significant lurch to the right. The impact of this reverberated throughout the month, as French President Emmanuel Macron called a snap election for the lower house (National Assembly) at the end of June and early July. This move has opened the door to Marine Le Pen's far-right party, the National Rally, to increase their power. The possibility of Marine Le Pen winning the presidency in 2027 rekindled fears of her previous desire to renationalise transportation assets such as toll roads. Despite the likelihood of this being low (rule of law protecting companies, cost of ~€50bn to buy back the concessions), French transportation stocks fell sharply during the month, as did the broader European infrastructure sector (-4.7%).

In terms of individual names, French transport name Vinci fell over 14% during the quarter, which we see as a knee-jerk reaction to the election result that is overdone. UK water name Pennon fell 11% ahead of the General Election which has delayed Ofwat's draft pricing determination.

On the positive side, Energy infrastructure stocks performed well, with Targa Resources rising 16%, and Williams Cos. Rising 10%. Additionally, US utility names NextEra and Public Services Enterprise Group, both rose 11%.

Top 10 Stock Holdings

Name	Fund %
NextEra Energy	6.07
Public Service Enterprise	5.79
Williams Cos	5.03
Severn Trent	4.52
Sacyr	4.21
Elia Group	4.20
Transurban Group	4.07
Entergy	4.03
American Tower	3.53
Edison International	3.49

Sector Allocation

Sector	Fund %
Communications Infrastructure	8.81
Energy Infrastructure	20.56
Transportation	18.37
Utilities	51.64
Cash	0.62
Total	**100.00**

Region Allocation

Region	Fund %
Asia Pacific	4.07
Europe	25.81
North America	60.02
United Kingdom	9.48
Cash	0.62
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

Despite positive company news flow, the sector continues to be out of favour. Investors' fervour for technology-related stocks, the uncertainty created by the French election and the late fall in US renewable energy stocks after the first presidential debate only added to the prevailing sentiment.

We view the reaction to these events as overdone and only increases the already extreme undervaluation of certain companies. How long this disconnect between fundamentals and valuation can last, remains to be seen, but July should offer some clarity. The UK election looks like an inevitable landslide to the Labour Party, which will bring a welcome relief from the Conservative Party and offer 5 years of political certainty. Whilst the French election is a risk, it is looking increasingly like a hung parliament at this point, which should allay fears over some of Le Pen's extreme proposals.

On a macro note, the 25bp cut in interest rates by the ECB was drowned out in the noise over the election, but it is still an important milestone. The market is expecting two rate cuts by the Fed before the end of the year, which will also be a positive move for the sector.

Additionally, the impact of electricity demand from AI on the power sector only continues to grow and permeate through related sectors of infrastructure. Power generation, particularly nuclear, gas and renewables, electricity transmission and natural gas infrastructure are all set to benefit and from our discussions with companies, the size of the opportunity only continues to grow.

Given the combination of cheap valuations, strong fundamentals, and upcoming catalysts, we maintain our optimistic long-term outlook for Essential Infrastructure. Our portfolio continues to be fully invested, and we view the current situation as an excellent opportunity for long-term investors to increase positions in the sector.

Infra-know

Whilst the market is concerned about what impact a Trump administration might have on the build-out of renewable energy in the US, it is worth bearing in mind that during Trump's presidency, the US saw the largest build-out of renewable energy the country has ever seen. According to the American Wind Energy Association (AWEA), the U.S. added approximately 40 gigawatts (GW) of wind capacity from the start of 2017 to the end of 2020, bringing the total to around 122 GW. The Solar Energy Industries Association (SEIA) reported that the U.S. solar industry installed about 50 GW of new capacity from 2017 to 2020, nearly doubling the cumulative solar capacity to over 90 GW by the end of 2020. Many individual states have policies ("Renewable Portfolio Standards") that mandate a certain percentage of electricity supplied by utilities from renewable energy sources which guarantees increased development. For example, in California, the RPS rises from 33% in 2020 to 60% by 2030.

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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/**.