

Ausbil Global Essential Infrastructure Fund – Unhedged

Quarterly performance update

December 2023

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'We are of the view that there currently remains an attractive opportunity for long-term investors in the asset class'

Performance Review

Fund performance for the quarter ending December 2023 was +6.85% (net of fees) versus the benchmark return of +2.23%, as measured by the OECD G7 CPI Index plus 5.5% pa.

Following a sluggish start to the quarter, positive returns marked November and December as peak Fed, and ultimately dovish comments from central banks around the world helped ease the interest rate-induced pressure that had burdened Essential Infrastructure stocks throughout the year. With major central banks adopting a data-dependent approach and inflation readings falling below expectations, investors are optimistic that the hiking cycle is over, providing a powerful tailwind for equities as we enter 2024.

Within Essential Infrastructure, all sectors delivered positive performance in the December quarter. The US mobile phone tower sector emerged as the strongest performer, experiencing a rebound of +29% propelled by shareholder activism that underscored the sector's positive outlook. Similarly, UK Utilities experienced a notable surge of +16% from recent lows.

Looking at individual names, US mobile tower company American Tower rose +34% after issuing a favourable outlook for the company. Other US mobile phone tower companies, SBA Communications and Crown Castle also rose benefitted, both returning +27% over the quarter. UK water company Pennon saw a notable increase of +28% following the release its proposed investment plan for the next few years, signalling significant growth.

On the downside side, US utilities Exelon (-4.1%) and Ameren (-2.5%) were the sole detractors in the Portfolio during the quarter. Both faced disappointing outcomes from the Illinois regulator concerning authorised returns in the electric rate cases for Ameren Illinois (~18% of AEE rate base) and ComEd (~30% of EXC rate base), along with the rejection of their four-year grid plans. While these were disappointing outcomes which add uncertainty to the outlook for both companies, we viewed the share price reactions as overdone and ultimately expect a more balanced regulatory outcome to emerge over time.

Portfolio Strategy

2024 is the year of interest rate cuts with the debate shifting quickly to discussions about the timing and magnitude. Market expectations pivoted dramatically towards the end of 2023 with the lower-than-expected inflation outcomes in the US in particular altering expectations. While Ausbil's house view is less dovish versus market expectations, a macro backdrop of interest rate cuts provides a very different and more supportive context for Essential Infrastructure and longer-duration asset classes in 2024, compared to 2023.

Despite a robust performance in the December quarter, Essential Infrastructure significantly underperformed global equities over 2023. Coupled with this, both our top-down indicators and bottom-up valuations consistently indicate substantial upside potential for Essential Infrastructure. The primary risk to this optimistic outlook is a resurgence in economic activity and inflationary pressures, a scenario for which we continue to assign a low probability.

As a result, our view of Essential Infrastructure remains positive, and we are of the view that there currently remains an attractive opportunity for long-term investors in the asset class.

Performance 31 December 2023

Period	Fund Return % Net	Bench-mark ¹ %	Out/Under Performance % Net
1 month	0.27	0.67	-0.40
3 months	6.85	2.23	4.62
6 months	-2.61	4.62	-7.23
1 year	1.79	10.55	-8.76
2 years pa	1.07	11.75	-10.68
3 years pa	7.22	10.74	-3.52
4 years pa	2.52	9.66	-7.14
5 years pa	7.75	9.14	-1.39
Since inception pa Date: December 2018	7.52	9.13	-1.60

Top 10 Stock Holdings

Name	Fund %
NextEra Energy	6.30
American Tower	5.99
Transurban Group	5.65
Cellnex Telecom	5.45
Sempra Energy	4.99
SBA Communications	4.97
Pennon Group	4.82
Ferrovial	4.65
Elia Group	4.51
Italgas Spa	4.36

Sector Allocation

Sector	Fund %
Communications Infrastructure	18.44
Energy Infrastructure	11.89
Transportation	24.91
Utilities	43.85
Cash	0.92
Total	100.00

Region Allocation

Country	Fund %
Asia Pacific	8.10
Europe	32.09
North America	51.25
United Kingdom	7.64
Cash	0.92
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

In the attached thought piece, we share our outlook for Essential Infrastructure for 2024, why inflation benefits infrastructure assets, and where we think growth and opportunity will be most compelling in the coming year.

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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/.