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Ausbil Global Essential Infrastructure Fund – Unhedged

Monthly performance update

July 2024

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Performance
Returns as at 31 July 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] (%)	9.50	8.66	6.67	4.13	1.78	4.96	6.69	4.69	7.93
OECD G7 CPI Index plus 5.5% pa[2] (%)	0.72	2.07	4.17	8.97	10.65	10.94	9.96	9.33	9.08
Out/under performance (%)	8.78	6.59	2.50	-4.83	-8.87	-5.99	-3.27	-4.65	-1.15
FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index (AUD)[3] (%)	8.75	8.83	12.21	10.99	4.89	7.41	9.06	5.09	7.93
Out/under performance (%)	0.75	-0.17	-5.54	-6.86	-3.11	-2.45	-2.37	-0.41	0.00

‘July was a volatile month for global equities, marked by significant economic and political developments’

Performance Review

Fund performance for the month ending July 2024 was +9.50% (net of fees) versus the benchmark return of +0.72%, as measured by the OECD G7 CPI Index plus 5.5% pa, and the reference index return of +8.75% as measured by the FTSE Developed Core Infrastructure 50/50 Net Tax Total Return Index in AUD.

July was a volatile month for global equities, marked by significant economic and political developments. A weaker-than-expected US Consumer Price Index read and disappointing labour market data early in the month reassured investors that the Fed would soon start cutting interest rates, with the first cut anticipated in September.

Despite broader market volatility, infrastructure stocks performed well due to several factors. Elections brought political clarity in both France and the UK, whilst positive regulatory outcomes for UK utilities came from Ofwat and Ofgem. In the US, President Biden’s withdrawal from the presidential race raised the chances of a renewable energy friendly Democrat win, which was a positive for the US utility sector. Additionally, lower interest rates and a strong start to the quarterly earnings season boosted all sectors within Essential Infrastructure, led by US mobile phone towers (+13%) and UK utilities (+10%).

In terms of individual names, UK water name Pennon rose over 13% during the month after the regulator Ofwat released a better than feared draft determination for allowed revenues and returns covering the FY2025-29 period. US mobile phone tower companies American Tower and Crown Castle also rose by +13%, benefitting from the move in lower interest rates as well a stabilisation in US tower leasing activity.

On the negative side, US utility CenterPoint fell just over 10%. The utility sold off following a significant power outage in its main service area in Houston, Texas, caused by Hurricane Beryl. We found the initial response by the company inadequate and subsequently exited our position in the early days following the hurricane, limiting the negative impact to the portfolio.

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Top 10 Stock Holdings

Name	Fund %
Public Service Enterprise	5.90
Williams Cos	5.38
Entergy	4.68
Severn Trent	4.57
Nextera Energy	4.28
National Grid	3.97
American Tower	3.77
Edison International	3.66
Targa Resources	3.42
Ameren	3.15

Sector Allocation

Sector	Fund %
Communications Infrastructure	9.12
Energy Infrastructure	22.22
Transportation	15.37
Utilities	53.00
Cash	0.28
Total	**100.00**

Region Allocation

Region	Fund %
Asia Pacific	2.87
Europe	20.72
North America	65.75
United Kingdom	10.38
Cash	0.28
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

Company fundamentals remain sound. Investors now expect the first Fed rate cut in September and are currently pricing almost three US rate cuts this year, with around 150 basis points worth of cuts by June 2025. Our central scenario involves interest rates cuts late in 2024, which we perceive as a favourable catalyst for Essential Infrastructure, a trend we highlighted in 2022.

The second half of 2024 will likely see continued focus on politics given the US election on 5 November – equity markets will continue to focus on what different election outcomes might mean for US fiscal and monetary policy but also policies relating to the oil and gas sectors, renewables and the Inflation Reduction Act. This will likely see continued volatility in the sector over the period.

While volatility will likely be the order of the day, given the ongoing combination of attractive valuations, and solid if not improving company fundamentals, we remain convinced that long-term investors in the asset class will be rewarded.

Infra-know

Natural gas will likely have to play a role in supplying power for new AI data centres. With US power demand already forecast to increase at a 1% CAGR due to EVs and re-shoring of manufacturing (vs flat historically), renewables may not be able to scale fast enough to meet demand. If 40% of the incremental AI-driven power load is met with gas, demand for gas in the power sector could increase by 7 Bcf/d (billion cubic feet per day) by 2030 (+16 Bcf/d in our high case scenario), benefitting both utilities and natural gas pipeline companies.

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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**/.