



2020 Global Investment Series

“Looking through the pandemic”

August 2020



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Global Infrastructure Session

Thursday 20th August 2020



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Ausbil Global Essential Infrastructure Fund

Today's presenters



Tim Humphreys

Head of Global Listed Infrastructure

B Eng (Civil and Structural Engineering)

- 24 years finance experience
- Over 20 years covering infrastructure stocks
- Over 13 years of Portfolio Manager experience
- 12 years focused on global listed infrastructure
- Degree in civil & structural engineering
- Ex Rothschild, Insight, RARE Infrastructure, AMP Brookfield, AMP Capital



Jonathan Reyes

Co-Head of Global Listed Infrastructure

B General Studies (Major in Economics)

- 19 years finance experience
- 11 years focused on global listed infrastructure
- Over 7 years of Portfolio Manager experience
- Has worked with Tim for the past 12 years
- 6 years in New York, 12 years in Australia
- Ex Bear Stearns, RARE Infrastructure, AMP Brookfield, AMP Capital



Introduction to the Ausbil Global Essential Infrastructure Fund

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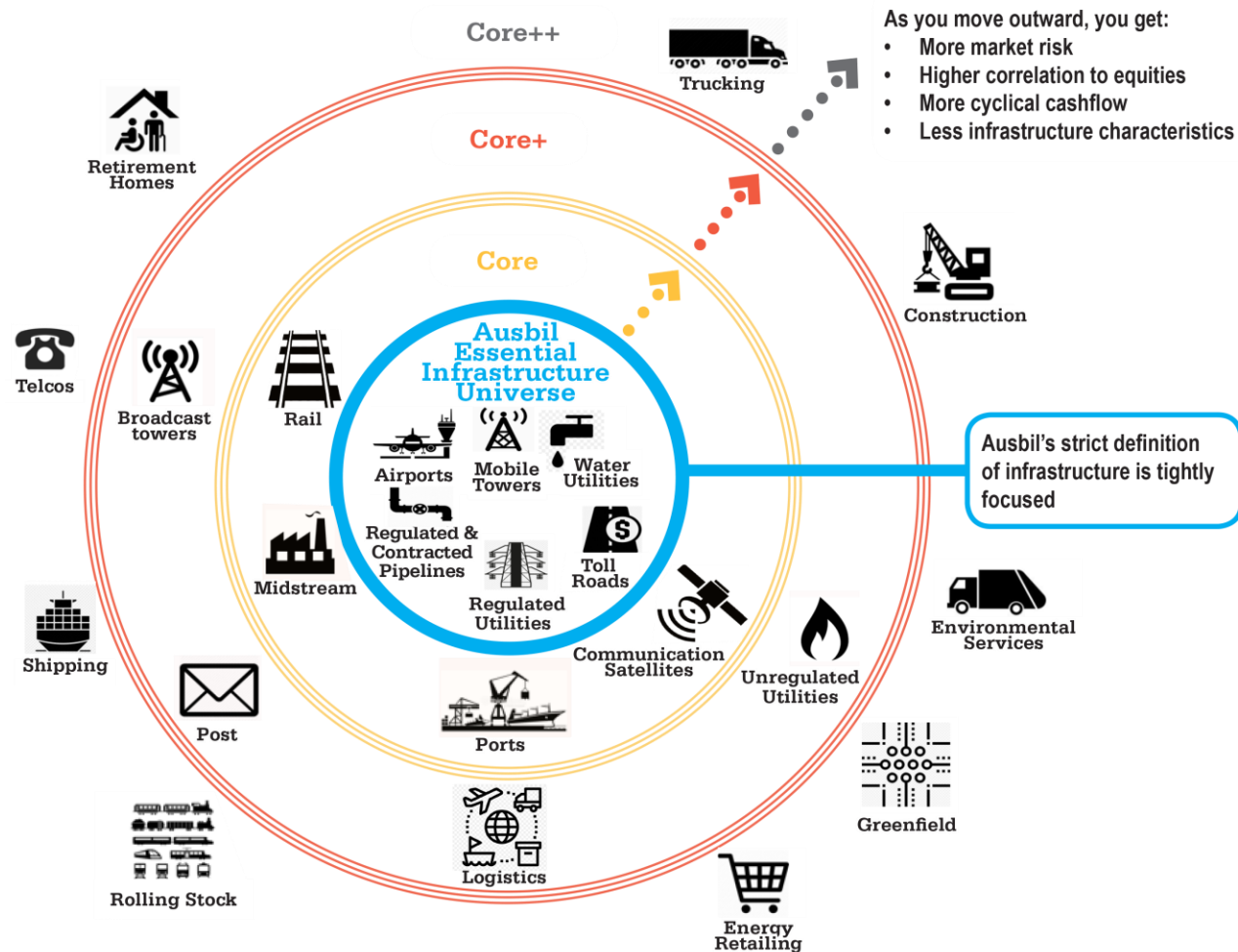
Fund Introduction

Essential Infrastructure – an improved definition

- The Ausbil Global Essential Infrastructure Fund (The Fund) only invests in listed infrastructure companies that satisfy the **Essential Infrastructure characteristics**
- Ausbil has created the “Essential Infrastructure” definition and test
- The Fund applies the same **top-down and bottom-up approach** successfully applied by Ausbil for over 20 years.
- The philosophy is aimed to identify and invest in companies that are able to **continually compound cashflow** through an economic cycle
- Embeds **desirable characteristics** into the portfolio:
 - Downside protection
 - Asymmetric upside/downside capture
 - Low sensitivity to the business cycle
 - Essential Infrastructure has materially outperformed global equities – the power of compounding cashflows
- **Secular growth stories** – replacing infrastructure, energy transition, mobile data
- The Fund is benchmark unaware and aims to generate returns of G7 CPI +5.5% p.a. over a full business cycle (7 years)

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Infrastructure at its core



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Portfolio positioning as at 31 July 2020

Region	Portfolio %
North America	55.9
Europe (ex UK)	20.6
UK	12.9
Asia Pacific	8.3
Emerging Markets	0.0
Total	97.7

Sector	Portfolio %
Regulated Utilities	52.5
Transport	17.6
Communications	14.4
Energy Infrastructure	13.3
Cash	2.3
Total	100.0

Characteristics	Portfolio
# of holdings	34
Weighted average market cap (USD Bn)	\$26.8
Weighted average expected dividend yield	3.3%



Performance

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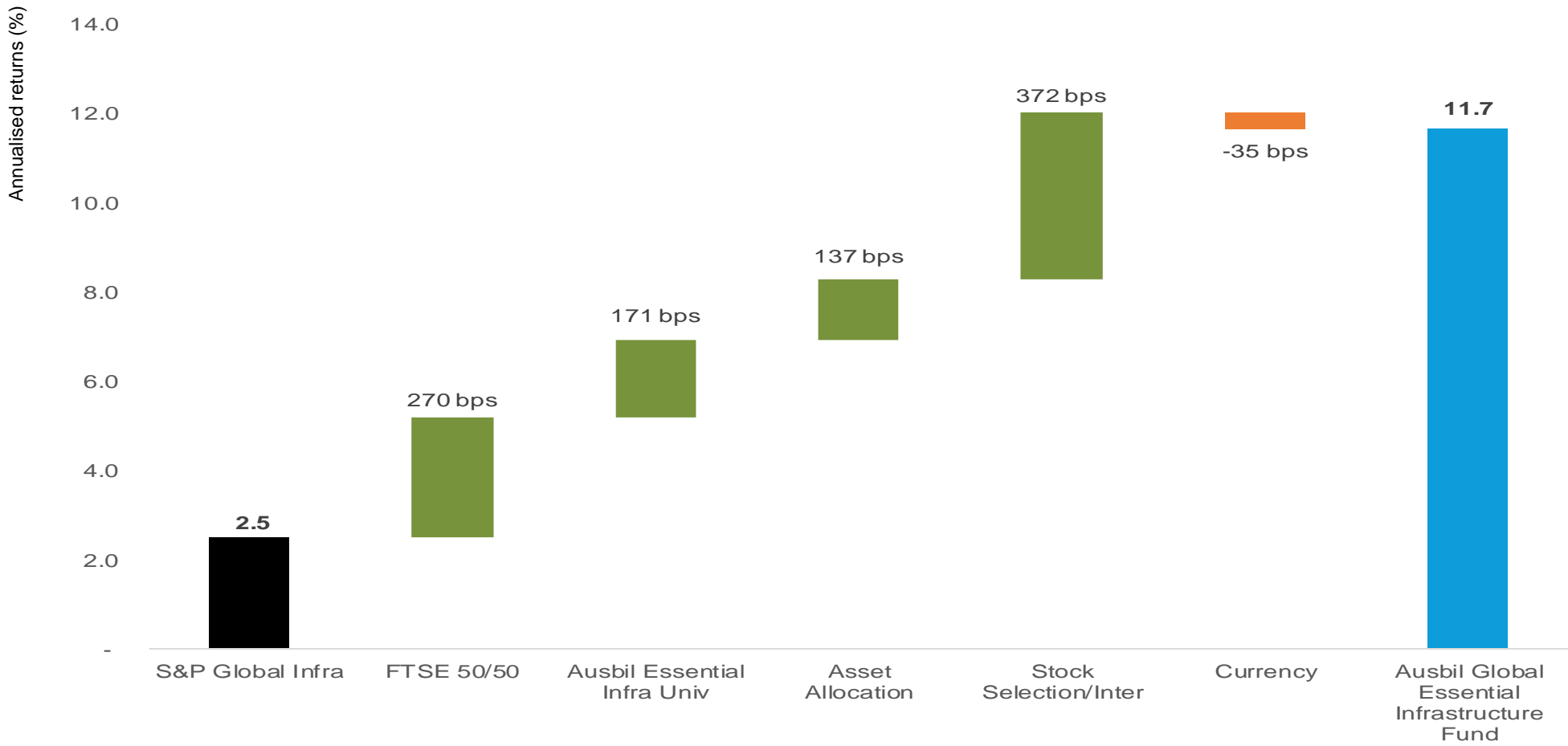
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Performance history (pre fees) to 31 July 2020

Performance to 31 July 2020	Ausbil Global Essential Infrastructure (AUD) %	Benchmark		Wide reference index		Narrow reference index	
		OECD G7 CPI Index + 5.5% pa %	Excess %	S&P Global Infrastructure Total Return Index (AUD) %	Excess %	FTSE 50/50 Core Developed Index (AUD) %	Excess %
1 month	0.1	0.5	-0.4	-0.7	+0.8	-1.1	+1.2
3 months	-1.8	1.4	-3.2	-2.1	+0.3	-4.3	+2.6
6 months	-15.5	3.2	-18.8	-23.4	+7.9	-19.1	+3.6
1 year	-2.3	6.9	-9.2	-13.8	+11.5	-9.4	+7.1
Since Inception (pa)	11.7	6.9	+4.7	2.5	+9.2	5.2	+6.5

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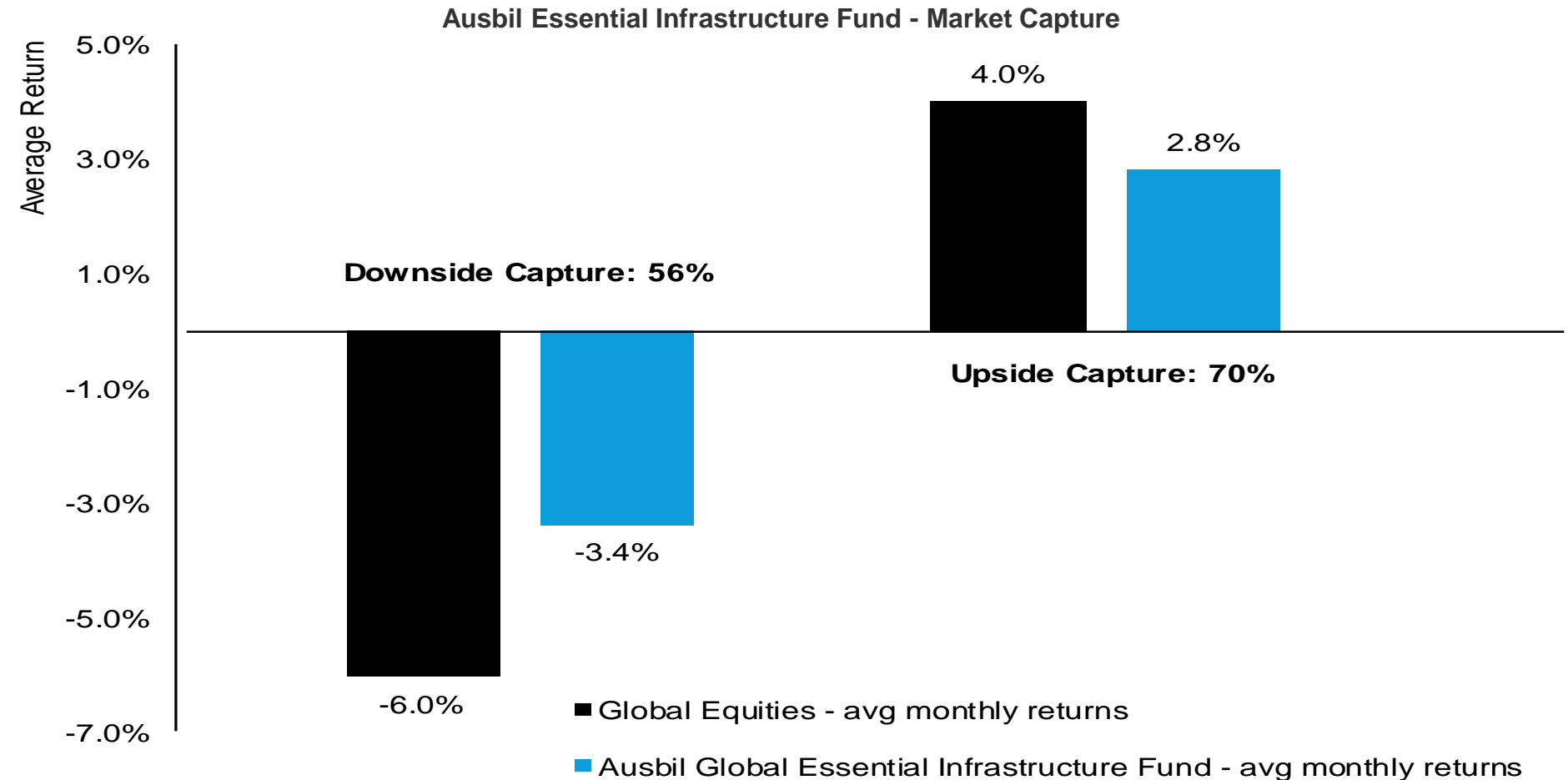
Alpha bridge since inception, AUD (pre fees)



Performance calculated assumes reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance. Inception date is 17 December 2018. Wide index is SPGTINTR Index; S&P Global Infrastructure Total Return Index USD. Narrow index is FTSE 50/50 Core Developed Total Return USD (FDCICANT)

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Protecting the downside is key to compounding returns

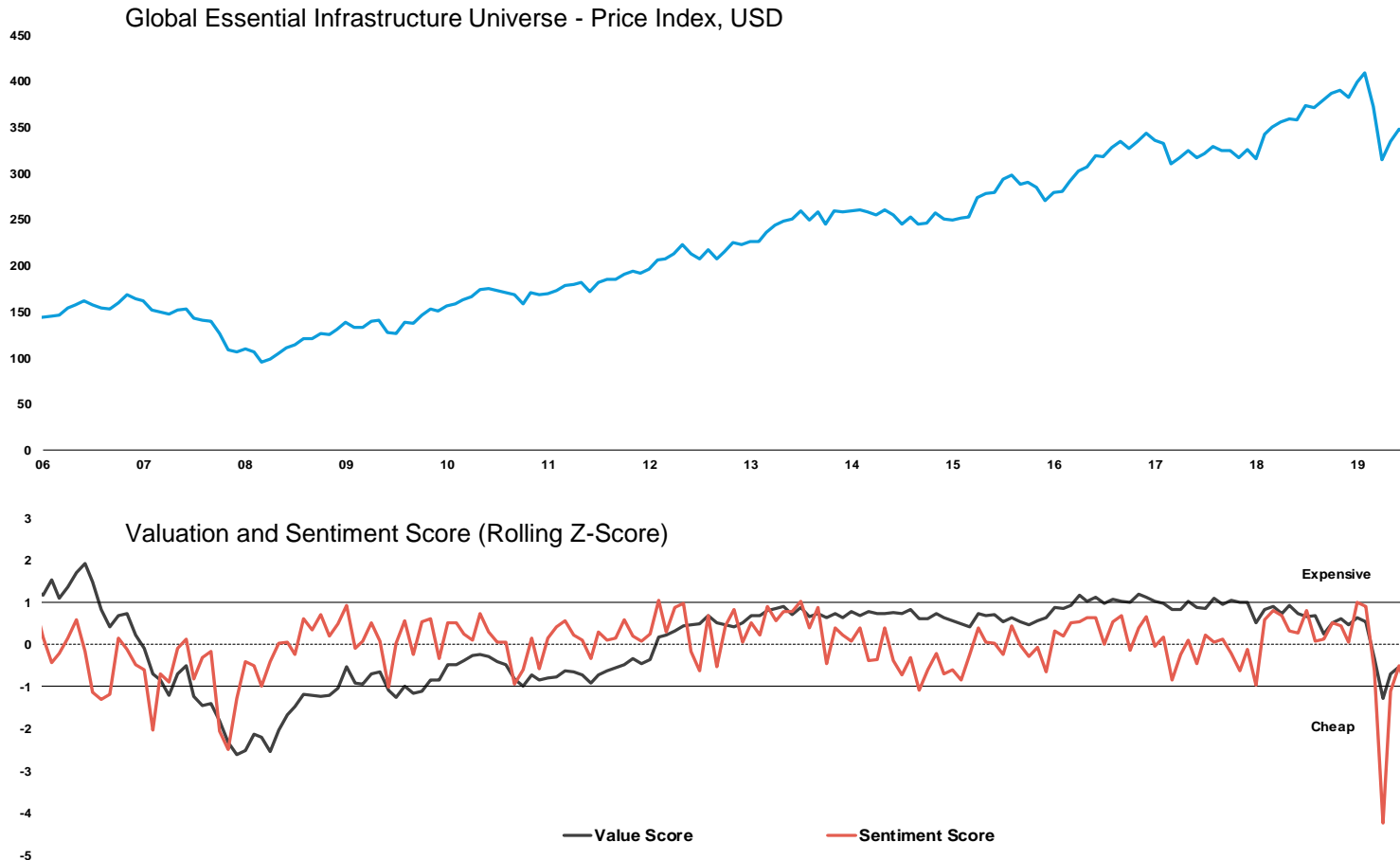




Current valuations

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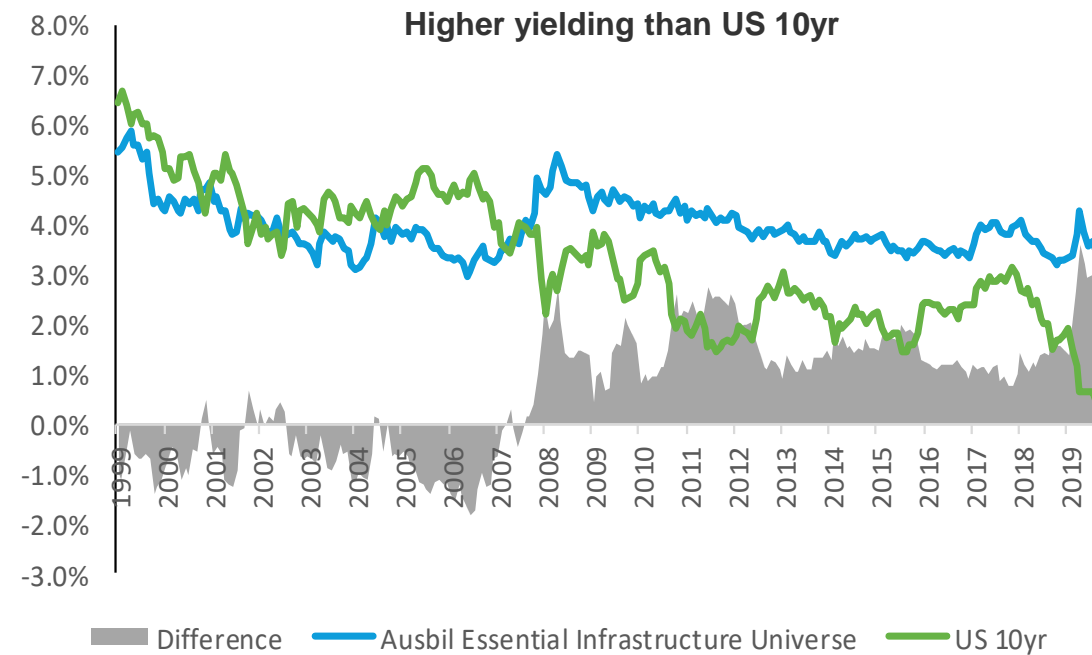
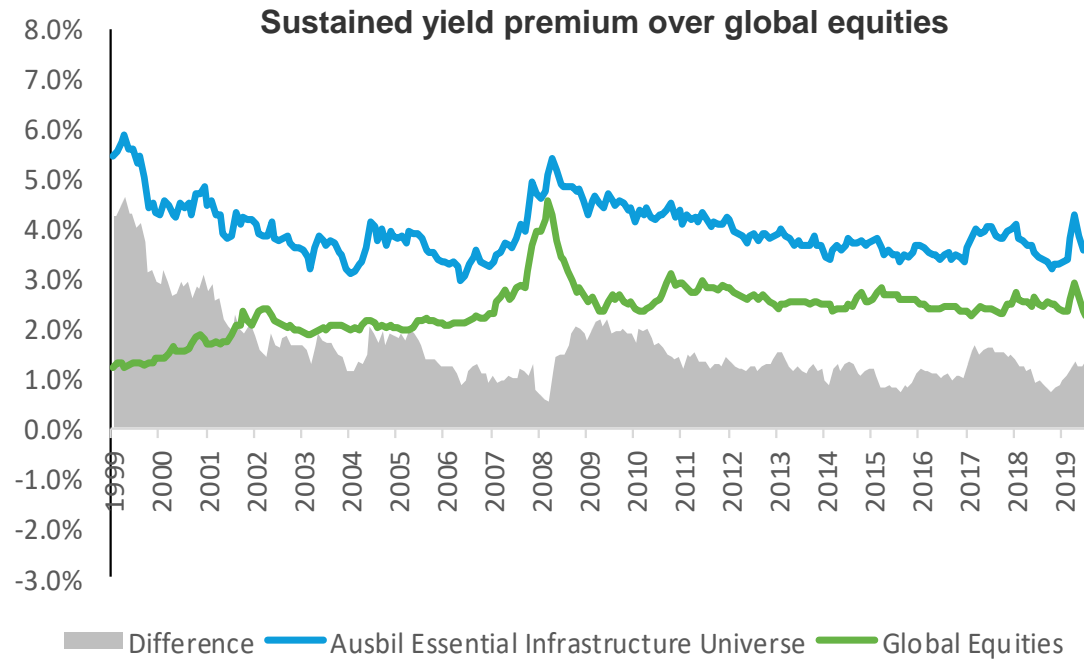
Global Essential Infrastructure Universe



- Global Essential Infrastructure has experienced a significant drawdown in price
- Transportation and energy meaningfully underperforming the utilities and communications sectors
- Currently with a Valuation Score of -0.5 and Sentiment Score of -1.1

Why allocate to Essential Infrastructure?

Attractive and secure income

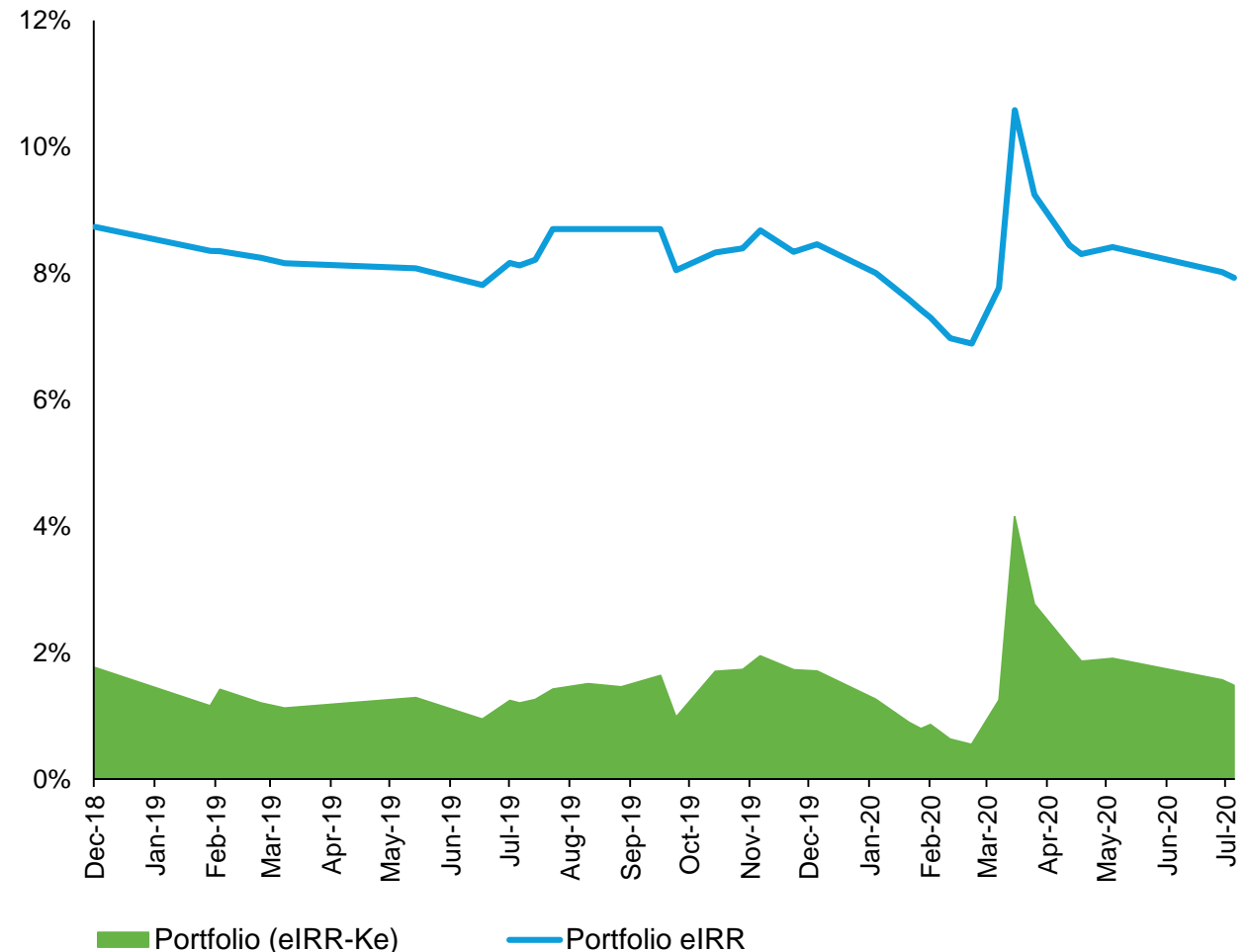


- **Attractive, secure income component for the asset class**
 - Maintained long-term yield premium over global equities
 - Maintains spread over US 10yr as the income from infrastructure remained relatively stable

Ausbil Global Essential Infrastructure

Portfolio equity IRR* evolution

- Portfolio equity IRRs maintained between 8% and 8.7% (spread over cost of capital between 100-190bps throughout 2019)
- Equity IRRs hit low of 7.0% in February 2020 (spread over cost of capital of 55bps)
- March volatility led to equity IRRs 10.6% before compressing back to 8.0% today (spread over cost of capital of 1.5%)



Source: Ausbil, Bloomberg. Ausbil Essential Infrastructure as of 30 June 2020.

*Internal Rate of Return (IRR) is a measure of the portfolio's expected future return. The IRR is the discount rate implied by the Ausbil forecasted expected future cashflows for portfolio holdings



Transportation sector

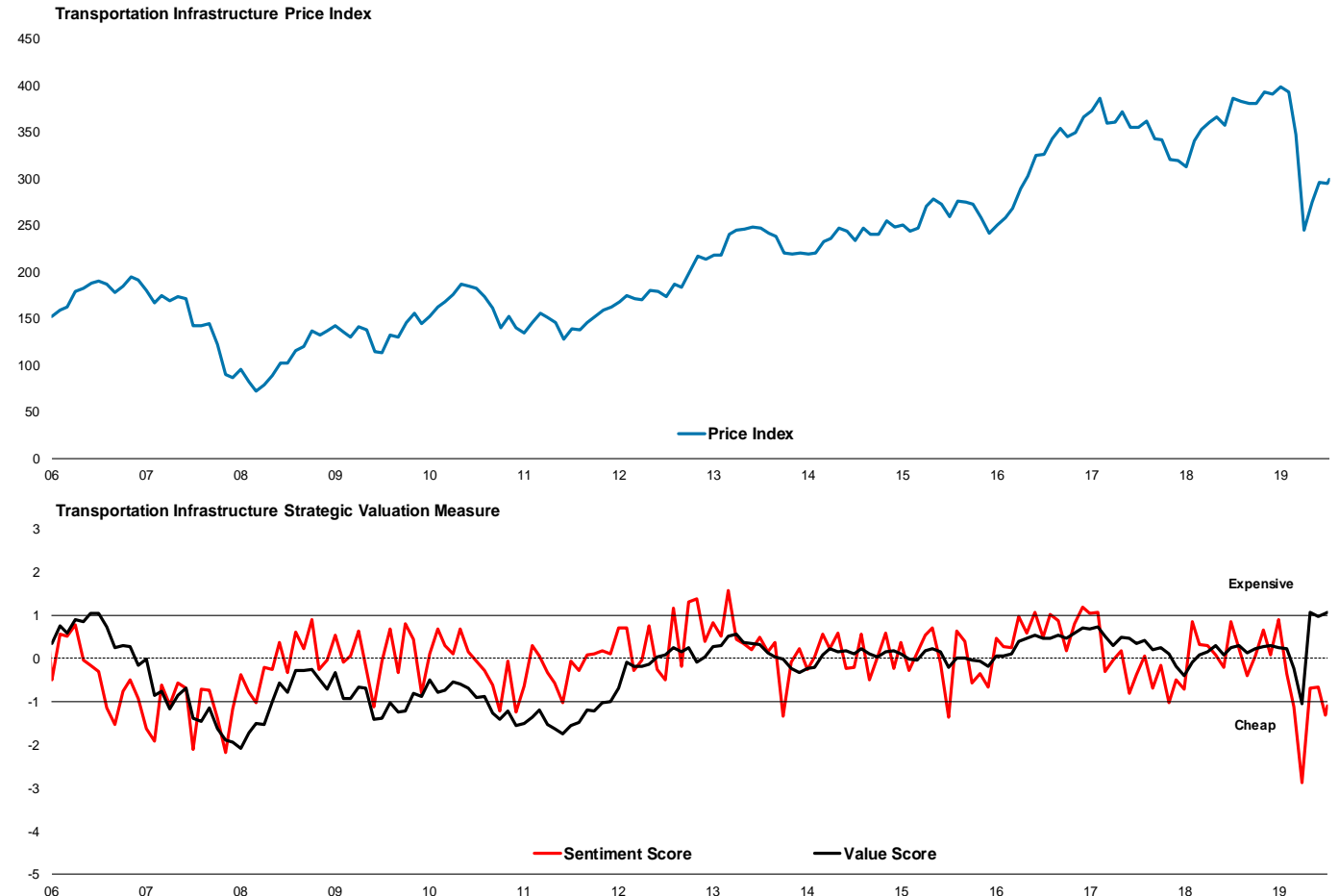


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Transportation sector analysis

- 2018-2019 showed transportation relatively neutral heading into COVID
- Returns YTD -28% in USD to 30 June 2020
- In March 2020, we saw synchronized compression in valuation followed by rise due to the change in near term earnings and cashflow expectations
- Relative preference for toll roads vs airports
- We have increased our Transportation exposure to 18% off the March lows of 15% compared to the guide range of 10-40%

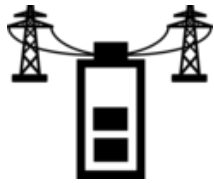




Current outlook

Top Down Thematics

Opportunities within essential infrastructure sub sectors

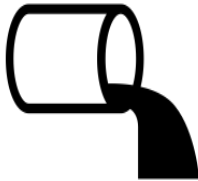


Utilities

- Strong regulated revenue streams, many with decoupled models
- Significant ESG momentum as part of the solution to decarbonize

Communications

- Communication infrastructure plays a key role in mobile internet transition to 5G
- Strong data, tech and work-from-home thematic



Energy

- Pipeline valuation indiscriminately sold creating an opportunity in long-haul pipelines (with no commodity price risk)
- Remain positive on role of natural gas infrastructure in long term fuel mix

Transport

- At the epicentre of the COVID-19 impact creating long term valuation opportunity
- Near term volatility as lock down restrictions globally remain ad hoc, but strong underline demand for assets





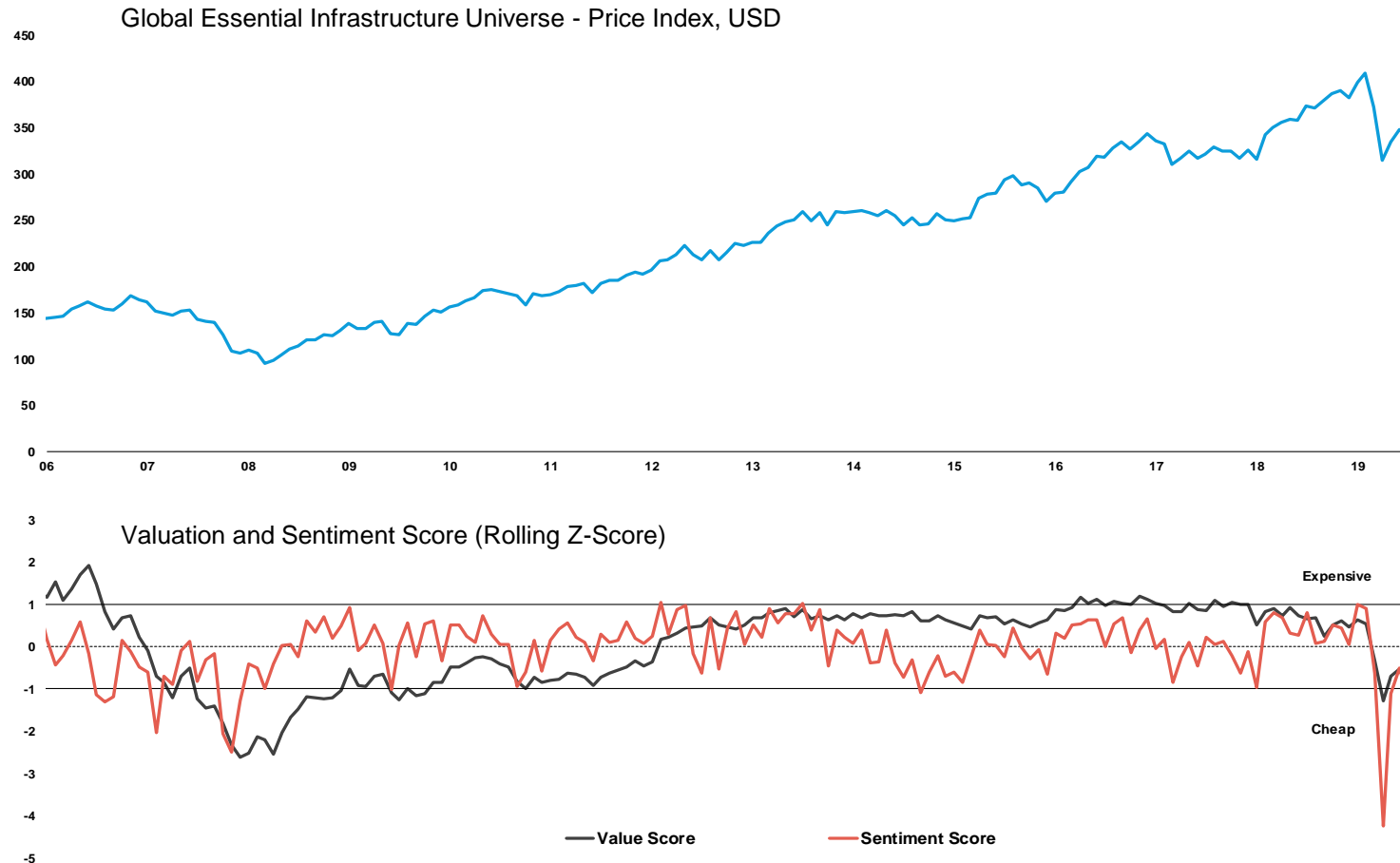
Current positioning



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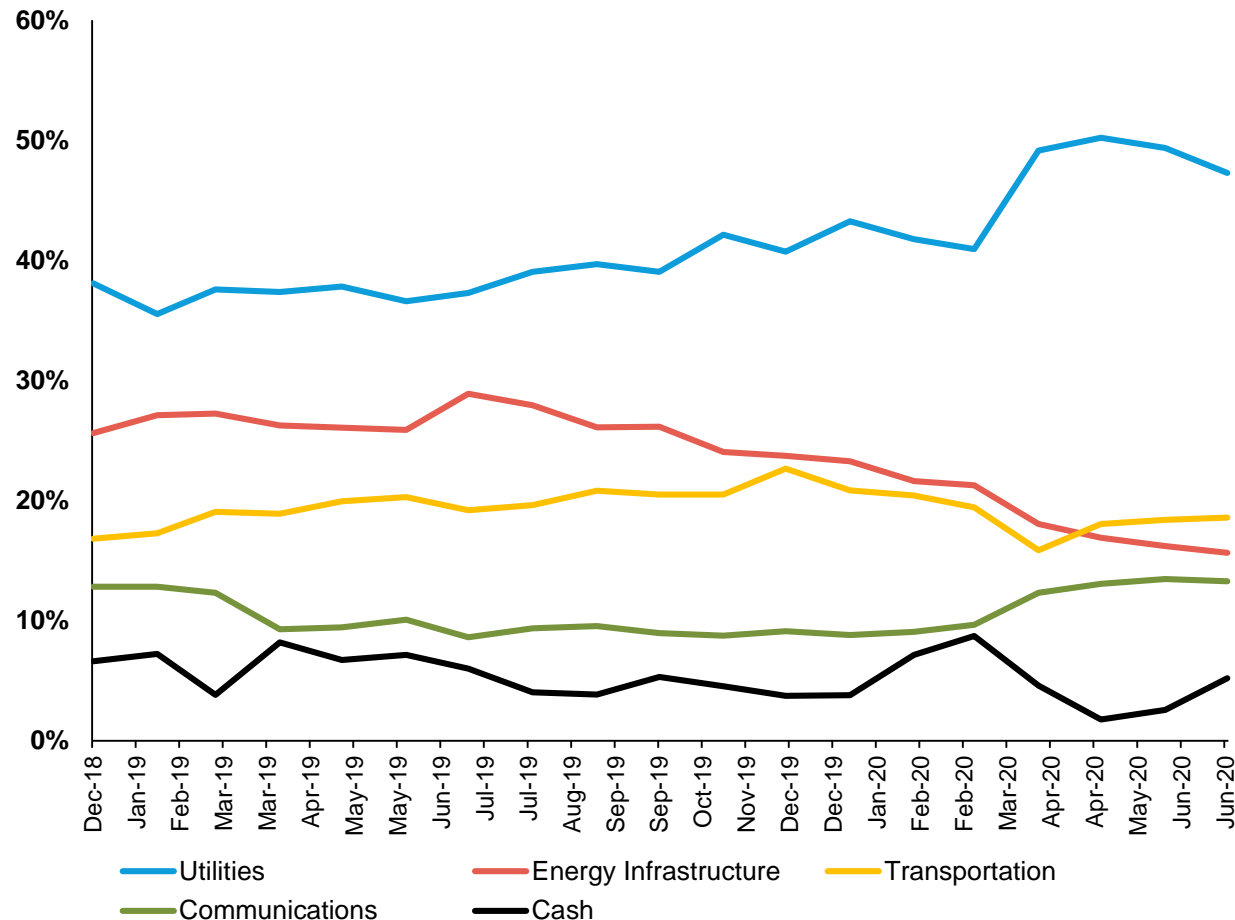
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Sector Weights over time



- Cash position increased in January and February to peak of 8.7%. Deploying capital in March and April to a low of 1.7% - Gone from our highest cash level to our lowest since inception. Have raised cash levels May and June into the recovery
- Deploying cash in March and April to high quality assets (Ameren, American Water, Atmos, Crown Castle, Onegas, Auckland Airport)
- Our focus remains high quality companies with secure dividends, strong balance sheets and limited need for capital.

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Portfolio positioning as at 31 July 2020

Significant holdings	Sector	Region	Portfolio %
Nextera Energy	Utilities	North America	5.0
Ameren	Utilities	North America	4.9
National Grid	Utilities	UK	4.6
Atmos Energy	Utilities	North America	4.6
Sempra Energy	Utilities	North America	4.6
Atlas Arteria	Transportation	Asia Pacific	4.3
Cellnex Telecom	Communications	Europe	4.2
Emera Inc	Utilities	North America	4.0
United Utilities	Utilities	UK	3.8
Ferrovial	Transportation	Europe	3.7

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US Election



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US Election impact

Infrastructure central to both sides of the aisle

- Currently \$2 trillion investment gap in US infrastructure¹
 - According to the American Society of Civil Engineers US Infrastructure is “D+”²

- Biden’s central plan is “Build Back Better”



- \$2trillion over 4 years on infrastructure³
- Central policy is to have a zero carbon power generation by 2035
- Likely ban fracking on Federal land
- Potential corporate tax increases: no impact for utilities (tax is a pass-through)



Positive: Utilities, Negative: Energy Infrastructure

- Trump reportedly readying a \$1trillion infrastructure plan⁴



- Roads and bridges, 5G infrastructure and rural broadband
- Expand domestic fossil fuel production



Positive: Energy Infrastructure, Neutral for Utilities

1. <https://www.infrastructurereportcard.org/solutions/investment/>

2. <https://www.infrastructurereportcard.org/>

3. <https://joebiden.com/clean-energy/#>

4. <https://www.bloomberg.com/news/articles/2020-06-16/trump-team-weighs-1-trillion-for-infrastructure-to-spur-economy?sref=zMOCmhdQ>



Government spending on infrastructure

Government spending on infrastructure

Coronavirus stimulus focus

- Infrastructure will play a significant role in the post-Covid recovery
 - Focus shifting from Public Health to Economic Health



- Projects fast-tracked in order to:
 - Boost the economy
 - Meet a real community need
 - Anticipate the impact of future risk, particularly climate change



- Covid-19 has amplified trends already underway in infrastructure investing



- Government debt levels highlight the need for public-private partnerships
 - Increases the amount of capital that can be put to work
 - Ensures same quality of infrastructure is built
 - Provide the expertise required to deliver and operate assets

\$ + \$ = \$\$



Any other questions?



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Ausbil Global Essential Infrastructure - Fast Facts

- **Allocations to Infrastructure set to increase**
 - Top 100 global investors in infrastructure have an average allocation of less than 3%.
 - Most global investors have less than 1% allocation to infrastructure
 - Listed Infrastructure has to be part of the solution
- **Essential Infrastructure – already too big to ignore**
 - ~US\$2trn in combined market cap
 - ~10% bigger than Global REITS (~\$1.7trn)
 - ~3x bigger than total combined unlisted infrastructure funds (~\$0.6trn)
- **Embed desired characteristics into Ausbil Essential Infrastructure definition**
 - Essential Infrastructure is an Ausbil definition
 - Continual compounding of positive cashflow growth
 - Inflation protection
 - Low sensitivity to GDP cycles
 - Low correlation to other asset classes
 - Downside protection when markets fall
- **Most common uses**
 - Defensive version of Global Equities (EI has materially outperformed Global Equities)
 - Diversify into Equities from Bonds
 - Completion strategy for Unlisted infrastructure portfolio
 - Standalone component of an Infrastructure allocation

Global Investment Series

Join us again for another Fund Manager Q&A session

Global SmallCap

Thursday 27th August



Simon Wood

**Portfolio Manager,
Global SmallCaps**



Tobias Bucks

**Portfolio Manager,
Global SmallCaps**

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