

Qualitative Fund Research

Ausbil Global Essential Infrastructure Fund

22 April 2024

 RESEARCH IP Rating



RESEARCH IP

The views and opinions in this document are considered valid for one year from the date published.

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Rating Profile

Research Process Category	Factor Weight	Analyst Score	Maximum Score
Corporate & Investment Governance	15%	4.25	/ 5
Investment Philosophy & Process	20%	4.20	/ 5
People	25%	4.33	/ 5
Portfolio Construction & Implementation	15%	3.83	/ 5
Risk Management	15%	4.80	/ 5
Investment Fees	10%	4.29	/ 5
Overall Average Score		4.28	/ 5

Meet the Manager

Ausbil Investment Management Limited is a leading Australian investment manager. Established in April 1997, Ausbil's core business is the management of Australian and global equities for major superannuation funds, institutional investors, master trust and retail clients. Ausbil manage over \$16.4 billion in active Australian and global equity investments. Ausbil is owned by its employees and New York Life Investment Management (NYLIM), a wholly-owned subsidiary of New York Life Insurance Company. NYLIM has more than US\$650 billion in assets under management. NYLIM has several boutique affiliates including MacKay Shields, Candriam Investors Group and Apogem Capital.



Further information on the Manager can be found in its [online profile](#).

The [investment philosophy](#) and corporate goals of Ausbil have been formulated to provide a tightly defined and disciplined investment management style that is active and incorporates quantitative inputs and risk awareness. Ausbil's style pursues the goal of adding value from a clear set of transparent processes that seek to enhance performance, whilst managing risk.

Ausbil is a signatory to the United Nations Principles of Responsible Investment ([UN PRI](#)). Ausbil has a dedicated environmental, social and governance (ESG) research team who provide an in-house service. ESG research is integrated into Ausbil's investment process. Ausbil believes that a consideration of ESG issues as developed by well-founded ESG research can identify mispriced stocks and assess a company's earnings sustainability. Similarly, engagement on ESG issues can drive long-term value and reduce the risk of value destruction.

Ausbil has monitored and engaged with companies on their corporate governance record and to this extent has historically regarded proxy voting as an important part of its fiduciary duties.

The Manager has provided [individual bios for the team](#).

Access the full range of investment options [here](#).



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Key Takeouts

The Ausbil Global Essential Infrastructure Fund (“the Fund”) provides exposure to a benchmark unaware, high conviction, and concentrated portfolio, predominantly made up of global listed infrastructure securities, while not hedging the Fund’s currency exposure back to Australian Dollars (for the unhedged class). There is a hedged share class available.

Research IP Says

“The essential infrastructure universe defined by Ausbil is smaller than the ‘core infrastructure’ universe. The Manager’s universe includes airports, mobile phone towers, water utilities, toll roads, regulated utilities, and regulated & contracted pipelines. Note the exclusion of rail (paid on volume), midstream (commodity sensitivity), and ports (paid on volume). An outcome of this on the portfolio is less market risk, less cyclical, and a lower correlation to equities. Of note for New Zealand investors, none of the New Zealand utilities meet the Manager’s definition of essential infrastructure.”

“Integration of ESG factors occurs multiple times through the investment process, with ‘impact’ and ‘engagement’ fundamental to the analysis.”

“The global infrastructure team of four has been stable since they all joined Ausbil in 2018. Tim Humphreys leads the team, with Jonathan Reyes as Co-Head. Research IP notes that Humphreys and Reyes worked together at AMP Capital for over 10 years together prior to Ausbil. Both have 14-15 years of experience focused on global listed infrastructure.”

The Fund

Fund Details	Ausbil Global Essential Infrastructure Fund
Fund Code	APIR Code: AAP3254AU
Responsible Entity / Trustee	Ausbil Investment Management Limited
Geographic Focus	Global
Sector / Asset Class	Property & Infrastructure
Investment Objectives	The Ausbil Global Essential Infrastructure Fund aims to achieve returns (before fees and taxes) above the OECD G7 CPI Index +5.5%pa in AUD over a full investment cycle (7 years) by actively investing in a long-term portfolio of listed infrastructure stocks that invest in Essential Infrastructure assets.
Benchmark	OECD G7 CPI Index +5.5% p.a. in AUD
Alpha Objective	To achieve returns (before fees and taxes) above the OECD G7 CPI Index +5.5% pa in AUD over a full investment cycle (7 years).
Management Fee	1.00% p.a.
Performance Fee	N/A
Estimate of Total Fund Charges	1.00% (ex GST) – September 2023

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Using this Fund

The Fund predominantly invests in listed global infrastructure securities in developed markets, with up to 10% in emerging markets. The Fund is designed for investors with at least a five-year investment time horizon, who wish to benefit from the long-term capital gains available from global listed infrastructure investments and who are comfortable with fluctuations in capital value in the short to medium term.

Investors should be aware that the Fund may experience periods of negative returns and that there is a risk of potential capital loss being incurred on their investment. Research IP believes an investor should have a minimum investment time horizon of seven years, preferably longer.

Factor	Lower Limit	Upper Limit	Reference
Typical number of holdings	25	45	
Expected Portfolio Turnover			<40%
Cash	0%	20%	

Funds Under Management

Fund currency	AUD
Current size of the Fund (\$)	\$30,647,414
Current FUM in the strategy, including mandates (\$)	\$298,715,808
Current total FUM of the Manager (\$)	\$16,503,805,377

Quantitative Tear Sheet - <https://portal.research-ip.com/>

Platform is **FREE** to access via registration – performance data updated monthly.

[Factsheet](#)

[Report](#)

[PDS](#)

[Articles / Views](#)

For important Fund Facts view the [RIPPL Effect](#)

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What the Manager Says

Who holds accountability for the fund's outcomes and actions? How relevant is the work / career history of the investment team to the management of the funds?

Manager Statement:

Tim Humphreys and Jonathan Reyes are respectively the designated Head and Co-head for the Global Essential Infrastructure strategy. The details of the Global Essential Infrastructure Investment Team are outlined below:

Tim Humphreys, Head of Global Listed Infrastructure

Tim has over 20 years of financial markets experience working in Sydney and London with companies such as AMP Capital, AMP Capital Brookfield, RARE Infrastructure, Insight Investment and Rothschild Asset Management. Prior to joining Ausbil, Tim was Head of Global Listed Infrastructure at AMP Capital, where he managed global listed infrastructure funds which grew from \$200m to \$2bn. Tim also sat on various Investment and Valuation committees for the AMP Capital Unlisted Infrastructure Funds. Tim is a founding member of Ausbil's global infrastructure team. Tim holds a Bachelor of Engineering (Civil and Structural Engineering) degree from The University of Sheffield (United Kingdom) and studied Engineering Science at Oxford University.

Jonathan Reyes, Co-Head of Global Listed Infrastructure

Jonathan has over 16 years of financial markets experience working in Sydney and New York for AMP Capital, AMP Capital Brookfield, RARE Infrastructure and Bear Stearns Asset Management. Before joining Ausbil, Jonathan spent 10 years working alongside Tim Humphreys at RARE Infrastructure and AMP Capital as a Portfolio Manager/Analyst in the Global Listed Infrastructure team. Prior to joining AMP Capital, Jonathan was a globally-focussed infrastructure analyst at AMP Capital Brookfield and RARE Infrastructure. Jonathan is a founding member of Ausbil's global infrastructure team. Jonathan holds a Bachelor of General Studies (Major in Economics) degree from The University of Kansas (Kansas, USA).

Natasha Thomas, Portfolio Manager, Energy & Communication

Natasha has over 16 years of financial experience working in Sydney and New York including over 10 years as a buy-side infrastructure equity analyst at a major Global Investment Management firm. Prior to joining Ausbil, Natasha was a senior equity analyst for the Macquarie Global Listed Infrastructure Fund. Since 2007 Natasha covered the North American energy infrastructure and US telecommunication tower sectors. Natasha is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Sydney.

Paul Johnston, Portfolio Manager – Utilities

Paul has over 20 years of experience in the utilities and infrastructure sector including over a decade as a highly respected sell-side analyst in Australia and prior to that direct infrastructure industry experience. Prior to joining Ausbil, Paul was Head of Australian Equities Research at RBC Capital Markets, He has covered the Australian utility and infrastructures sectors for 11 years. Paul holds a Bachelor of Economics degree with first class Honours from La Trobe University in Melbourne. Paul is a founding member of Ausbil's global infrastructure team.

Research IP Opinion:

The global infrastructure team of four has been stable since they joined Ausbil in 2018. Tim Humphreys leads the team, with Jonathan Reyes as Co-Head.

Research IP observes that Humphreys and Reyes worked together at RARE, AMP Capital Brookfield, and AMP Capital for over 10 years together prior to Ausbil. Both have 14-15 years of experience focused on global listed infrastructure. This shared career experience adds cohesiveness and strength to the team dynamics.

They are ably supported by Natasha Thomas and Paul Johnston. Thomas concentrates on two key sectors within Ausbil's essential infrastructure universe, energy, and communications. Johnston focuses on utilities and plays a key

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role in assessing the regulatory aspects of infrastructure assets. As an aside, the Manager has pointed out that Ausbil have added a resource to the distribution team.

Research IP notes the civil and structural engineering qualification Humphreys attained with a nod to the repeatability of the investment process undertaken by the team. This process is detailed in the following section – “What are key factors in the buying and selling decisions of the Fund?”

The team are all based in Sydney except for Reyes (Perth) and Johnston (Melbourne).

Research IP also notes key inputs in the broader management of the Fund from the ESG team, led by Mans Cårlsson, and the Chief Economist, Jim Chronis.

Chronis has over 30 years of industry experience, including over 9 years with the Manager. Previously he worked at AMP Private Wealth, BT Investment Management, BT Financial Group, and Rothschild Australia Asset Management.

Mans Cårlsson is Head of ESG, supported by two analysts. Cårlsson joined the Manager in 2015 and has over 19 years of industry experience. Previously he worked at AMP Capital, Carnegie Investment Bank, Macquarie Bank, and Accenture. He also sits on the panel of experts advising the Federal Government on the Modern Slavery Act and is Chair of RIAA's (Responsible Investment Association of Australasia) Human Rights Working Group.

Has the CIO/ PM / Investment Team personally invested in the Fund? Do they have the same fee / cost structure as other investors?

Manager Statement:

Yes. The PM, CIO, and the broader team invested in this Fund. Management fee rebate made available to staff.

Research IP Opinion:

Investing in funds alongside investors and at the same fees aligns the interests of investment personnel with those of the investors. The management fee rebate made available to the staff is not completely aligned with investors' interests but can serve some useful purpose as a staff recruitment/retention tool. Nevertheless, the individual commitments from the investment team into the strategy are a strong indicator of their confidence and belief in the process.

What are the reasons for investing in this fund?

Manager Statement:

The Fund provides exposure to a benchmark unaware, high conviction and concentrated portfolio, predominantly made up of global listed infrastructure securities.

Ausbil believes that active management of global listed infrastructure securities combined with a long-term investment approach facilitates consistent and risk-controlled outperformance throughout the investment cycle.

Ausbil seeks to identify undervalued streams of future cashflows, as well as under-appreciated changes in the quality and/or quantum of future cash flows at an early stage. As such, Ausbil intends to pre-empt the stock price that appropriately reflects the fundamental value of the infrastructure company.

Investing in the Fund offers a range of benefits, including:

- Exposure to global infrastructure companies: access to a portfolio of listed global infrastructure companies that individual investors may not be able to invest in directly on their own.
- Diversification: the potential to diversify your investment portfolio.
- Experienced team: access to Ausbil's experienced global listed infrastructure investment management team.

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For investors seeking superior investment returns, the characteristics of Essential Infrastructure offer relatively higher yield than global equities. In addition, listed Essential Infrastructure offers the potential for attractive capital growth over the long-term underpinned by secular investment opportunities over coming decades relating to, for example, the decarbonisation of economies and the rise of 5G and future mobile technologies. With this superior yield comes less volatility, and relatively lower risk in terms of asset backing and inflation risk compared to global equities. Given these assets are essential to the workings of their respective economies, generally display monopolistic characteristics, and are highly regulated, their overall risk is relatively lower, a prerequisite for those seeking consistent investment yield through an economic cycle.

International investing risk

- Differences between countries relating to accounting, auditing, financial reporting, taxation, government regulation, securities exchanges, and transactional procedures.
- Foreign markets may have different levels of liquidity, pricing availability, settlement, and clearance procedures.
- Actions of foreign governments, exchange controls, defaults on Government securities, political and social instability.
- Exposure to currency risk.
- Non-resident withholding tax may be deducted from dividend payments made by companies registered overseas.

Infrastructure risk

Investments in infrastructure companies may expose the Fund to potential adverse economic, regulatory, political and other changes affecting such investments. Issuers of securities in infrastructure-related businesses are subject to a variety of factors that may adversely affect their business or operations, including high interest costs, high leverage, costs associated with environmental or other regulations, the effects of economic slowdowns, adverse changes in fuel prices, the effects of energy conservation policies and other factors.

Liquidity risk

Securities purchased for the Fund may be liquid at the time of purchase and subsequently become illiquid due to, among other things, events relating to the company, market events, economic conditions, investor perceptions or lack of market participants. The lack of an active trading market may make it difficult to obtain an accurate price for a security. Liquidity risk may also refer to the risk that the Responsible Entity may not be able to pay redemption proceeds. Please see withdrawal risk set out in the Additional Information Guide.

Concentration risk

The risk associated with a fund that concentrates its investments in a small number of securities or invests in a small subset of an asset class. The performance of a concentrated fund tends to be more volatile than the performance of a more diversified fund.

Research IP Opinion:

- (1) 'Inflation plus' target – the Fund is managed against the OECD G7 CPI Index with the objective of achieving a 5.5% premium over the inflation index. This is a key part of the Manager's focus on achieving long term returns over a full business cycle, without being swayed by the movements in an infrastructure index. The concentrated portfolio of 25-45 stocks is an outcome of this approach. With the recent experience of higher interest rates and inflation, there may be some short term under performance. When questioned, the Manager states their belief that while CPI + 5.5% is indeed a tough target in the current environment, they feel it remains achievable in the long run. They note a reasonable investment horizon would be 7 years. They further note that performance since inception has been close to this target and that the current portfolio's IRR is about 9.0%.
- (2) Downside risk protection – the key element of this is the Manager's 'essential infrastructure' universe definition which encapsulates the focus of the Fund. The Manager focuses on the characteristics of the infrastructure

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securities, not so much the assets themselves. For instance, whether cash flows are regulated or contracted is a key test in determining if the company has a place in their universe.

The essential infrastructure universe is smaller than the 'core infrastructure' universe. The Manager's universe includes airports, mobile phone towers, water utilities, toll roads, regulated utilities, and regulated & contracted pipelines. Note the exclusion of rail (paid on volume), midstream (commodity sensitivity), and ports (paid on volume).

An outcome of this across the portfolio is less market risk, less cyclical, and a lower correlation to equities. Of note for New Zealand investors, none of the New Zealand utilities meet their definition of essential infrastructure.

Further to this, the Manager focuses on quality at a reasonable price, aiming to identify stocks that have undervalued future cash flows, thereby providing a valuation buffer over the long term. Historically, this has resulted in lower downside capture, but also lower upside capture.

- (3) ESG integration – Further information is in the section "Describe the Manager's ESG, Corporate Sustainability policies and engagement ".

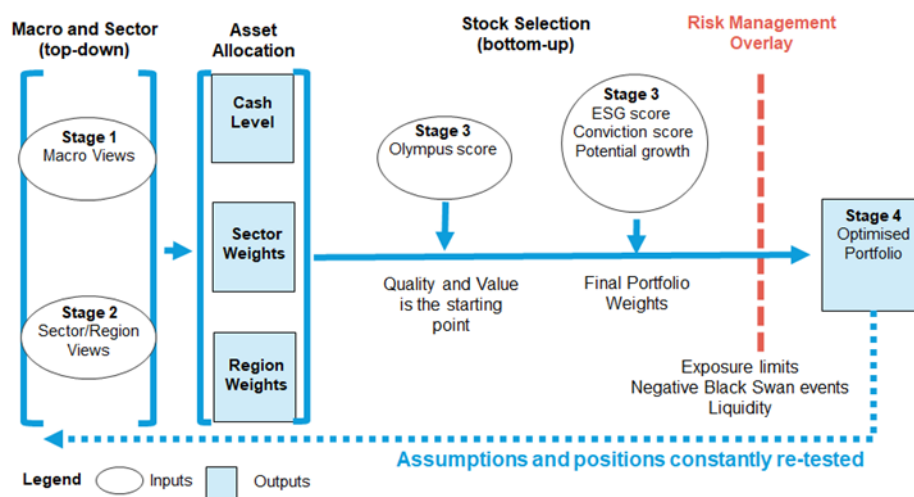
What are key criteria for the buying and selling decisions of the Fund?

Manager Statement:

Ausbil's active global listed infrastructure investment process aims to exploit the inefficiencies within the asset class by conducting a detailed fundamental analysis that comprises both a long-term cash flow valuation and a thorough analysis of the quality of the company.

We believe that investing in companies that are both high quality and offer attractive valuations will enable us to meet our primary objective. The investment strategy uses both qualitative and quantitative analysis and tools, alongside a disciplined risk management process, with the aim of producing consistent and risk-controlled outperformance.

Ausbil employs a four-stage process to provide the framework for portfolio construction, consistent with its investment philosophy. This process is summarised in the diagram below.



The purpose of the position sizing process is not to create a prescriptive framework for the exact weighting for each stock but is designed to ensure that we have a repeatable process that ensures we take into account all major considerations. The final decision on portfolio construction rests with the portfolio manager responsible for the fund.

Each stage of the process has actionable views expressed and when these views or signals change, they create signals to the portfolio manager to reassess the holding. These primarily include shifts in portfolio strategy and the subsequent sector and regional tilts, changes in the company's valuation or quality score, changes in the analyst stock

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recommendation and the overall position count limits in the portfolio which force each company to fight for its position in the fund.

Research IP Opinion:

Research IP believes the investment decision-making process is well structured, enabling repeatability through a full business cycle.

Integration of ESG factors occurs multiple times through the investment process, with 'impact' and 'engagement' fundamental to the analysis.

The Manager uses a hybrid approach – top down, bottom up. This is made up of four stages.

(1) Macroeconomic analysis.

This is driven by the Chief Economist, Jim Chronis. International economic developments, key macro factors, government policies/priorities, and offshore market trends and liquidity flows are all considered.

(2) Region and sector analysis.

This starts with the Manager's essential infrastructure definition. There are more companies going into their definition, and enough room to express strong views whilst keeping the portfolio diversified. The Manager takes a more holistic approach rather than being constrained by the Global Industry Classification Standard (GICS). A dashboard of indicators is created to determine if infrastructure is cheap or expensive at this stage.

(3) Stock selection.

This is where the Manager focuses the bulk of their time. This stage has four key parts to it:

- Assess stocks to ensure they meet the essential infrastructure definition. This step results in the Ausbil Approved List.
- Quality assessment at the asset level (45% weight) and company level (55%). 23 fundamental factors (two thirds of which are related to sustainability) are assessed, with the outcome of the assessment being a grade of either A, B, or C.
- ESG framework. A score is given to a company based on how it manages key ESG factors, and any risks/opportunities it may face in the industry it operates.
- Valuation assessment. Modelling is undertaken using a range of standardised inputs to get to the excess return for a stock (equity IRR minus cost of equity). Each stock is assigned a rating out of 10.

(4) Portfolio construction. The Manager views the portfolio through their proprietary portfolio construction tool called Olympus. The tool allows the Manager to view a stock's relative value and quality within the universe.

The weighting to cash is an active decision. If infrastructure looks expensive or cheap in stage 1 and 2 of the investment process, the Manager may look to raise cash if sentiment is against them. In January 2020 cash was relatively high at 10%, before it was redeployed in April 2020.

What are the key drivers of the Fund's performance?

Manager Statement:

The unique cash-flow nature of infrastructure is such that equity investors in this sector forego some elements of growth, compared to what is on offer in global equities, in return for a higher relative yield. With Essential Infrastructure, yields are typically backed by large, real assets that hold dominant or allowable monopolistic positions in their respective economies. For most Essential Infrastructure assets there is little to no competition or substitution, and yields are underpinned by contracts and concessions, or regulatory arrangements formulated and agreed with governments and regulators that allow revenue streams to recover operating and capital costs including inflation.

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Infrastructure is a compelling asset class for the consistent and dependable yields it can generate. It generates this income from assets that enjoy significant barriers to entry and that are usually the providers of essential services like water, transport, telecommunications, and energy transmission that continue to be utilised whatever the prevailing economic situation.

The Global Listed Infrastructure team recognises that the listed infrastructure asset class is still positively correlated to equity markets, and it is expected that in shorter term market drawdowns the portfolio will underperform the absolute benchmark, and likewise in strong equity markets in short-term time periods the portfolio would be expected to outperform the benchmark.

Research IP Opinion:

The Manager aims to drive performance through a combination of asset allocation and stock selection.

Part of the asset allocation performance driver emanates from the Manager's 'essential infrastructure' definition, as explained earlier in this report. A key aspect of this is the stability of the cash flows within these assets.

For example, some of the best regulated companies are in the UK and parts of Europe. The water, gas, and electric companies effectively have inflation protection built into their business models as a result of the regulation.

Another part of the asset allocation process which drives performance in the Fund is the focus on top down, macroeconomic analysis as it applies to the essential infrastructure universe. The impact of this is assessed in stage 1 and 2 of the investment process and is reassessed at the portfolio construction stage.

In terms of stock selection, the Manager uses two important factors to help outperform their objective, these are quality and valuation. This is underpinned by the Manager's internal bottom-up analysis. Momentum in their quality assessments of a company could drive return if the market has not priced the stock accurately. The valuation process is consequently a central part to the Fund return.

In terms of recent performance, the Manager noted binary and opposing outcomes: 1. Strong positive contribution from Transport and Communications and 2. Strong negative contribution from Utilities, which are long-duration assets and were heavily impacted by the spike in interest rates.

Looking forward, the Manager feels US utilities are now starting to look relatively more attractive, but not outstanding value. US mobile towers are looking more interesting. With strong performance in Europe, the Manager is trimming positions and cycling back to the US to bring the position up to a more neutral level.

The Manager makes a broader observation that the high inflation over the last couple of years will largely come through with a lag to infrastructure revenues and should bolster over the next 2 years. Research IP can see the merit in this argument.

What are the risks / adverse outcomes that could arise from investing in this Fund?

Manager Statement:

All investments carry risk. The likely investment return and the risk of losing money are different for each managed investment scheme. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

There are significant risks associated with managed investment schemes generally. You should be aware that:

- the value of investments will vary.
- the level of returns will vary, and future returns may differ from past returns.
- returns are not guaranteed, and members may lose some of their money.
- laws affecting registered managed investment schemes may change in the future.
- the level of risk for each person will vary depending on a range of factors including age, investment time frames, where other parts of the member's wealth are invested and the member's risk tolerance.

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The strategy does not use leverage or derivatives.

Research IP Opinion:

The Manager addresses the risks of investing in infrastructure asset primarily through the stock selection stage of the process, but also the top down/macro stage.

The Manager identifies several risk factors within their quality assessment. Regulatory/contract risk, operational efficiency risk (stability of cash flows), asset risk (physical quality and stranded assets), and financial risk (debt a key focus) are all evaluated. Research IP highlights the Manager’s efforts in meeting with companies to help them better understand the longer-term outlook of the assets and company operations.

Typically, the Manager will undertake at least two meetings with a company in the portfolio each year, with two people from their team in the meeting. The Manager has developed an understanding of the companies over the last 5-10 years through meetings with the C-suite, but also the level below this, assessing the quality of the second tier of management. The Manager aims to speak the language of the companies they are investing in, for example by evaluating the return the company may gain from a certain project. A long-term focus is the basis for this, preferring to look forward over the ‘next quarter century’.

Research IP notes the attention paid to political risk within the stock selection process. The work on this is primarily undertaken by Johnston. This risk can be at both the local and federal level in the US. The Manager will evaluate the separation of the regulator from the ruling political party. Unlike the US, in other countries, regulators sit distinct from the political side, so a politics has less influence.

The Manager may invest up to 10% of the portfolio in Emerging Markets. However, there haven’t been any stocks that meet the Manager’s criteria for investment yet.

What is the justification for the fees and costs that are charged?

Manager Statement:

Ausbil sets the management fee of the fund with the aim of providing certainty for investors and competitiveness with similar funds (asset class, investment approach and objective) and distribution channels in the Australia funds market. Ausbil has chosen to only charge a management fee and not recover normal operating expenses, i.e. it adopts a “rolled-up” management fee approach. This gives investors certainty around the management fee charged, and in only very rare circumstances will Ausbil recover abnormal expenses from the Fund.

The Fund started in late 2018 and at its launch a benchmarking exercise was undertaken to ensure that the fund’s fees and costs charged were benchmarked against competitors. Benchmarking occurs on a periodic basis as part of the fund’s external investment research process.

Although we have reviewed the fund’s fee on a periodic basis, there has not been no fee revisions (up or down) since the fund was started in late 2018. The fees of the fund remain competitive.

Summary of Fees/Costs

Management costs

Management fee	1.00%
Indirect costs	0.00%

Indirect costs

Indirect costs are any amount, not already disclosed as a fee or cost, which reduces (directly or indirectly) the value of the underlying investments and the performance return of the Fund. This includes expenses (see below) and may include fees and costs incurred by underlying investment vehicles plus costs involved in trading certain derivative products which are used as part of the Fund’s investment strategy.

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Expenses

Under the Fund's constitution, the Responsible Entity is entitled to recover expenses incurred in the proper performance of the Fund's operations. For the duration of the PDS the Responsible Entity will not recover normal expenses from the Fund and the Responsible Entity will pay these amounts from its management fee. However, if the Responsible Entity incurs abnormal expenses, then it may deduct these expenses from the Fund's assets.

Transactional and operational costs

In managing the assets of the Fund, the Fund may incur transaction costs such as brokerage, settlement and clearing costs, stamp duty and bid-ask spreads charged by transaction counterparties when assets are bought and sold. These costs are generally incurred as a result of applications or redemptions from the Fund or when the Fund sells or buys assets as part of its day-to-day trading activities.

Other transactional costs

Transaction costs that arise when assets of the Fund are changed in connection with an investment decision are paid out of Fund assets and are reflected in the Fund's unit price.

As noted above Ausbil charges a "rolled-up" management fee and generally do not recover normal operating expenses in relation to the fund.

Research IP Opinion:

Research IP believes the Manager is transparent from a fee's perspective. Fees are disclosed in the Product Disclosure Statement, with additional information in the Additional Information Guide. Both can be accessed at this [link](#).

Research IP highlights the clear disclosure of transaction costs in the PDS. Of note, the transaction costs for the hedged version of the strategy are comparatively more than the unhedged version (0.22% p.a. versus 0.00% p.a.). These are net of the buy-sell spread and are based on the transaction costs for FY2023.

Research IP observes that the Manager's basic fee is in the lower half of sector peer relevant funds.

Describe the governance processes for managing organisational and investment decisions.

Manager Statement:

The Ausbil dealing team determine the best execution method specifically to keep both market impact costs and brokerage costs to a minimum. Orders are normally placed on a best care over the day basis to minimise execution costs. At other times, and dependent on market conditions, trades are executed during the day at prices which are viewed as opportunistic, and liquidity is available.

After the post-trade compliance process, at the end of each day completed orders are automatically updated to the portfolio management system which calculates daily performance. Normally the transactions executed have little or no basis point impact to portfolio performance. In most cases, there is a positive contribution from execution.

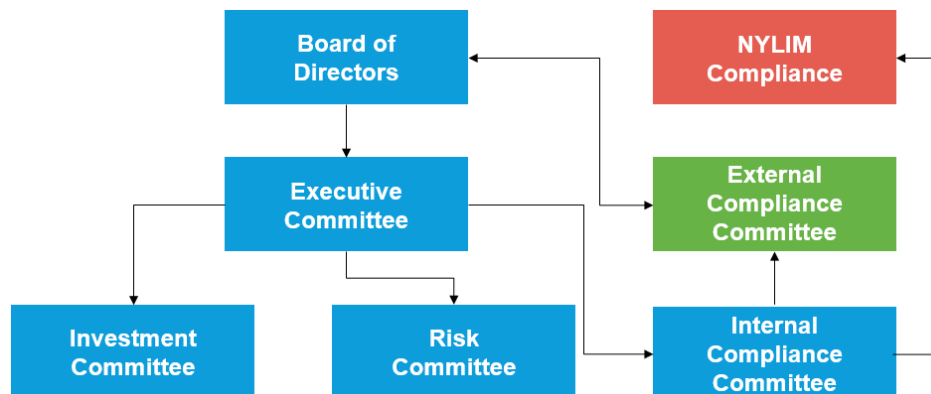
Any decision to transact is made with the objective of maximising investment opportunities for clients. Portfolio managers remain cognisant of the negative impact on the interests of clients of all transaction costs, including brokerage.

All transactions and brokerage charges are reviewed by the Investment Committee and signed off daily by the Chairman, Investment Committee.

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Compliance is an independent and dedicated function within Ausbil. Ausbil has appointed a Chief Compliance Officer who is responsible for the day-to-day compliance management of Ausbil. Ausbil's Chief Compliance Officer has a reporting line direct to NYLIM compliance.

The following diagram summarises the reporting lines of the internal and external compliance committee.



Key Compliance Staff

Kristy Do, General Counsel and Chief Compliance Officer

Kristy has over 20 years' experience in the legal profession and financial services industry, and has previously held positions at Nikko Asset Management, ANZ Wealth, Mirvac Group, and ASIC.

Tyson Cannizzaro, Chief Compliance Officer of SEC – Global Equities, Compliance Analyst

Tyson has responsibility for the compliance of Ausbil's risk and compliance policies, procedures, and internal stakeholder support.

Anna Copeland, Compliance Analyst

Anna has responsibility for the compliance of Ausbil's dealing activities, including managing, and monitoring the application of mandate and fund rules.

Research IP Opinion:

Research IP observes robust compliance and governance structures in place within the organisation.

The Internal Compliance Committee (ICC) oversees compliance within Ausbil. The ICC communicates with four committees: (1) direct reporting externally to New York Life Investment Management (NYLIM) Compliance, (2) reporting internally to the Executive Committee [ECC, which reports direct to the Board], (3) liaising with the External Compliance Committee [for Schemes where Ausbil is the Responsible Entity], and (4) monitoring of the Investment Committee. Responsibility for all compliance matters is with Jane Lamming, the Chief Compliance Officer. Lamming has independent reporting lines to the Board, CEO, ECC, ICC and NYLIM Compliance.

PricewaterhouseCoopers currently undertake the annual GS007 Internal Controls audit.

In terms of software and compliance systems, Research IP believes the Manager is transparent and well-placed to manage operational risk within the investment process. The Manager uses Bloomberg AIM to ensure the investment strategy is executed accurately and within set parameters. Bloomberg AIM is a commonly used global portfolio management system.

Investment decisions are discussed daily in the morning by portfolio managers and analysts. A monthly strategy meeting also takes place which includes the Chief Economist.

Central to the decision-making is the face-to-face research. When the Manager setup the Fund, there was a desire to have enough resource to travel without any unnecessary constraints. The Manager also benefits from offshore listed infrastructure companies visiting Sydney, where they are based.

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Describe how the Manager implements ESG, Corporate Sustainability policies and engagement.

Manager Statement:

ESG is integrated into the process and there is no third-party provider, but proprietary research.

We believe that a company's understanding of and adherence to relevant ESG issues is an important indicator of the quality, durability, and sustainability of that company. For Infrastructure companies, the overall ESG scores have a meaningful impact on both short term and long term cashflow generation.

Within the Global Infrastructure team, we employ the standard Ausbil ESG scoring framework of 1-5 for all the companies on our Approved List. This methodology was established together with the dedicated Ausbil ESG team. Whilst our ESG scores alone do not preclude an investment in a stock, we believe that the consideration and evaluation of ESG factors allows us to make better informed investment decisions. Our analysis also allows us to proactively identify risks and to gain a deeper understanding of the businesses we invest in.

Ausbil has been a signatory of UNPRI since 2016 and hold a rating of A (as at 2020).

Further information can be found in the [Ausbil ESG Policy](#).

Research IP Opinion:

The fundamental approach to ESG and sustainability that the Manager applies is integration of ESG factors and corporate engagement. Research IP believes these are two of the more effective and pragmatic ways to apply ESG considerations over the long term. The Manager also implements an exclusion policy. More information on the complexities of ESG is presented [here](#).

- (1) Integration. Research IP observes integration of ESG through each of the 4 stages of the Manager's investment process. Stage 1 and 2 ESG considerations are higher level, for example identifying broader thematics across sectors or countries such as energy use or regulatory settings. Stock analysis at stage 3 is where the rubber hits the road. ESG research is focused on the risks and opportunities faced at the company level and the industry it operates in on a forward-looking basis. The Manager has recently introduced an industry ESG score into the process, adding further refinement.
- (2) Corporate engagement and proxy voting. This is a key aspect at stage 3 of the investment process. Importantly, ongoing engagement and dialogue can influence what goes into or remains in the portfolio.
- (3) Exclusions. These are based around controversial activities. Research IP highlights the granularity of the thermal coal exclusion, noting the presence of [science-based targets](#), alongside revenue and capital expenditure metrics. These negative screen controversial-activity exclusions have been a feature of Ausbil's broader practice for some time but has relatively recently been introduced to the infrastructure fund portfolios. These exclusions eliminate approximately 10% of the 50/50 Benchmark Index

Research IP notes the Manager also reports on impact, specifically on carbon intensity and carbon emissions, relative to the core infrastructure universe.

Notable holdings regarding the climate change transition include NextEra Energy and Orsted (Orsted was recently exited from the portfolio due to a falling stock price and some evolving issues with the quality of the business).

Research IP notes that the Manager has recently launched an Article 8 Fund in Europe, extending its product range in the ESG space.

How does the ownership of the Manager and the compensation of the investment team align with the investors' interests?

Manager Statement:

Base salaries for all staff are determined commensurate with the tasks performed, seniority and market forces. Ausbil benchmarks these annually against various industry surveys and anecdotally through the recruitment process. There is an annual review process for all staff and specific job descriptions that outline roles and KPI's.

For the Global Listed Infrastructure team, bonus remuneration is predominantly linked to the performance of the GLI business within Ausbil.

The Global Listed Infrastructure team have an equity interest in the business. These interests vest over 5 years. The vesting on incentive payments and equity interests is designed to lock-in key staff. Senior staff also have non-compete clauses in their employment contracts.

Ausbil Investment Management ("Ausbil") is a strategic relation between senior members of Ausbil's Australian investment/management team and NYLIM, which is owned by New York Life. NYLIM is the majority holder of Ausbil, with a target ownership of approximately 70%, and the remainder is held by the Australian investment and management team.

In February 2014 New York Life Investment Management (NYLIM), a subsidiary of New York Life, purchased Dexia Asset Management from Dexia Group. Ausbil Dexia was rebranded as Ausbil Investment Management and Dexia Asset Management was rebranded as Candriam Investors Group ("Candriam"). In November 2014 NYLIM becomes a direct shareholder in Ausbil Investment Management, replacing Candriam.

Research IP Opinion:

Remuneration for the Manager's investment team is a combination of salary, cash bonus, and equity.

Remuneration is linked to performance of the team overall, though there is sub-component of this which is tied to an individual's performance as an analyst/portfolio manager. For example, the sub-component could be the relative performance of an analyst's recommendation. Performance is assessed annually. The primary measure is performance of client portfolios. Compliance performance and participation of the investment team are also assessed, with a focus on risk awareness.

Research IP views the vesting period of 5 years for the equity interest as evidence of strong alignment with investors. This is important, particularly for a long-term investment into a Fund such as this one.

Research IP notes, Ausbil's Board of Directors consists of nine executives. Five of these are from New York Life / New York Life Investment Management / Candriam Investors Group. Four of them are from Ausbil's senior executive leadership team (Paul Xiradis, Ross Youngman, John Grace, Mark Knight). Xiradis is the Executive Chairman and founded the Ausbil business in 1997. Ausbil expanded into global equity markets in 2018 with the launch of this Fund, as well as strategies in Global Small Caps and Global Resources.

Research IP views the financial backing of NYLIM as a positive and believes Ausbil has the autonomy needed to operate the Fund and service clients prudently.

Comment on assets under management, fund flow and capacity.

Manager Statement:

As of 31 December 2023, the Ausbil Global Essential Infrastructure strategy has a FUM of \$390.415m.

As of 31 December 2023, the CYTD Net FUM flow for the Ausbil Global Essential Infrastructure strategy is 35.742m. This was primarily due to the Seed capital from the parent company being removed this year.

The Fund Manager is responsible for 54 accounts, which is broken up between trusts, mandates and SMAs. Specific to the Ausbil Global Essential Infrastructure strategy, the portfolio manager(s) manage the one strategy. The team are responsible for both a hedged version and unhedged version.

The expected capacity is \$10b AUD.

Research IP Opinion:

Research IP believes the Fund does not have any capacity constraints at its current level of FUM. With capacity expected to be AU\$10b, the security limits would need to be monitored more closely at that point (company ownership: max 5% of the issued capital of a company; company exposure: max 10% of the Fund's assets).

The Fund is supported by a significant Distribution team. Research IP notes recent wins through new mandates in UK/Europe for this strategy.

The RIPPL Effect

For important Fund Facts, please view the **RIPPL Effect** report:



Investment Fund

[click here to access dynamic report](#)

RIPPL Effect

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[Glossary of Terms – please explain the jargon in this report](#)

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Research IP has grown its team and footprint by utilising the specialist skills of its analysts which include;

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- ❖ equity, bond and alternative asset specialists
- ❖ portfolio managers
- ❖ asset allocation analysts
- ❖ and ratings specialists.

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