Product Assessment

Report as at 27 Mar 2024

APPROVED

BlackRock Global Listed Infrastructure Fund (Class D Units)

Rating issued on 27 Mar 2024 | APIR: BLK8833AU

Investment objective

To achieve total returns (pre fees) in excess of the FTSE Developed Core Infrastructure 50/50 Net TR Index (unhedged in AUD), over rolling 3-year periods.

Manager	BlackRock Investment Management (Australia) Limited
Distributor	BlackRock Investment Management (Australia) Limited
Sector	International Shares \ Listed Infrastructure (Unhedged)
Investment Style	Value
RI Classification	Integrated
Absolute Risk	High
Relative Risk	Active - Benchmark Aware
Investment Timeframe	7+ Years
Benchmark	FTSE Global Core Infrastructure 50/50 $A (Unhedged) Composite
Min Investment Amount	$50,000
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (28 Feb 2023)	$55.70M
Management Cost	0.85% p.a. Incl. GST
Performance Fee	0%
Buy / Sell Spread	0.25% / 0.25%
Inception Date	11 Feb 2021

Fund facts

- Benchmark aware portfolio, holding between 40 to 90 Global Listed Infrastructure securities
- Consistently applied, bottom-up security selection process
- Unhedged currency exposure

Viewpoint

The Fund, managed by BlackRock Investment Management (Australia) Limited (BlackRock), offers investors an unhedged, benchmark aware exposure to a diversified range of global Listed Infrastructure securities. Zenith's conviction in the Fund is underpinned by its well-established, consistent and transparent investment process. Notwithstanding this, we highlight elevated levels of investment team turnover which constrains our view.

BlackRock's Global Real Asset Securities (GRAS) team operates across three regions; the Americas, EMEA and APAC, with team members based in New York, London, Singapore and Sydney. GRAS is responsible for both BlackRock's Global Listed Real Estate and Global Listed Infrastructure (GLI) product suite.

The GLI team is led by Nikhil Uppal, Head of Listed Infrastructure. Uppal is based in New York and has over 21 years investment experience, all accumulated at BlackRock across a broad range of roles. He co-manages the portfolio alongside New-York based Balfe Morrison, Portfolio Manager (PM), who has over 12 years of investment experience.

Morrison was promoted to Co-PM in October 2023 following the departure of Guy Mackenzie. While Zenith views Mackenzie's departure as a loss, noting the depth of his seniority and tenure with the team, we highlight Morrison's depth of experience and believe he has the requisite skill to co-manage the portfolio alongside Uppal.

The GLI team consists of a further six analysts of which two are solely focused on Infrastructure securities while the remaining four work in a hybrid capacity across Real Estate securities. Zenith highlights that alongside Mackenzie's departure, there has been an elevated level of turnover across the broader GRAS team with three analyst departures over the last twelve months. Zenith would view any further turnover at any level across the team negatively.

The core of the investment process aims to identify and exploit mispriced infrastructure securities that have a likely catalyst for upside realisation. Consistent with this, BlackRock employ an active investment process driven by bottom-up stock selection, aided by an understanding of macro and a capital markets environments.

BlackRock utilises its proprietary Relative Value Matrix (RVM) tool which allows the GLI team to examine all market-standard risk and valuation metrics at a stock, sector, country, region or global level. RVM is a discounted cash-flow model which builds up the cost of equity of each security using the 10 year risk free rate in conjunction with the 5 year forward rate.

BlackRock's security level cost of equity is adjusted for factors in six categories; structural risk, asset risk, financial risk, management risk, ESG risk and other risks. Zenith believes BlackRock's security selection process is an intuitive and transparent process that aims to capture as much risk as possible in the valuation of stocks. The portfolio is constructed in a benchmark relative approach, typically holding between 40 and 90 securities. Zenith believes the portfolio is a logical outworking of the detailed security selection process.

Zenith highlights that the portfolio has the ability to hold off-benchmark securities, albeit to a limit of 20% of the portfolio, however, we note, to date, this is a relatively small portion of the portfolio.

Finally, we highlight the low level of funds under management (FUM) in the Unit Class and as such believe there is an elevated level of longevity risk.

Fund analysis

Fund characteristics

Constraint	Value
Number of Holdings	40 to 90
Tracking Error	Max 6%
Country and Sector Limits	Limited to +/-6.0%, with +/-2.5% the expected typical range
Off Benchmark Positions	Max 20% of the portfolio
Cash	Max 10%

Investment objective and philosophy

To Fund aims to achieve total returns (pre fees) in excess of the FTSE Developed Core Infrastructure 50/50 Net TR Index (unhedged in AUD), over rolling 3-year periods. Although not a stated Fund objective, BlackRock aims to generate over 2.0% p.a. of excess return over the same time horizon.

BlackRock believes Listed Infrastructure securities are a liquid proxy for direct investments in physical assets over the medium to long-term. The core of the investment process aims to identify and exploit mispriced Infrastructure securities that have a likely catalyst for upside realisation. Consistent with this BlackRock employ an active investment process driven by bottom-up stock selection, aided by an understanding of macro and a capital markets environments.

Portfolio applications

Historically, Listed Infrastructure securities have provided long-term reliable earning streams, which are also relatively resilient to changing economic conditions and largely protected from inflation (based on income indexed to inflation). As such, the asset class typically displays less volatility than broader equities with a lower correlation to other asset classes over the medium to long term. Whilst Listed Infrastructure securities have historically been seen as more defensive with a lower sensitivity to the overall economic cycle, it should be noted that the asset class can experience higher correlations with global equity markets in periods of extreme stress.

Listed Infrastructure, like all equities, is a growth-based investment and investors should adopt a long-term investment horizon (at least seven years).

Zenith believes the inclusion of Listed Infrastructure in an investor's international equities exposure provides significant diversification benefits, with the potential to improve the risk/return profile of the overall portfolio. While the Fund is managed in a 'value' approach, from an equity style perspective, Listed Infrastructure's underlying asset characteristics provide a differentiated factor exposure, that can be blended with a range of global equity styles and strategies.

Higher and more stable distribution returns relative to broader global equities is a feature of Listed Infrastructure that some investors find appealing.

The Fund is managed in a benchmark aware approach resulting in a portfolio of between 40 and 90 securities. The Fund's portfolio turnover is expected to be between 50% p.a. to 100% p.a., which Zenith considers to be moderate to high relative to peers. Based on the Fund's expected level of portfolio turnover, Zenith anticipates the Fund will generally have a larger proportion of short-term capital gains (less tax effective) versus long-term capital gains, an attribute which should be considered by individuals on higher marginal tax rates.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes
Negative screens**	**Full/Partial**
Armaments	Full
Fossil fuels	Full
Tobacco	Full
Human rights abuse	Full
Other Measures	UNGC Violators (F)
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

***Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*

Absolute performance

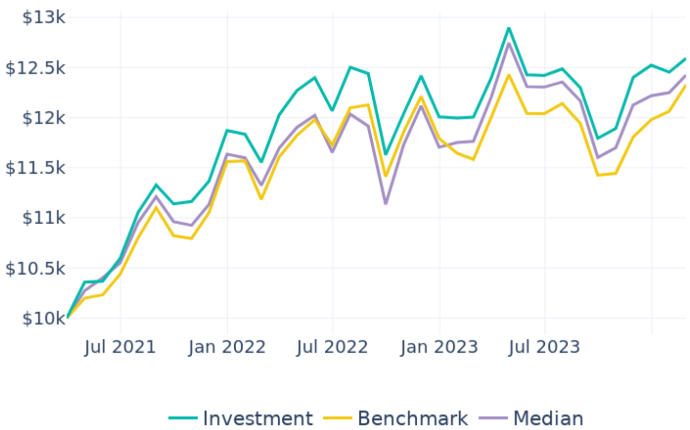
Performance as at 29 Feb 2024

Monthly performance history (%, net of fees)

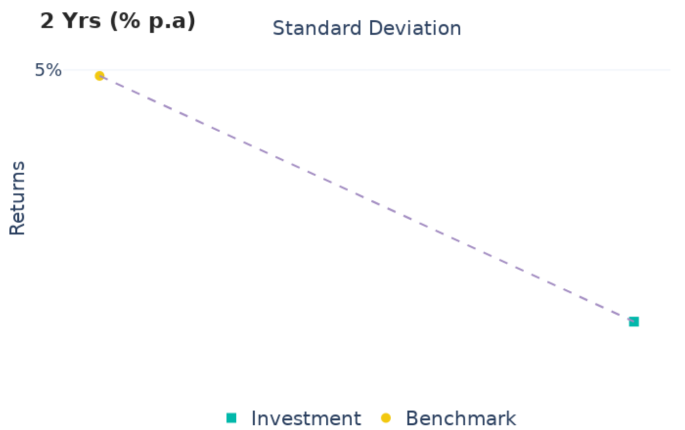
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2024	-0.55%	1.11%											0.55%	2.91%
2023	-0.09%	0.07%	3.28%	4.03%	-3.66%	-0.05%	0.52%	-1.51%	-4.10%	0.83%	4.27%	0.98%	4.29%	1.58%
2022	-0.32%	-2.37%	4.12%	1.98%	1.07%	-2.67%	3.60%	-0.50%	-6.53%	3.54%	3.14%	-3.30%	1.15%	1.99%
2021				3.59%	0.09%	2.19%	4.34%	2.46%	-1.65%	0.22%	1.81%	4.45%	18.71%	15.62%

**FTSE Global Core Infrastructure 50/50 $A (Unhedged) Composite*

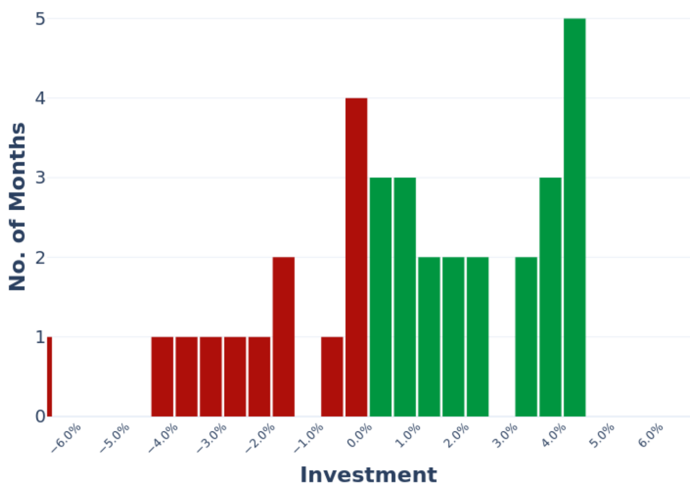
Growth of $10,000



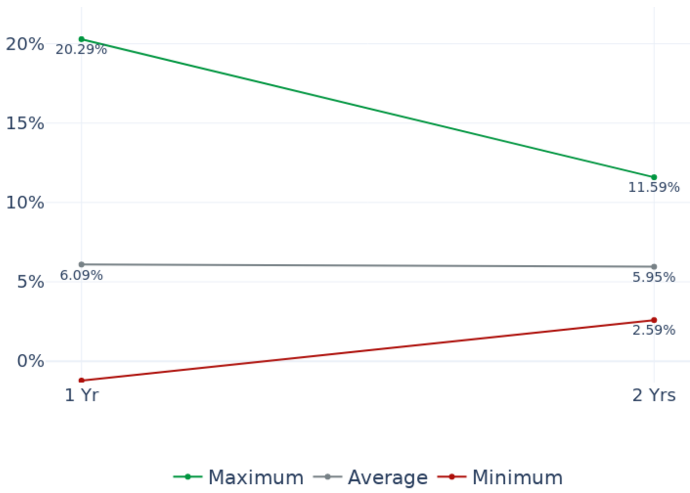
Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)



Absolute performance analysis

Instrument	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Investment	**1.54%**	**2.39%**	**4.89%**	**4.40%**	**8.22%**
Income	0.00%	0.25%	2.93%	2.15%	1.89%
Growth	1.54%	2.14%	1.96%	2.25%	6.33%
Benchmark	**4.41%**	**3.22%**	**6.43%**	**4.99%**	**7.44%**
Median	**2.46%**	**2.13%**	**5.63%**	**4.75%**	**7.73%**
Cash	**1.05%**	**2.09%**	**4.07%**	**2.91%**	**1.99%**

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	Inception
Fund Ranking	10 / 19	9 / 15
Quartile	2nd	3rd

Absolute risk

Instrument	1 Yr	2 Yrs	Inception
Standard Deviation (% p.a.)			
Investment	8.89%	9.89%	9.38%
Benchmark	8.44%	9.41%	9.08%
Median	9.11%	10.29%	9.56%
Downside Deviation (% p.a.)			
Investment	5.72%	6.84%	5.92%
Benchmark	5.57%	6.48%	5.90%
Median	5.95%	7.08%	6.17%

Absolute risk/return ratios

Instrument	1 Yr	2 Yrs	Inception
Sharpe Ratio (p.a.)			
Investment	0.09	0.15	0.66
Benchmark	0.28	0.22	0.60
Median	0.17	0.18	0.60
Sortino Ratio (p.a.)			
Investment	0.14	0.22	1.05
Benchmark	0.42	0.32	0.92
Median	0.26	0.26	0.93

For consistency purposes, Zenith benchmarks all unhedged funds in the International Shares - Listed Infrastructure sector against the FTSE Global Core Infrastructure 50/50 $A (Unhedged) Composite. All performance, consistency and Risk/Return data is referenced to the Zenith assigned benchmark. The FTSE Global Core Infrastructure 50/50 $A dates back to January 2010, for periods prior to this, Zenith has benchmarked all funds against the UBS Global Infrastructure & Utilities Index.

The following commentary is current as at 29 February 2024.

To Fund aims to achieve total returns (pre fees) in excess of the FTSE Developed Core Infrastructure 50/50 Net TR Index (unhedged in AUD), over rolling 3-year periods. Zenith notes that the Zenith sector benchmark (Global Core Infrastructure) differs from the performance benchmark of the manager (Developed Core Infrastructure), in that the former includes exposure to Emerging Market Infrastructure securities.

The Fund has demonstrated mixed performance relative to the Zenith assigned benchmark and the peer manager group median since its February 2021 inception date. Zenith notes that the Fund has exceeded its nominated performance benchmark over this period.

Volatility, as measured by standard deviation, has been broadly in line with the Zenith assigned benchmark and the peer group since inception.

Relative performance

Excess returns

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Excess Return	-2.87%	-0.83%	-1.54%	-0.59%	0.78%
Monthly Excess (All Mkts)	0.00%	50.00%	41.67%	50.00%	51.43%
Monthly Excess (Up Mkts)	0.00%	40.00%	37.50%	46.67%	43.48%
Monthly Excess (Down Mkts)	0.00%	100.00%	50.00%	55.56%	66.67%

Capture ratios (% p.a.)

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Downside Capture	0.00%	94.60%	102.33%	98.07%	90.43%
Upside Capture	35.23%	86.02%	91.92%	95.12%	98.61%

Tracking error (% p.a.)

Instrument	1 Yr	2 Yrs	Inception
Investment	2.31%	2.12%	2.26%
Median	1.75%	2.41%	2.27%

Information ratio

Instrument	1 Yr	2 Yrs	Inception
Investment	-0.67	-0.28	0.35
Median	-0.45	-0.10	0.13

Beta statistics

Statistic	1 Yr	2 Yrs	Inception
Beta	1.02	1.03	1.00
R-Squared	0.93	0.95	0.94
Correlation	0.97	0.98	0.97

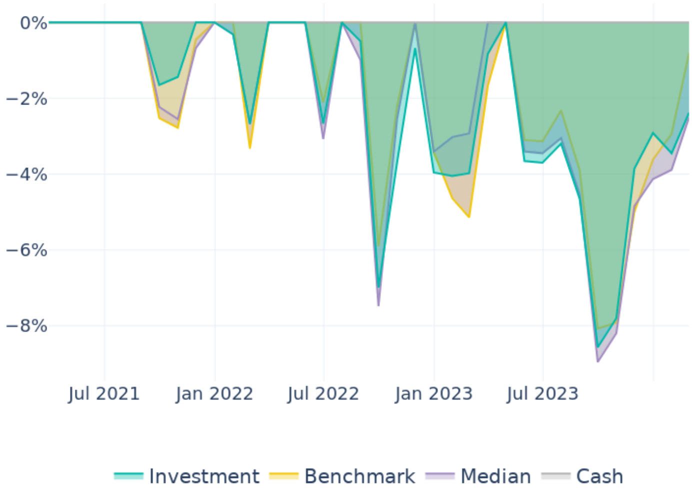
The following commentary is current as at 29 February 2024.

Zenith seeks to identify funds which can outperform the index in greater than 50% of all months as we believe this represents a persistence of manager skill.

The Fund has achieved this objective in all market conditions on a since inception basis, with a skew to outperformance in down markets.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



The following commentary is current as at 29 February 2024.

The Fund has displayed a drawdown profile which is commensurate with that of the Zenith assigned benchmark.

Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: As with most managers, BlackRock's Global Listed Infrastructure team is subject to a level of key person risk. Zenith believes key person risk exists with both Nikhil Uppal and Balfe Morrison as Co-Portfolio Managers. The departure of either Uppal or Morrison would warrant a reassessment of our rating.

Longevity risk: Funds that fail to grow funds under management (FUM) to a scalable level could be wound up and terminated by the Responsible Entity. The risks associated with a fund wind up are principally that of timing, performance slippage, and the realisation of capital gains which may not be suitable.

As at 29 February 2024, FUM in the Unit Class remains low at approximately $A **TBC**.

Currency risk: The risk that fluctuations in exchange rates between the Australian dollar and foreign currencies may cause the value of the Fund’s investments to decline significantly.

Emerging market risk: The Fund will maintain exposure to securities of emerging markets as defined by traditional market indices. Zenith believes that infrastructure companies from emerging markets have greater regulatory, political and sovereign risk when compared with developed market infrastructure peers. Also, these securities may display higher volatility and lower levels of liquidity.

Off-benchmark securities: The Fund has the ability to hold securities which are outside of those included in the benchmark. Historically, some of these securities have been outside of what would be defined as 'core infrastructure' holdings. While these securities only make up a small proportion of the holdings, there is the ability for these positions to heighten the risk of the overall portfolio.

Security/asset selection

BlackRock's broad global real assets universe currently includes over 1,000 securities (including off-benchmark securities), after applying its benchmark filter, the resulting investable universe reduces to approximately 350 in infrastructure securities across both developed and emerging markets. This includes off-benchmark securities such as data centres and other real asset securities considered adjacent to core infrastructure.

BlackRock's investable universe comprises of companies where a majority of underlying value is generated from a direct linkage to infrastructure (including social infrastructure). These companies must own or operate physical assets that (a) underpin the functioning and development of economies and societies and (b) exhibit characteristics of natural monopolies through high barriers to entry. This generally leads to regulated or contracted pricing structures, often with inflation-links.

While consistent with the Fund's benchmark, the 50% infrastructure-linked hurdle for investment, is lower than hurdles observed by many peers. Notwithstanding this, it provides the team flexibility to invest in securities with lower observable infrastructure characteristics based on the cashflow profile of the underlying businesses. Historically, this has included data centers and non-infrastructure transport exposures as well as other "infrastructure adjacent" securities.

The foundation of BlackRock's security selection process is its proprietary Relative Value Matrix (RVM) tool which allows the GLI team to examine all market-standard risk and valuation metrics at a stock, sector, country, region or global level. RVM is a discounting cash flow tool used to identify a company-specific cost of equity, incorporating over 100 data points and assists with deriving a relative indicative value at the stock level. These indicative values are then used to identify the relative mispricing of individual securities, which forms the basis of BlackRock's stock selection.

The GRAS team defines cost of equity as the minimum required return a company should generate given its individual risk profile. RVM is a discounted cash-flow model which builds up the cost of equity of each security initially using the 10 year risk free rate in conjunction with the 5 year forward rate. Following this, there are a number of factors which analysts score that further increase the discount rate which is applied to the cash flows of a specific security. The risks are bucketed and scored as below:

Structural adjustments

- Industry risk
- Entity risk
- Regulatory risk

Structural adjustments are risks related to specific infrastructure sub-sectors (e.g. airports), companies’ operational structure and regulatory environment. Analysts score a company's Asset risk, Financial risk and Management risk on a scale from one to ten. These scores comprise the factors listed below:

Asset risk

- Contracted vs non-contracted cash flows
- Micro fundamentals
- Physical characteristics
- Revenue risk

Financial risk premium

- Leverage (debt/EBITDA)
- Interest coverage ratio
- Maturity duration
- Fixed vs. floating rate debt
- Payout ratio
- Free float

Management risk premium

- Strategic acumen
- Track record
- Depth and composition

Asset risks are a weighted score based off the proportion of contracted and non-contracted cash flows at the company level. This produces a total score encompassing fundamentals and physical features of the underlying assets. For example, lower levels of contracted cash flows will result in a higher discount at the asset level.

While financial risks are based on a number of quantitative financial metrics, management scores are qualitative in nature and are based on analyst interactions and historical execution. Zenith notes that management scores inherently have a significant amount of analyst discretion which may fluctuate significantly in the event that coverage is passed between analysts.

Environmental, Social and Governance (ESG) risk premium

ESG risks within RVM are fed from the proprietary GRAS ESG risk model which generates two scores for each environmental, social and governance metrics. These scores feed into RVM and the analysts have the opportunity to override at their own discretion, noting that such adjustments must have supporting justification.

The final step in RVM is the use of 'Other Risk Premium' which is the allocation of risk premium warranted for idiosyncratic reasons. These adjustments capture one-off or binary situations that do not fit within other buckets. Analysts are required to provide very clear reasoning and justification for this adjustment. An example of a use of this function is in utility companies which are exposed to Californian wildfires.

Overall, Zenith believes BlackRock's security selection process is an intuitive and transparent process that aims to capture as much risk possible in the valuation of stocks. This is further evidenced by its proven track record across the BlackRock Active Equities investment management platform.

Responsible investment approach

BlackRock has an established Responsible Investment Policy which was last updated in March 2023 and has been a signatory to the UN Principles for Responsible Investing (PRI) since 2008.

In addition to applying a series of negative screens, the GRAS team takes an active approach to ESG issues. ESG is prioritised as part of the team's fundamental analysis process, with any material concerns precluding a company as a potential investment.

The GRAS includes ESG considerations in the initial screening, due diligence and portfolio construction phases of the investment process. This includes an assessment of each company’s positive ESG attributes or material risks and uses of a proprietary ESG scoring system to identify, analyse and document key ESG risks, sourced from third-party data. The output of the proprietary ESG scoring system is a direct input into all company cost of capital derivation models and therefore the valuation for every stock.

The ultimate oversight of ESG integration within the Fund lies with Alastair Gillespie as Global Chief Investment Officer, while Uppal sits on the Real Assets ESG Committee. The Committee works with the Global Head of Real Assets Sustainable Investing, Katherine Sherwin and her team to ensure effective ESG assessment and management.

BlackRock also takes an active approach to proxy ownership. This is done through both formal processes such as proxy voting as well as company engagement within the research process. Zenith believes BlackRock adequately incorporates ESG into the process.

Zenith has assigned the Fund a Responsible Investment Classification of Integrated.

Portfolio construction

Co-Lead Portfolio Managers, Uppal and Morrison, retain responsibility for the portfolio construction which is closely tied to the output of the stock selection process.

The primary signal for portfolio construction is from RVM given the valuation upside is a risk-adjusted valuation. The higher the upside to Indicative Value (IV), the more conviction Uppal and Morrison will have around positioning.

While the portfolio is benchmark aware, active position sizing is based on conviction in single names and consideration for resulting regional and sub-sector risk exposures. Typically, positions are sized +50bps active weight for lower conviction names, >100bps active weight for mid conviction names and >175bps for high conviction names. That said, portfolio managers are not expected to go higher than +300bps active weight. Both Uppal and Morrison have the ability to execute trades, up to 50bp per name and 200bp in aggregate, without Investment Committee (IC) approval where deemed time sensitive (on a per week basis).

BlackRock has indicated that 90% of returns will be derived from the bottom-up security selection with the remaining 10% from a top-down macro/qualitative overlay.

When selecting stocks for the portfolio, BlackRock seek to identify near term catalysts. The higher the probability of a short-term catalyst with a clear path to its realisation, the higher the weighting in the portfolio. At times, the portfolio will also hold smaller positions where the team is building conviction or where liquidity dictates. The resulting portfolio will consist of 40-90 securities at any given time with turnover expected to be between 50% and 100% p.a.

Benchmark relative deviations for geographical, sector and stocks allocation are limited to +/-6.0%, with +/-2.5% the expected typical range. The portfolio intentionally maintains modest regional tilts, given the preference to deploy risk in bottom-up stock selection. Noting its benchmark aware positioning, the portfolio targets a tracking error of 180-450bp, noting this is capped at 600bp.

Despite the portfolio's benchmark aware nature, it has the ability to hold off-benchmark securities, noting that these are expected to be limited to 20% of the holdings. While Zenith considers that the identification of these securities is consistent with BlackRock's skill set, we hold reservations around the inclusion of some non-infrastructure securities, noting the potential for performance to deviate considerably from the broader Listed Infrastructure sector. Albeit, the 20% limit partially reduces Zenith's concerns. We will continue to monitor the team's allocation to off-benchmark securities over time.

Overall, Zenith believes BlackRock's portfolio construction process is an outworking of a transparent and consistent security selection process and results in a portfolio of the team's highest conviction ideas. That said, our view is tempered by the portfolio's ability to hold off-benchmark securities outside of the realm of traditional infrastructure. Notwithstanding this, we believe our conviction in this aspect will improve over time as we gain confidence in this positioning.

Risk management

The Fund is subject to a number of risk constraints, which are noted in the Fund analysis section above. Zenith considers the constraints to be appropriate and consistent with the benchmark aware approach of the Fund.

Risk management considerations are incorporated into both BlackRock's security selection and portfolio management processes.

BlackRock's independent Risk and Quantitative Analysis Group (RQA) monitors the Fund on a daily basis to ensure that it is managed in accordance with stated guidelines. In addition, RQA assists the investment team by providing regular stress testing, Value-at-Risk analysis and live metrics as requested by the team. Zenith is comfortable that BlackRock's risk management framework is strictly adhered to at all stages of the investment process.

Overall, Zenith is supportive of the BlackRock's approach to risk management, noting the process is underpinned by best-in-class tools and systems.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	0.93% p.a.	0.91% p.a.
Management Fees and Costs	0.85% p.a.	0.86% p.a.
Transaction Costs	0.08% p.a.	0.04% p.a.
Performance fees as at 30 Jun 2023	0.00%	0.01%
Performance fees description	0%	
Management Cost	0.85% p.a.	0.89% p.a.
Buy / Sell spread	0.25% / 0.25%	0.16% / 0.12%

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The sector average management cost (in the table above) is based on the average management cost of all flagship 'Listed Infrastructure (Unhedged)' funds surveyed by Zenith. The list of funds includes actively managed, index replication, global and emerging market funds.

Overall, Zenith believes the Fund's fee structure to be attractive, relative to peers, given its stated objectives. However, there is insufficient performance data at this stage to conduct meaningful analysis on whether the fees paid provide overall value relative to peers.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).

About the fund manager

Organisation

BlackRock was established in 1988 as the investment management group within the private equity firm Blackstone Group. Following a number of ownership changes, BlackRock merged with Merrill Lynch Investment Management (MLIM) while retaining the BlackRock name. In 2009, BlackRock acquired Barclays Global Investments (BGI) and merged the two businesses. In January 2024, BlackRock also announced that it had entered into an agreement to acquire Global Infrastructure Partners (GIP), the world’s largest independent Infrastructure manager. It is anticipated that the transaction be will completed in the second half of 2024.

BlackRock employs approximately 19,800 staff located in 38 countries, with approximately $US 10 trillion in funds under management, as at 31 December 2023.

As at 29 February 2024, BlackRock managed approximately $A 700 million of FUM in the strategy globally, of which $A **TBC** million is in the Australian Fund.

Zenith remains concerned by the low level of FUM ($A 85k) in the Unit Class, as such, longevity risk is a primary consideration, until the Fund attracts additional investors and capital and reaches a level of critical scale. Whilst Zenith notes that BlackRock has a track record in supporting new strategies through the build out phase, we highlight the lack of growth in the Unit Class since its launch in February 2021.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
James Wilkinson	Global Head	27	11	London, UK
Alastair Gillespie	Global CIO	25	10	Sydney, Australia
Nikhil Uppal	Head of Listed Infrastructure	20	20	New York, USA
Balfe Morrison	Portfolio Manager	12	6	New York, USA

The Global Real Asset Securities (GRAS) team operates across three regions; the Americas, EMEA and APAC, with team members based in New York, London, Singapore and Sydney. Led by Mark Howard Johnson, Chairman, James Wilkinson, Global Head, and Alastair Gillespie, Global Chief Investment Officer, GRAS is responsible for both BlackRock's Global Listed Real Estate (GLRE) and Global Listed Infrastructure (GLI) product suite.

GRAS operates with a single investment committee (IC) which retains oversight across both BlackRock's GLRE and GLI strategies. Johnson, Wilkinson and Gillespie, alongside Nikhil Uppal, Head of Listed Infrastructure and Rajan Rehan, Head of

Real Estate Securities Americas, make up the five member IC. Zenith believes the IC is made up of high calibre individuals with significant depth of knowledge, that said, we believe its members have a skill set weighted towards real estate. Given the high levels of regulatory risk in Listed Infrastructure and its ability to contribute to asset specific risk, Zenith believes the IC would benefit from an additional infrastructure focused participant.

The GLI team is led by Uppal, who is based in New York. Uppal has over 20 years of investment experience, all accumulated at BlackRock over a number of roles. Prior to joining the GRAS team in 2017, Uppal was with the Equity Dividend team at BlackRock where he covered Infrastructure, Energy Infrastructure and Financials.

Zenith believes that Uppal has a strong US lens and is a capable investor with the required experience and skill set to manage the strategy. In addition, Zenith holds a positive view of Uppal's involvement in the strategy's development, which ensures the consistent application of the investment process.

Uppal co-manages the Fund alongside Balfe Morrison, Director and Portfolio Manager (PM). Morrison was promoted to Co-PM in October 2023 following the departure of Guy Mackenzie. While Zenith views Mackenzie's departure as a loss, noting the depth of his seniority and tenure with the team, we highlight Morrison's depth of experience and believe he has the requisite skill to co-manage the portfolio alongside Uppal.

Morrison has 12 years of investment industry experience and joined the GLI team in 2019 with a focus primarily on the Utilities and Midstream Energy sectors. Prior to joining the GLI team Morrison was with BlackRock's private markets Infrastructure team with a focus on Power, Utilities and Midstream sectors and previously an investment banking analyst with Lazard, also focused on Energy infrastructure.

The GLI team consists of a further six analysts of which two are solely focused on Infrastructure securities while the remaining four work in a hybrid capacity across Real Estate securities. Zenith highlights that alongside Mackenzie's departure, there has been an elevated level of turnover across the broader GRAS team with three analyst departures over the last twelve months. Zenith would view any further turnover at any level across the team negatively.

Each analyst within the GRAS team has primary coverage of approximately 30 securities, then secondary coverage over a similar number.

The investment team's remuneration structure consists of a competitive base salary and a discretionary bonus. The variable component of remuneration is determined by individual performance. Zenith believes the remuneration structure appropriately aligns the interests of the investment team and investors.

About the sector

Sector characteristics

The Zenith 'Listed Infrastructure (Unhedged)' sector consists of global equity managers who specialise in investing across the following sub-asset classes: regulated utilities (electric, water, gas and integrated), transport concessions (airports, toll roads, railroads), energy Infrastructure (regulated and unregulated pipelines and storage), and communication Infrastructure (cellular towers, satellites and other network assets). The level of regulation, pricing power and competition differs significantly by sub-asset class.

The fundamental drivers of revenue within this asset class tend to be legislative change, macroeconomic factors and demographic trends. The universe of Infrastructure managers reviewed by Zenith typically targets Listed Infrastructure companies that own a large proportion of assets with Infrastructure characteristics.

Typical features of Infrastructure assets which can be supportive of a monopolistic environment include:

- High barriers to entry – assets normally require a significant initial capital investment, making it difficult for new entrants to compete with the incumbent provider.
- Regulation - regulated entities are often required to sell a particular service at an approved price that is sufficient to cover operating costs and provide a certain return on capital. Regulatory constraints may also prevent competing assets being constructed nearby.
- Inelastic Demand - due to the essential service and product provided to support a functioning society or economy (e.g. water, gas or electricity) a price increase will generally not result in a material decline in demand.
- Financial Leverage - operations typically require a significant level of debt, although the underlying asset's relatively stable and re-occurring income streams provide a greater level of certainty to financiers, generally resulting in access to capital.
- Long-life assets – while the assets generally require high initial capital investment, this is paid back through consistent cash flows over an extended life of the asset. It is also important to note that from an investor's perspective, the asset lifespan can be finite, in that many assets are government concessions that may not be renewed or extended.

Given the nature of the assets held within the Infrastructure sector, it is expected to display high earnings stability with a consistent earnings growth profile. As such, relative to broader global equities, Listed Infrastructure can display greater defensive attributes through the cycle. These attributes can include lower volatility and a higher, more consistent income distribution stream.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

Sector risks

The broad risks of investing in Listed Infrastructure (Unhedged) funds are comparable to broader International Equities, for example:

Market risk: Infrastructure companies tend to have a lower beta relative to broader equity markets due to their more predictable earnings; however, significant market downturns can directly impact the returns of the Fund.

Specific security risk: This is the risk associated with individual securities. The price of shares in a company may be materially impacted by idiosyncratic factors such as changes in management or an adverse regulatory review.

Liquidity risk: This is the risk that a security or asset cannot be traded quickly enough due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

Currency risk: The risk that fluctuations in exchange rates between the Australian dollar and foreign currencies may cause the value of the Fund's investments to decline significantly.

Sovereign/political risk: Zenith believes that Infrastructure companies have greater regulatory, political and sovereign risk when compared with broader equities. The outcomes of regulatory decisions, political elections or changes to concessions can often be difficult to forecast with certainty and can materially impact Infrastructure companies.

Gearing/interest rate risk: Owing to the capital-intensive nature of the industry, Infrastructure assets often carry high levels of debt on the balance sheet. Rising interest rate conditions could materially impact operating cash flow, and valuations and make it more challenging to refinance debt.

Demand risk: Demand, usage or patronage for the service provided by an Infrastructure asset may vary unexpectedly over time.

Administration and operations

Responsible Entity	BlackRock Investment Management (Australia) Limited

Zenith rating

Report certification

Date of issue: 27 Mar 2024

Role	Analyst	Title
Analyst	Bonnie Corbett	Senior Investment Analyst
Sector Lead	Bonnie Corbett	Senior Investment Analyst
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
27 Mar 2024	Approved
17 Oct 2023	Approved
02 Oct 2023	Under Review
31 Mar 2023	Approved
06 Apr 2022	Approved
09 Nov 2021	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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