First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | August 2020

Market review

Global Listed Infrastructure delivered stable returns as global equities continued their tech-led rally. The FTSE Global Core Infrastructure 50/50 index increased +0.3% in August, while the MSCI World index^ surged +6.7% higher.

The best performing infrastructure sector was Airports (+9%), as investors looked past international travel restrictions and further airline capacity cuts to focus instead on the prospect of a medium term recovery. Railroads (+8%) were buoyed by healthy volume recovery and supportive economic indicators (freight); and the emergence of relative value (passenger). The worst performing infrastructure sector was Towers / Data Centres (-4%), which paused for breath after delivering strong positive returns since the start of 2020. Water, Multi- and Electric Utilities (-3% to -1%) also lagged in the risk-on environment.

The best performing infrastructure region was Japan (+8%) where airports and railroads led the gains. The resignation of Japanese Prime Minister Shinzo Abe at the end of the month for health reasons is not expected to have material implications for Japan's infrastructure stocks. The worst performing infrastructure region was the UK (-2%), reflecting its high utilities weighting.

Fund performance

Portfolio returns were flat[1] in August, 31 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the portfolio was passenger rail operator West Japan Railway (+23%). Despite muted domestic economic activity levels and little evidence yet of a Japanese passenger recovery, the company gained as investors identified value on a medium term view. Capex cuts, cost savings efforts, ongoing access to debt markets and the absence of equity raising intentions also buoyed the company's share price. Similar factors enabled East Japan Railway (+14%) to make up ground after recent underperformance.

Cumulative performance in USD (%)[2]

	3 mths	YTD	1 yr	3 yrs	5 yrs	Since inception
Class I (USD - H Dist)	1.4	- 8.6	- 4.8	3.9	33.9	77.4
Benchmark*	1.1	- 10.5	- 5.5	7.5	39.9	78.7

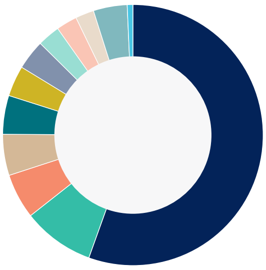
Calendar year performance in USD (%)[2]

	2019	2018	2017	2016	2015
Class I (USD - H Dist)	24.3	- 8.3	17.2	11.7	-5.7
Benchmark*	25.1	- 4.0	18.4	11.3	-6.0

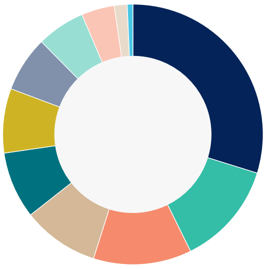
Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* The benchmark displayed is UBS Global Infrastructure & Utilities 50-50 Index until 31 March 2015 and FTSE Global Core Infrastructure 50/50 Index from 1 April 2015 onwards. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date.
1 Source: First Sentier Investors & Bloomberg, the First Sentier Global Listed Infrastructure's cumulative return over one month, data as of 31 August 2020.
^ MSCI World Net Total Return Index, USD
All stock and sector performance data expressed in local currency terms. Source: Bloomberg.
This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc.

- The Fund invests primarily in global listed infrastructure and infrastructure-related equity or equity related securities worldwide. Investments in infrastructure projects may involve risks including projects not being completed on time and within budget, changes in environment laws and regulations.
- The Fund's investments may be concentrated in a single and limited/specialist sector or in fast growing economies which may have higher volatility or greater loss of capital than more diversified portfolios.
- Small/ mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- For certain share classes, the Fund may at its discretion pay dividend out of capital or pay fees and expenses out of capital to increase distributable income and effectively a distribution out of capital. This amounts to a return or withdrawal of your original investment or from any capital gains attributable to that, and may result in an immediate decrease of NAV per share.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Asset allocation (%)[2]



Country
- USA 55.5
- Australia 8.9
- France 5.6
- UK 5.1
- Japan 4.8
- China 3.8
- Canada 3.7
- Mexico 2.8
- Italy 2.6
- Hong Kong 2.3
- Other 4.2
- Liquidity 0.7



Sector
- Electric Utilities 29.9
- Multi-Utilities 12.9
- Highways/Railtracks 12.2
- Specialised REITs 9.5
- Railroads 8.3
- Gas Utilities 8.0
- Oil/Gas Storage & Trans. 6.9
- Airport Services 6.0
- Construction & Engineering 4.1
- Water Utilities 1.6
- Liquidity 0.7

Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	7.4
Nextera Energy Inc	(Electric Utilities)	6.6
Dominion Energy Inc COM	(Multi-Utilities)	4.8
Eversource Energy	(Electric Utilities)	3.8
SBA Communications Corp Class A	(Specialised REITs)	3.7
American Tower Corporation	(Specialised REITs)	3.5
CenterPoint Energy, Inc.	(Multi-Utilities)	2.8
American Electric Power Company, Inc.	(Electric Utilities)	2.7
Emera Inc	(Electric Utilities)	2.6
Xcel Energy Inc.	(Electric Utilities)	2.6

The portfolio's airport holdings outperformed, led by Flughafen Zurich (+18%) which reported better than expected first half results, aided by effective cost cutting measures and resilient rental income from its property portfolio. A supportive regulatory framework, the relatively strong Swiss economy, and the company's prudently managed balance sheet are expected to provide medium term support to its share price. Spanish peer AENA (+13%) also gained. Although the timing and extent of the passenger recovery remains uncertain, its asset quality and balance sheet strength - and the enduring appeal of Spain as a tourist destination - position it well for a medium term recovery. Mexico's ASUR (+12%) rallied as passenger volumes began a slow but steady recovery from the lows reached in April and May. Key assets for the company include the airport at the US tourist destination of Cancun.

Haulage volumes for US freight operators Union Pacific (+12%) and Norfolk Southern (+11%) continued to rebound into the third quarter, consistent with recovering US retail sales and August's better than expected reading of the ISM Manufacturing Index. This, combined with substantial headcount reductions since the start of the year, is expected to support healthy margin improvement at both companies.

Pipeline operator Williams (+9%), whose Transco pipeline delivers natural gas through a 10,000-mile interstate transmission system extending from South Texas to New York City, announced robust June quarter results. Adjusted earnings were slightly higher than for the same period a year earlier, emphasizing the stability of the company's contracted business model. The company also maintained its full year guidance, a positive outcome given the backdrop of a coronavirus-induced recession. Cheniere (+5%), which in 2019 exported the equivalent of 4% of US natural gas production to customers in Asia and Europe, also announced better than expected June quarter earnings and reaffirmed guidance for 2020.

The worst performing stock in the portfolio was Midwest US regulated utility Evergy (-17%). The market was disappointed by news it was no longer seeking to merge with another utility firm, and had agreed instead with activist investor Elliott Management to accelerate the expansion of its rate base as a stand-alone entity. Oregon-based Portland General Electric (-14%) cut 2020 guidance, owing to energy trading losses related to activity that was outside company risk guidelines. Two employees have been placed on administrative leave and the company has set up a board committee to investigate. Other regulated utilities including NiSource (-9%), American Electric Power (-9%) and Eversource Energy (-5%) also underperformed despite robust fundamentals, as market sentiment favoured higher beta assets.

Portfolio holdings with Chinese exposure lagged against a backdrop of escalating Sino-US tensions. Gas utility ENN Energy (-8%) achieved earnings growth of 14% compared to the same period a year earlier, but reduced 2020 volume growth guidance for its retail gas business to 10% (from 12-15% previously). Peer China Gas Holdings (-7%) also underperformed, despite reiterating volume growth guidance of 15% for its retail gas business. Both companies are now trading at undemanding valuations, and remain well-placed to benefit from the Chinese government's mandate to promote the replacement of coal with cleaner natural gas. Toll road operator Jiangsu Expressway (-7%), whose assets include concession rights to the main route between Nanjing (pop. 8 million) and Shanghai (pop. 24 million), lagged despite Chinese domestic travel volumes reaching close to pre-pandemic levels.

Fund activity

No new stocks were added to the portfolio during the month, and positions in existing holdings were generally maintained at existing levels.

Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist).

2 Source: Lipper & First Sentier Investors, Nav-Nav (USD total return) as at 31 August 2020. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. Fund inception date: 27 June 2008.

Market outlook and fund positioning

The Fund invests in a range of global listed infrastructure assets including toll roads, airports, railroads, utilities, pipelines, and wireless towers. These sectors share common characteristics, like barriers to entry and pricing power, which can provide investors with inflation-protected income and strong capital growth over the medium-term.

The macroeconomic outlook remains hard to predict and will depend largely on coronavirus developments / progress. While the ongoing rally in global equity markets appears to imply an imminent V-shaped recovery, we remain alert to the risk of second waves, prolonged recessions and slow recoveries.

Against a more challenging backdrop, cyclical growth would become less valuable than the long term structural earnings growth drivers offered by many infrastructure assets. Examples include the build-out of renewable energy; increasing data mobility / connectivity needs being met by mobile towers and data centres; the electrification of transportation; the reduction of urban congestion; and the ongoing replacement of aged infrastructure assets.

Further, infrastructure could be the target of near term economic stimulus measures. Investment in infrastructure remains highly popular across society, and on both sides of the political divide. Private sector infrastructure investment could provide a useful way for politicians to boost anaemic economic growth rates and reduce high unemployment levels.

Source : Company data, First Sentier Investors, as of end of August 2020