First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | April 2021

Market review

Global Listed Infrastructure rose in April, supported by generally resilient quarterly earnings numbers and rapid progress in the US vaccination rollout. The FTSE Global Core Infrastructure 50/50 index returned +3.4%. The MSCI World index^ ended the month up +4.7%.

The best performing infrastructure sector was Towers / Data Centres (+7%), which gained on easing bond yields, positive earnings results and the anticipation of higher growth rates as telecom operators ready themselves to deploy 5G equipment onto tower sites at scale.

The worst performing infrastructure sector was Airports (-1%), owing to ongoing uncertainty about the timeframe for a return to normal travel and economic activity levels. Recent progress on this front includes the opening of a "travel bubble" between Australia and New Zealand; and hopes that the EU may introduce a digital Vaccine Passport in time for the European summer holidays.

Railroads (flat) also underperformed, with passenger rail stocks affected by similar concerns. Sentiment was more bullish in the freight rail space; Canadian National (-9%, not owned) made a US$34 billion counter-bid for Kansas City Southern (+11%, not owned), a 21% premium to the current bid from rival Canadian Pacific (-4%, not owned).

The best performing infrastructure region was the UK (+5%), owing to robust performance from its utility stocks against a backdrop of easing lockdown restrictions. The worst performing infrastructure region was Japan (-7%). The country's electric utilities fell on concerns for lower electricity sales as new entrants gain market share.

Fund performance

The Fund returned +4.2% after fees[1] in April, 81 basis points ahead of the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

Cumulative performance in USD (%)[2]

	3 mths	YTD	1 yr	3 yrs	5 yrs	Since inception
Class I (USD - H Dist)	9.6	8.5	19.8	24.1	41.2	103.1
Benchmark*	9.7	7.7	21.6	27.5	48.4	106.2

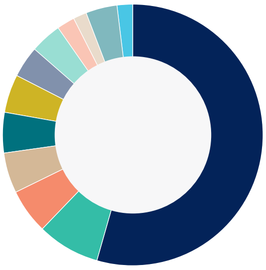
Calendar year performance in USD (%)[2]

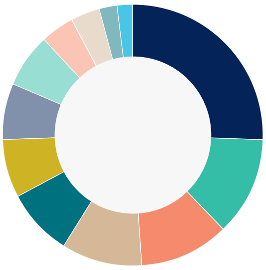
	2020	2019	2018	2017	2016
Class I (USD - H Dist)	-3.5	24.3	-8.3	17.2	11.7
Benchmark*	-4.1	25.1	-4.0	18.4	11.3

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 30 April 2021.
^ 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]





Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	5.9
American Tower Corporation	(Specialised REITs)	5.8
Dominion Energy Inc COM	(Multi-Utilities)	5.0
SBA Communications Corp Class A	(Specialised REITs)	4.1
Nextera Energy Inc	(Electric Utilities)	4.0
Aena SA	(Airport Services)	4.0
Pembina Pipeline Corporation	(Oil/Gas Storage & Trans.)	2.7
Xcel Energy Inc.	(Electric Utilities)	2.7
Eversource Energy	(Electric Utilities)	2.7
Norfolk Southern Corporation	(Railroads)	2.6

The best performing stock in the portfolio was US regulated utility FirstEnergy (+9%), whose assets include 24,000 miles of transmission network in the Midwest and Mid-Atlantic regions; and electric distribution companies serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York. Investors welcomed news that investigations into an earlier bribery scandal in its Ohio business were progressing smoothly. The company's management team also indicated that they may consider selling minority stakes in some of its assets.

Other US utilities with self-help or corporate restructuring themes also performed strongly. NiSource (+9%) announced a US$750 million equity offering, to be spent on the build-out of renewables. The transaction will eliminate the need for further equity raisings between now and 2024, removing a key stock overhang. CenterPoint Energy (+8%) sold its Arkansas and Oklahoma gas utilities to Summit Utilities (owned by JP Morgan Infrastructure) for a greater-than-expected price of US$1.7 billion.

Pipelines' earnings results revealed the silver lining to February's Texas storms. Although some assets suffered from power outages, this was more than offset by the ability to redirect natural gas, NGLs and refined product volumes, and sell them for unusually high prices. This factor contributed to better-than-expected March quarter earnings for Magellan Midstream Partners (+8%). Enterprise Products Partners (+8%) gained on the view that its well-diversified and highly integrated asset footprint was also likely to have benefitted.

Tower operators SBA Communications (+8%) and American Tower (+7%) reported strong leasing activity and tower services workflows – both of which are positive leading indicators for revenue growth. This comes after a period of relative subdued activity, as carriers (the towers' customers) begin to deploy their newly acquired spectrum to serve 5G.

The worst performing stock in the portfolio was China Gas (-12%), which carried out a US$1.5 billion capital raising. The proceeds will be used to acquire city gas projects, and to expand and develop its liquefied petroleum gas and distribution heating businesses. A lack of specific details about how the funds would be deployed saw investors take a cautious approach. However, strong policy support for the transition away from coal towards cleaner energy sources means that the company should continue to benefit from structural growth in China's demand for natural gas. Tokyo Gas (-10%), which serves industrial, commercial, residential customers in the Greater Tokyo Area, lagged after announcing lower-than-expected earnings guidance for the year ahead. Increasingly rigorous competition to its city gas distribution business is expected to affect sales volumes.

The portfolio's toll roads delivered mixed returns. Developed Market roads performed well. France's Vinci (+7%) announced strong March quarter earnings and agreed to acquire the Industrial Services division of Spain's ACS (-4%, not part of our Focus List), giving it a foothold in the global renewable energy sector. Eiffage (+7%) was buoyed by its peer's strong operating performance. Australia's Transurban (+6%) gained as traffic volumes on its Australian and North American road networks during the first quarter tracked broadly in line with expectations. However CCR (-6%), Brazil's largest toll road operator, which also runs airport and subway concessions, lagged as concerns about the worsening coronavirus situation overshadowed its longer term potential to participate in Brazil's large scale and much needed infrastructure investment opportunities.

Fund activity

The Fund divested its holding in East Japan Railway after a more positive outlook for passenger numbers since the start of the year drove significant share price gains and reduced the stock's mispricing.

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.

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 30 April 2021. 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.

The outlook for the asset class is positive. Government attempts to bolster economic fundamentals through infrastructure and green energy stimulus plans – including Biden's infrastructure plan – are likely to benefit many global listed infrastructure firms. In particular, the ongoing repair and replacement of old energy transmission and distribution grids, along with the accelerating build-out of renewables, should represent a steady source of utility earnings growth over many years. The resilience, predictability and growth potential of these earnings – showcased over the past year – do not appear to be fully reflected in current valuation multiples.

There is also scope for a material recovery in traffic / passenger volumes across coronavirus-impacted infrastructure sectors such as toll roads, airports and passenger rail, as vaccine programs ramp up globally. Reflecting this, toll roads represent the portfolio's largest sector overweight. We believe these companies represent exceptional value at current levels. Traffic volumes have proved more resilient than those of other transport infrastructure assets; and toll roads are likely to be the first to see a return to normal demand levels.

Rising interest rate risk now appears to have been priced into Towers' valuations. Ever-increasing demand for mobile data / connectivity needs continues to underpin steady earnings growth for these companies, insulating them from the ebbs and flows of the broader global economy.

More broadly, we also note that financial market pessimism towards global listed infrastructure and optimism towards higher risk assets over the past 12 months has driven an increase in intrinsic value across the asset class. This bodes well for future global listed infrastructure performance.

Source : Company data, First Sentier Investors, as of end of April 2021.