First Sentier
Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | May 2021

Market review

Global Listed Infrastructure delivered stable returns in May, consolidating healthy year-to-date gains. The FTSE Global Core Infrastructure 50/50 index gained +0.5%, while the MSCI World index^ ended the month +1.4% higher.

The best performing infrastructure sector was Pipelines (+3%), reflecting exceptionally strong March quarter earnings numbers, a disciplined approach to capex spending, undemanding valuation multiples and a higher oil price. The worst performing infrastructure sectors were Electric Utilities (-2%), Multi-utilities (-1%) and Water Utilities (flat) as investors sought higher beta market segments.

The best performing infrastructure region was Latin America (+5%), which was led higher by its transport infrastructure stocks. Asia ex-Japan (+4%) also rose as investor enthusiasm for Chinese gas utilities' structural growth and government support resulted in strong share price gains. The worst performing infrastructure region was Australia / NZ (-3%). New lockdown measures in the Australian state of Victoria, implemented following a fresh coronavirus outbreak, weighed on the region's airports and toll roads.

Fund performance

The Fund returned +0.7% after fees[1] in May, 18 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)	9.8	9.3	16.9	25.5	42.3	104.6
Benchmark*	11.3	8.2	17.3	29.2	50.3	107.3

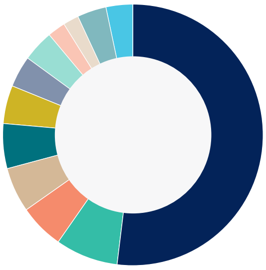
Calendar year performance in USD (%)[2]

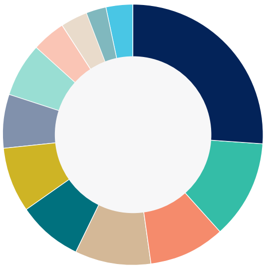
	2020	2019	2018	2017	2016
Class I (USD - H Dist)	-3.5	24.3	-8.3	17.2	11.7
Benchmark*	-4.1	25.1	-4.0	18.4	11.3

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 31 May 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)	5.8
American Tower Corporation	(Specialised REITs)	5.7
Dominion Energy Inc COM	(Multi-Utilities)	4.6
SBA Communications Corp Class A	(Specialised REITs)	4.1
Aena SA	(Airport Services)	3.9
Nextera Energy Inc	(Electric Utilities)	3.8
Pembina Pipeline Corporation	(Oil/Gas Storage & Trans.)	2.9
Xcel Energy Inc.	(Electric Utilities)	2.7
Norfolk Southern Corporation	(Railroads)	2.5
Emera Inc	(Electric Utilities)	2.5

The best performing stock in the portfolio was CCR (+14%), Brazil's largest toll road operator, which rallied on increasing recognition of the substantial growth opportunities presented via the privatisation (and subsequent expansion) of Brazilian road, airport and rail assets. Brazil's infrastructure minister noted this month that as a result of these initiatives, US$50 billion worth of investment is likely to have been contracted for the much-needed modernisation of Brazil's infrastructure by the end of 2022.

Mexican airport operator ASUR (+6%) gained as the release of their April traffic showed the company continued to see a strong passenger recovery. The company is expected to benefit from increasing tourist volumes as the US vaccination rollout progresses. Data from the US TSA showed that nearly 2 million passengers were screened at US airports on the Friday before the Memorial Day long weekend – the highest number since the pandemic began.

The portfolio's energy infrastructure holdings outperformed, led by US Liquefied Natural Gas (LNG) exporter Cheniere Energy (+10%). March quarter earnings numbers were 40% ahead of consensus, reflecting continued strength in global LNG market fundamentals. Magellan Midstream Partners (+8%) rallied on upgraded earnings guidance and the prospect of volume recovery for its refined products pipelines.

European transport infrastructure delivered mixed returns, with toll roads outperforming airports. French toll road operators Eiffage (+2%) and Vinci (+2%) performed well as French lockdowns were eased, and traffic on other French toll roads recovered towards pre-pandemic levels. However Flughafen Zurich (-3%) and AENA (-1%) lagged as the spread of a new coronavirus variant in the UK, along with a relatively restrictive new set of rules for UK travellers, caused investors to take a cautious approach to some European airports.

The worst performing stock in the portfolio was US electric utility and renewables leader NextEra Energy (-6%), which underperformed as investor focus turned to assets with most sensitivity to near-term recovery. The company is still positioned to benefit from the longer term theme of decarbonisation and large-scale renewables build-out throughout the US over coming years (further details shown below). Large-cap peers Eversource Energy (-5%) and Dominion Energy (-5%) also lagged in this environment, despite reasonable valuations and solid company fundamentals. In contrast CenterPoint Energy (+4%) fared better after the Texas senate passed legislation which should support additional capex investment opportunities for its Houston electric utility business.

Australian freight rail operator Aurizon (-4%) underperformed on mounting investor concerns that structural headwinds to demand for coal exports may affect its growth prospects. Our analysis suggests that at current valuation multiples (8% dividend yield, 7x EV/EBITDA, strong free cash flow), investors are being compensated for this longer term risk.

Fund activity

The Fund initiated a position in Duke Energy, a large-cap, North Carolina-based utility with 7.8 million electric customers in six states and 1.6 million natural gas customers in five states. Its forecast rate base growth of 6% per annum until 2024 is expected to support earnings growth of between 4% and 6% per annum. Activist investor Elliot Investment Management is reported to have built a stake in the company and to be seeking to "add directors to its board and possible other actions to boost its stock price". Having agreed to sell a 20% stake in its Duke Indiana subsidiary for a price well above its listed valuation multiples earlier this year, Duke may now be encouraged by Elliot to carry out further shareholder-friendly measures over coming months.

A holding in US Pacific Northwest electric utility Portland General Electric was divested after a period of strong outperformance reduced mispricing and moved the stock to a lower position within our investment process.

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 May 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.

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.

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 leading a return to normal demand levels as vaccine programs are rolled out. Using Sydney as a case study, data over 2020 and early 2021 has shown that whilst WFH has clearly impacted CBD office occupancy (consistent with anecdotal evidence of 2-3 days in the office and surveys of a desire to spend some time working from home), the impact on toll road traffic is much less pronounced. In fact, on certain roads, traffic is back to pre-pandemic levels.

The portfolio is also overweight Gas Utilities, The portfolio's holdings in this sector consist of a Chinese operator benefitting from central government support for the transition to cleaner fuels; a Japanese gas utility trading at deep value, and specialist US and European names operating from strong strategic positions within niche markets.

The portfolio has an underweight exposure to Multi / Electric Utilities, as some utilities are traded at levels where limited mispricing is evident. That said, a substantial portion of the portfolio consists of high conviction positions in this space, with a focus on higher quality assets, material scope for capex-related earnings growth, or clear mispricing.

An underweight exposure to the Pipelines sector has been maintained. While the sector has delivered solid gains in recent months, we remain conscious of the structural headwinds that these companies could face as Net Zero initiatives gather pace.

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