First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Market review

Global Listed Infrastructure delivered mixed returns in June, as economic reopening optimism was tempered by coronavirus variant concerns. The FTSE Global Core Infrastructure 50/50 index dipped -1.1%, while the MSCI World index^ ended the month +1.5% higher.

The best performing infrastructure sector was Towers (+6%), on the view that the rollout of next-generation networks would be supportive of tower earnings growth. Lower bond yields provided an additional tailwind to these interest rate sensitive companies. Pipelines (+5%) also gained against a backdrop of higher energy prices and increasing hydrocarbon demand.

The worst performing infrastructure sector was Multi-utilities (-3%), as investors sought assets with more sensitivity to increasing levels of economic activity. In the Railroads (-2%) sector, Japanese passenger rail operators gained as the country's vaccine rollout accelerated. However North American freight rail stocks lagged despite consistently strong volumes, on concerns that unusually hot weather in the US and Canada may affect Agriculture haulage volumes.

The best performing infrastructure region was Canada (+3%), led higher by substantial gains for its pipeline operators. The worst performing infrastructure region was Latin America (-2%), reflecting underperformance from Brazil's utility stocks.

Fund performance

The Fund returned -2.0% after fees[1] in June, 89 basis points behind 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)	2.9	7.1	17.2	22.8	35.6	100.6
Benchmark*	2.9	7.1	18.5	25.9	42.1	105.1

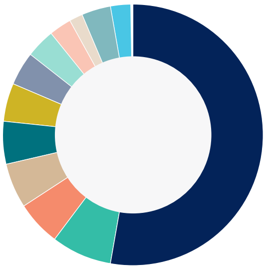
Calendar year performance in USD (%)[2]

	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

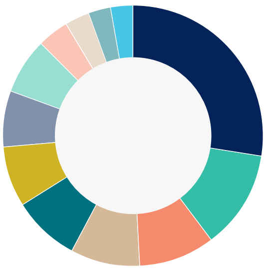
Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* 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 June 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]



Country
- USA 52.9
- Australia 7.6
- China 5.6
- Canada 5.4
- France 5.4
- UK 4.8
- Italy 4.2
- Spain 3.6
- Mexico 2.7
- Switzerland 1.7
- Other 3.5
- Liquidity 2.7



Sector
- Electric Utilities 27.7
- Highways/Railtracks 12.2
- Specialised REITs 9.5
- Multi-Utilities 8.7
- Gas Utilities 8.1
- Oil/Gas Storage & Trans. 7.7
- Railroads 6.9
- Airport Services 6.8
- Water Utilities 4.1
- Construction & Engineering 2.9
- Other 2.8
- Liquidity 2.7

Top 10 holdings (%)[2]

Stock Name	Sector	%
American Tower Corporation	(Specialised REITs)	6.2
Transurban	(Highways/Railtracks)	5.7
Dominion Energy Inc COM	(Multi-Utilities)	4.6
Nextera Energy Inc	(Electric Utilities)	3.9
Aena SA	(Airport Services)	3.6
SBA Communications Corp Class A	(Specialised REITs)	3.4
Eversource Energy	(Electric Utilities)	3.2
Pembina Pipeline Corporation	(Oil/Gas Storage & Trans.)	2.8
Xcel Energy Inc.	(Electric Utilities)	2.6
Emera Inc	(Electric Utilities)	2.6

The best performing stock in the portfolio was US tower operator SBA Communications (+7%), which increased along with its domestic and international peers American Tower (+6%) and Inwit (+4%). The tower industry is benefitting from continued network investment in 5G to cope with rising data consumption. Ericsson's June Mobility Report reported 46% year-on-year growth in mobile network data traffic globally.

The portfolio's pipeline holdings delivered positive returns. Natural Gas Liquids-focused Enterprise Products Partners (+2%) increased on the appeal of its highly integrated asset footprint, strong balance sheet and attractive valuation multiples, including a ~7.5% dividend yield. Liquefied Natural Gas exporter Cheniere Energy (+2%) continued its strong run of performance, aided by keen demand from Asian customers. The stock is uniquely positioned to benefit from the key role that natural gas is expected to play as a transition fuel over coming decades. The ongoing bidding war between Pembina Pipeline (+2%) and alternative asset manager Brookfield for Canada's Inter Pipeline (+15%, not held) further illustrated the keen demand for energy infrastructure assets.

Australian infrastructure stocks also performed well. Transurban (+4%) was supported by the continued resilience of traffic volumes on its networks of Australian and North American toll roads, in addition to lower bond yields. Freight rail operator Aurizon (+3%) held a well-received Investor Day, highlighting significant operational efficiency improvements; and outlining plans to expand its bulk haulage business (iron ore, cement, metals, grain, livestock) in order to mitigate the medium term decline in thermal coal haulage volumes.

The worst performing stock in the portfolio was China Gas (-18%). The company's share price fell sharply after a fatal gas explosion in a residential neighbourhood in central China's Shiyan City. It was the first major gas accident faced by China Gas in over 20 years. Preliminary reports suggest the operator, a Joint Venture company partly owned by China Gas, failed to conduct the required safety checks. In previous accidents at other gas utilities, responsibility has been borne at JV level rather than by the group-level company. We expect a similar outcome for China Gas in this case.

US utilities underperformed despite solid fundamentals, moderating bond yields and a lack of material company-specific news. Laggards in this space included Xcel Energy (-6%), Avista (-6%), Pinnacle West (-3%) and Dominion Energy (-3%). Factors that should prove supportive of the sector over the medium term include regulatory frameworks with scope for allowed returns to be raised if inflation increases; and structural earnings growth from the replacement of fossil fuels with cheaper, cleaner renewables.

European transport infrastructure also lagged as the spread of the Delta coronavirus variant threatened to weigh on the continent's summer tourism volumes. These concerns affected toll road operators Eiffage (-5%) and Vinci (-3%), as well as airport operators Flughafen Zurich (-4%) and AENA (-4%). Italy's Atlantia (-5%) also lagged, despite announcing that part of the €8 billion proceeds of its sale of the Italian motorway concession ASPI would be used to fund a share buy-back of between €1 and €2 billion (7% - 15% of its market capitalisation) next year, in addition to a dividend payout of €600 million (a 4.5% yield) each year between 2022 and 2024.

Fund activity

The Fund divested its holding in regulated US electric and gas utility NiSource after a period of strong performance saw it move to a lower ranking 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 30 June 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 such as barriers to entry and pricing power that we believe can provide investors with inflation-protected income and strong capital growth over the medium-term.

A key question for investors is whether current rising prices are a transitory phenomenon, or whether the global economy is now about to embark on a sustained period of higher inflation. Infrastructure assets are typically able to increase prices in line with inflation. This can be achieved via the terms of their regulatory frameworks, concession agreements or customer contracts; or in some cases by operating from a strong strategic position with limited competition. Accordingly, infrastructure assets can often maintain and grow earnings in real terms, supporting a stable and growing distribution yield over time. This history gives us confidence that listed infrastructure would fare relatively well in the event of a higher inflation environment.

The asset class is also set to benefit from a number of other positive drivers. Government attempts to bolster economic fundamentals through infrastructure and green energy stimulus plans are likely to prove supportive of 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.

Ever-increasing demand for mobile data / connectivity continues to underpin steady earnings growth for Towers and Data Centres, insulating them from the ebbs and flows of the broader global economy. 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.

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