First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | July 2021

Market review

Global Listed Infrastructure gained in July, as quarterly earnings results highlighted the resilience and essential service nature of the asset class. The FTSE Global Core Infrastructure 50/50 index gained +1.3%, while the MSCI World index^ ended the month +1.8% higher.

The best performing infrastructure sectors were Water / Waste (+9%) and Electric Utilities (+4%), as investors sought defensive assets against a backdrop of rising Delta variant case numbers. The worst performing infrastructure sector was Pipelines (-2%), which consolidated strong year-to-date gains. Toll roads (-1%) also lagged, with Emerging Market operators affected by the uncertain pace of traffic recovery.

The best performing infrastructure region was Australia / NZ (+6%), as takeover bids for Sydney Airport (+35%, not held) and Spark Infrastructure (+24%, not held) provided the latest reminder of the intrinsic value available to investors within this asset class. The worst performing infrastructure region was Japan (-4%), as rising coronavirus case numbers and a longer and broader State of Emergency weighed on the country's passenger rail stocks.

Fund performance

The Fund returned +1.8% after fees[1] in July, 49 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)	0.5	9.1	15.1	23.0	34.8	104.2
Benchmark*	0.8	8.5	16.7	24.7	41.1	107.8

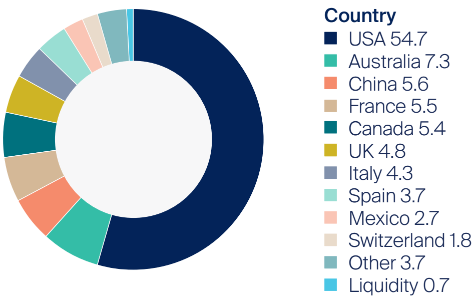
Calendar year performance in USD (%)[2]

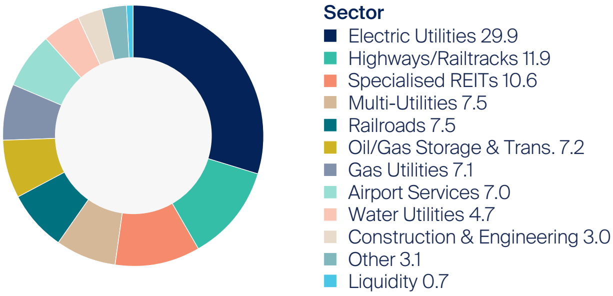
	2020	2019	2018	2017	2016
Class I (USD - H Dist)	-3.5	24.3	-8.3	17.2	11.7
Benchmark*	-4.1	25.1	-4.0	18.4	11.3

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 July 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	%
American Tower Corporation	(Specialised REITs)	6.6
Nextera Energy Inc	(Electric Utilities)	5.5
Transurban	(Highways/Railtracks)	5.4
Dominion Energy Inc COM	(Multi-Utilities)	4.7
Aena SA	(Airport Services)	3.7
SBA Communications Corp Class A	(Specialised REITs)	3.5
Eversource Energy	(Electric Utilities)	3.1
SSE plc	(Electric Utilities)	3.0
Xcel Energy Inc.	(Electric Utilities)	2.9
Pembina Pipeline Corporation	(Oil/Gas Storage & Trans.)	2.8

The best performing stock in the portfolio was Severn Trent (+12%), which provides clean water and wastewater removal services to over 4 million homes and businesses across much of central England. The company remains on track to meet its Outcome Delivery Incentives (targets with material financial reward potential), and reiterated full year earnings guidance. The UK water regulator also approved an additional £800 million of investment for UK water utilities, as part of the sector's green recovery program. Over half of the total was awarded to Severn Trent, to spend on environmental improvements such as river water quality improvements and flooding reduction measures.

Pennsylvania-based water and gas utility Essential Utilities (+7%) performed well on the appeal of its defensive business model, predictable earnings profile (the company has paid a quarterly dividend for 77 consecutive years), and proven ability to augment its earnings growth via small "tuck-in" acquisitions. Republic Services (+9%), which provides waste management services across 41 US states, announced better-than-expected June quarter earnings. Firm pricing and margin expansion were accompanied by a return to pre-pandemic volumes as the US economy improved, enabling the company to increase full year earnings guidance by 7%.

Mobile tower operators SBA Communications (+7%) and American Tower (+5%) continued to rally on the prospect of accelerating growth rates for their US operations during the second half of 2021. The deployment of new 5G spectrum by the "big three" US telecom companies – AT&T, T-Mobile / Sprint and Verizon – is driving healthy demand for new tower space, to the benefit of tower operators.

The worst performing stock in the portfolio was French-listed Rubis (-10%), a mid-cap energy supply and storage business which operates across a range of specialist markets. The company's management team has a successful track record of acquiring energy infrastructure assets deemed non-core by larger operators, and driving improved operating performance through a de-centralised business model. Share price declines this month reflected a general "risk-off" mood, rather stock-specific developments.

Emerging Markets toll roads also underperformed. A Delta variant outbreak originating from Nanjing Airport, along with weakness in the broader Chinese stock market, weighed on Jiangsu Expressway (-6%). Negative sentiment also affected Mexican peer PINFRA (-6%), despite robust traffic volumes on most of its roads resulting in better-than-expected June quarter earnings.

US energy infrastructure stocks Magellan Midstream Partners (-5%) and Enterprise Products Partners (-5%) gave up ground. Although the robust operating environment supported healthy June quarter earnings numbers, investors were disappointed by a lack of detail about future capital management initiatives. Canadian peer Pembina Pipeline (+5%) fared better after receiving a C$350 million break fee from its one-time takeover target Inter Pipeline (-1%, not held). Inter Pipeline recommended instead that its shareholders accept a rival takeover bid from unlisted infrastructure manager Brookfield Infrastructure Partners.

Fund activity

The Fund initiated a position in CyrusOne, a data centre operator listed in the US. Data centres, like tower companies, are well positioned to benefit from the structural growth in data usage. Further, data centres are expected to benefit from the shift of IT workloads away from on-premises to colocation or cloud facilities. CyrusOne owns strategically located data centres in the US, and is building a presence in key European markets. Predictable cash flows are underpinned by multi-year contracts with enterprise and hyperscale customers. Disappointing strategy and elevated management turnover in recent years has seen the stock trade at a discount to peers, presenting an entry point for the Fund.

Regulated electric and gas utility National Grid was divested following a positive market reaction to its £8 billion acquisition of UK electricity distribution business Western Power Distribution from PPL Corp earlier in the year. UGI Corp was also sold after strong year-to-date share price gains, driven by improved investor sentiment towards its gas utility and energy infrastructure assets, 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 July 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, via positions in European, Asia Pacific and Latin American operators. We believe these companies represent exceptional value at current levels, with traffic volumes proving significantly more resilient than those of other transport infrastructure assets. While new coronavirus variants have clouded the near term outlook, we remain confident that toll roads will lead a return to normal demand levels as economic activity levels pick up.

The portfolio is also overweight water / waste companies. This exposure consists of stable, income-generative UK and US-listed water utilities, deriving regulated earnings from the provision of essential services. The pressing need for investment to replace and repair aging water pipe networks in the US represents an additional source of long-term earnings growth. The portfolio has also built a position in US waste management company Republic Services, which stands to benefit from higher waste volumes as the US economy continues to improve.

The portfolio is underweight electric / multi-utilities. While these companies represent a large segment of the global listed infrastructure universe, and are a good source of yield and defence, some have traded up to levels where limited mispricing is evident. That said, a substantial portion of the portfolio still consists of high conviction utility holdings. The portfolio's focus is on companies with the scope to derive steady, low risk earnings growth from rate base investment (replacing ageing distribution networks, upgrading substations, expanding transmission lines); and the replacement of older coal-fired power stations with wind farms and solar power.

The portfolio also has an underweight exposure to Pipelines owing to the structural headwinds that these companies could face over the medium and long term, as decarbonization and Net Zero initiatives gather pace. Strong year-to-date gains for these companies have also contributed to our relatively cautious view. Within this space, the portfolio's exposure is focused on those stocks that have agreed long term contracts with high quality counterparties; with lower sensitivity to commodity price movements.

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