First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | March 2022

Market review

Global Listed Infrastructure rallied in March despite elevated inflation levels, tighter coronavirus restrictions in China, and a mounting list of Western sanctions on Russia. The FTSE Global Core Infrastructure 50/50 index returned +7.4%, while the MSCI World index^ ended the month +2.7% higher.

The best performing infrastructure sector was Railroads (+11%), on the view that higher commodity prices would prove supportive of North American freight rail operators. Towers / Data Centres (+11%), which had underperformed in January and February owing primarily to concerns for rising rates, gained ground as investors refocused on these companies' strong fundamentals and structural earnings growth drivers. The worst performing infrastructure sector was Airports (+3%), owing to rising coronavirus case numbers in Europe and the imposition of additional lockdown measures under China's Zero-Covid policy, following an outbreak in Shanghai.

The best performing infrastructure region was the United States (+10%), reflecting strong gains from its utilities, railroads and towers. The worst performing infrastructure regions were Asia ex-Japan (+2%) and Japan (+2%), owing to underperformance from their utilities on concerns for rising input costs. China's lockdown measures represented an additional headwind.

Fund performance

The Fund returned +7.4% after fees[1] in March, 2bps 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)	3.8	3.8	11.3	23.1	38.8	116.9
Benchmark*	3.7	3.7	14.5	26.5	50.4	128.2

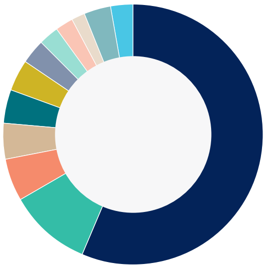
Calendar year performance in USD (%)[2]

	2021	2020	2019	2018	2017
Class I (USD - H Dist)	11.6	-3.5	24.3	-8.3	17.2
Benchmark*	14.9	-4.1	25.1	-4.0	18.4

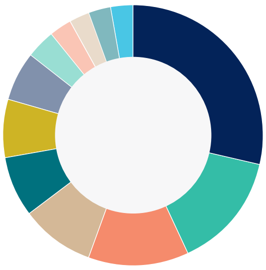
Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* 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 March 2022.
^ 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. The Fund may also expose to RMB currency and conversion risk.
- 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 56.4
- Australia 10.3
- France 5.4
- Spain 4.4
- Canada 4.1
- China 4.0
- UK 3.0
- Mexico 2.6
- Italy 2.1
- Brazil 1.8
- Other 3.3
- Liquidity 2.6



Sector
- Electric Utilities 28.8
- Highways/Railtracks 14.5
- Multi-Utilities 12.3
- Railroads 9.2
- Specialised REITs 7.5
- Oil/Gas Storage & Trans. 7.2
- Airport Services 6.2
- Gas Utilities 3.5
- Water Utilities 2.8
- Construction & Engineering 2.5
- Other 2.9
- Liquidity 2.6

Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	7.0
Nextera Energy Inc	(Electric Utilities)	5.4
Dominion Energy Inc COM	(Multi-Utilities)	4.9
American Tower Corporation	(Specialised REITs)	4.2
Sempra Energy	(Multi-Utilities)	4.1
Aena SA	(Airport Services)	3.4
CSX Corporation	(Railroads)	3.3
SBA Communications Corp Class A	(Specialised REITs)	3.3
Norfolk Southern Corporation	(Railroads)	3.3
Entergy Corporation	(Electric Utilities)	3.3

The best performing stock in the portfolio was US electric and gas utility Sempra Energy (+17%), owing to on an increasingly positive outlook for US Liquefied Natural Gas (LNG) exports. During the month, the US and EU signed an LNG supply agreement aimed at reducing Europe's dependence on imports from Russia. Sempra's assets include the Cameron LNG export facility, located on the Louisiana coast, in addition to fast-growing regulated utility businesses in Texas and California.

The portfolio's other regulated US utilities rallied on the appeal of their predictable earnings profiles and domestically focused operations. Leading performers in this space included CenterPoint Energy (+12%), Entergy (+11%), Evergy (+10%) and Pinnacle West (+10%).

The portfolio's Tower operators also delivered robust gains. US-listed operators SBA Communications (+14%) and American Tower (+11%) were supported by a consistently positive outlook for tower leasing growth, with SBA indicating that 2022's robust levels of leasing activity could extend into 2023. Italian peer Inwit (+12%) rallied as investors were reminded that the stock may represent an appealing target within the consolidating European tower market. During the month, a consortium of investors led by infrastructure investor Ardian submitted an offer to acquire most of Telecom Italia's 30% stake in Inwit, at a substantial premium to Inwit's listed share price.

The worst performing stock in the portfolio was China Gas (-19%). Persistent concerns for a slowing rate of new connections to its gas network, owing to uncertainty in the Chinese property market and a slowing economic growth rate, were exacerbated by additional lockdown measures by the Chinese authorities in an effort to slow the spread of the highly contagious Omicron BA.2 variant.

European utilities represented the portfolio's other area of weakness. Specialist energy supply and storage operator Rubis (-5%) fell on concerns that higher energy prices could affect margins in the near term. While the company has a strong track record of passing higher input costs on to customers, it can take time before these costs are passed on. Italian electric and gas utility Hera (-3%) noted that higher inflation could result in lower economic growth and reduce demand for energy from its customers. Iberdrola (-3%) underperformed as Spain and Portugal were granted permission by the EU to introduce temporary measures to cap electricity prices in the Iberian Peninsula.

Fund activity

A position was initiated in PPL Corp, a regulated US utility whose main assets consist of electric and gas utility businesses in Kentucky and Pennsylvania. In 2021 the company refocused its business on the US, selling UK utility assets (Western Power Distribution) to National Grid and agreeing to acquire the Narragansett Electric Company, a regulated utility business in the Northeast US state of Rhode Island. Regulatory-related delays to the Narragansett acquisition have weighed on the company's share price this year. We believe that the market has overestimated the risks to this transaction, presenting an appealing entry point to the stock. Once completed, PPL will be able to focus on the improvement of its core businesses, with potential to participate in the broader theme of replacing coal-fired generation assets with solar and batteries.

The Fund divested Eversource Energy, a regulated Northeast US utility business with a well-regarded management team. The stock has delivered pleasing gains since its addition to the portfolio at the end of 2018. However its full valuation multiples now appear optimistic, given its relatively low growth service territory. A position in Canadian National Railway was also divested on a relative valuation basis; the stock is now trading at levels above peers and above its own long-term average valuation multiples. We prefer US operators such as Norfolk Southern, which is trading at cheaper multiples, and has greater scope to improve operational efficiency. Hong Kong-listed electric utility CLP Holdings was sold on concerns that energy market turbulence may affect the company's generation asset margins. The proceeds were used to add to some of the portfolio's higher conviction holdings, some of which had traded to appealing levels during recent heightened market volatility.

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 March 2022. 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 and renewables, energy midstream, wireless towers and data centres. 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. Toll roads are also likely to fare relatively well in a higher inflation environment. Many toll roads have concession agreements that specify how prices can be increased, with an option to follow the inflation rate or an agreed percentage – whichever is higher.

A substantial portion of the Fund consists of high conviction Utility / Renewables holdings. The Fund's focus is on companies with the scope to derive steady, low risk earnings growth by replacing old fossil fuel power plants with solar and wind farms, and by upgrading and expanding the networks needed to connect these new power sources to the end user. Technology advances and lower costs for utility-scale battery storage will enable renewables to represent an ever-greater share of the overall electricity generation mix. In the medium term, the roll-out of electric vehicles is then expected to provide an additional boost to utilities – first via investment opportunities associated with linking EV charging stations to the grid; and then via higher overall demand for electricity.

The portfolio is underweight the Airports sector. The emergence of the Omicron variant underscored how vulnerable many airlines remain to coronavirus-related disruption. As a result, we favour shorter haul, leisure-exposed airports, particularly European airports with large intra-Europe exposure where border restrictions are likely to be less cumbersome. We expect to see a strong rebound in traffic at airports such as Spain's AENA, as travellers look to catch-up with friends and family or take a holiday.

An underweight exposure to the Energy Midstream sector has been maintained. Strong gains across the sector during the past year have moved these stocks to lower rankings within our investment process; and we remain conscious of the structural headwinds that many of these companies could face as Net Zero initiatives gather pace.

Source : Company data, First Sentier Investors, as of 31 March 2022.