First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | May 2022

Market review

Global Listed Infrastructure performed well against a volatile market backdrop, fuelled by persistent concerns for higher inflation and lower growth. The FTSE Global Core Infrastructure 50/50 index returned +2.3% in May, while the MSCI World index^ ended the month +0.1% higher.

The best performing infrastructure sector was Energy Midstream (+6%), as a supportive commodity price environment was reflected in strong March quarter earnings numbers. The worst performing infrastructure sector was Railroads (-3%). Concerns about the potential for a US recession later in the year weighed on North American freight rail operators.

The best performing infrastructure regions were Canada (+3%) and the United States (+3%), reflecting strong returns from these regions' utilities and energy midstream stocks. The worst performing infrastructure region was the United Kingdom (-3%), where fears of a windfall tax on energy profits weighed on utilities with power generation assets.

Fund performance

The Fund returned +1.0% after fees[1] in May, 132 bps 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)	6.4	2.8	5.0	21.5	29.2	114.8
Benchmark*	5.9	2.2	8.5	24.5	41.1	124.9

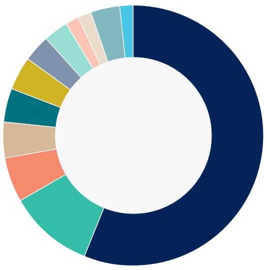
Calendar year performance in USD (%)[2]

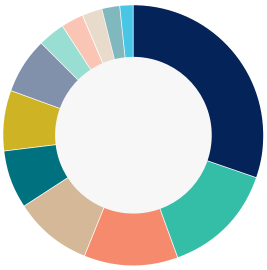
	2021	2020	2019	2018	2017
Class I (USD - H Dist)	11.6	-3.5	24.3	-8.3	17.2
Benchmark*	14.9	-4.1	25.1	-4.0	18.4

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 May 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]





Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	7.1
Nextera Energy Inc	(Electric Utilities)	5.6
American Tower Corporation	(Specialised REITs)	4.5
Dominion Energy Inc COM	(Multi-Utilities)	4.5
Aena SA	(Airport Services)	3.8
CSX Corporation	(Railroads)	3.8
Entergy Corporation	(Electric Utilities)	3.6
Sempra Energy	(Multi-Utilities)	3.5
Xcel Energy Inc.	(Electric Utilities)	3.4
FirstEnergy Corp.	(Electric Utilities)	3.1

The best performing stock in the portfolio was China Gas (+22%), which is positioned to benefit from China's promotion of cleaner energy, in particular through the rollout of coal-to-gas conversion projects in rural areas. The company's share price recovered on the view that the easing of China's coronavirus lockdown measures would boost demand for fuel, including natural gas. A better-than-expected Chinese manufacturing PMI reading for May further buoyed sentiment towards the stock. French-listed Rubis (+11%) also gained as investors took a more positive view of the company's geographically diversified collection of specialist energy supply and storage assets. Robust results for the March quarter included strong volume growth (with volumes now back above pre-pandemic levels) and resilient unit margins.

US utilities represented another area of strength within the portfolio, as investors sought defensive exposure. Arizona's Pinnacle West (+9%) reported benign March quarter earnings numbers. The company's fixed-rate debt and long weighted average debt maturity of over 16 years are likely to represent effective insulation from rising interest rates. Midwest electric and gas utility Alliant Energy (+9%), which is transitioning its energy generation assets towards renewables, ended the month higher. Investors took the view that its longer term earnings growth was unlikely to be affected by the current US investigation into solar panel tariff avoidance, which has recently disrupted the import of solar panels and components from Asia. Pennsylvania-based PPL (+7%) also rallied after receiving the necessary approvals to acquire Rhode Island's primary electric and gas utility, NEC, which will now be known as Rhode Island Energy. While expected, the decision removes an uncertainty overhang from the stock.

The worst performing stock in the portfolio was Mexican toll road operator PINFRA (-9%), which underperformed on concerns that a delay in auditing its financial statements could result in a temporary suspension of trading in its shares. Shortly after the end of the month, the stock gained on the news that an auditor had been appointed to complete the audit process. The portfolios other EM toll roads performed better. CCR (+7%), Brazil's largest toll road operator, announced March quarter earnings in line with consensus and reported a rise of almost 6% in traffic volumes on its toll roads compared to the same period a year earlier. China's Jiangsu Expressway (+4%), whose largest asset is the main highway between Shanghai and Nanjing, gained on reports that Shanghai's coronavirus lockdown measures would be lifted in June.

Eastern US freight rail operators Norfolk Southern (-7%) and CSX (-7%) lagged in the face of ongoing concerns for a weakening economy, after US GDP shrank by a larger-than-expected -1.5% during the March quarter. At recent meetings, freight rail management teams noted that supply chain glitches and a lack of available labour represented near-term headwinds to network fluidity and operating efficiency metrics.

Regulated UK water and wastewater utility Severn Trent (-7%) underperformed on indications of rising operating costs. The firm should fare relatively well in a higher inflation environment, owing to a regulatory framework that links its revenue to the rate of inflation. Electric utility SSE (-5%) endured intra-month volatility on concerns that a 25% windfall tax on oil and gas producers' profits, recently introduced by the UK government, could be extended to companies with electricity generation assets.

Fund activity

Targa Resources, one of North America's largest independent energy midstream companies, was added to the portfolio. Targa's strategically located energy infrastructure footprint is focused around the Permian basin in Texas. The company processes and transports Natural Gas Liquids (such as propane and butane) for use in US and international markets. Having simplified its corporate structure and strengthened its balance sheet over the past two years, Targa now appears well positioned to generate strong free cash flow and carry out additional capital management initiatives, including increasing capital returns to shareholders.

Energy midstream operator Enterprise Products Partners was sold after strong share price gains since the start of the year reduced mispricing and moved the stock 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 31 May 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.

The portfolio is also overweight Railroads, primarily via exposure to large cap North American freight rail operators. These firms are unique and valuable franchises. Their wholly-owned track networks are high quality infrastructure assets which can never be replicated. They typically operate under duopoly market conditions, with significant numbers of captive customers such as grain, chemical and auto producers giving them strong pricing power over long haul routes. Improving operating efficiency provides further scope to grow earnings.

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.

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.

The portfolio is also 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.

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

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