First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Market review

Global Listed Infrastructure rallied into the year-end, helped by indications that the contagious Omicron variant may prove less economically disruptive than initially feared.

The best performing infrastructure sector was Towers / Data Centres (+11%), aided by the prospect of additional investment into mobile data networks to enable the ongoing 5G rollout. Utilities (+8% to +10%) also performed well as investors identified relative value following a sustained period of underperformance compared to the broader market. The worst performing infrastructure sector, Pipelines (+1%), paused after delivering substantial gains earlier in the year.

The best performing infrastructure region was the United States (+9%), owing to positive returns from its Towers, Utilities and Railroads. The worst performing infrastructure region was Australia / New Zealand (+3%), reflecting relatively muted gains from its transport infrastructure stocks.

Fund performance

The Fund returned +5.2% after fees in December[1], 34 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

The best performing stock in the portfolio was Dallas-based gas utility Atmos Energy (+16%), which serves more than 3 million gas utility customers across eight states as well as managing extensive natural gas pipeline and storage assets. Investors were drawn to its undemanding valuation multiples and healthy regulated earnings growth rate of between 6% and 8% per annum. Lower natural gas prices helped to alleviate concerns that the company may need to pass higher input costs on to its customers.

The portfolio's other North American utilities also delivered pleasing returns. Notable performers included US electric utility Entergy (+12%), whose service area includes portions of Arkansas, Mississippi, Texas and Louisiana. Entergy is well placed to grow earnings via increasing load growth, improving operational efficiencies and a robust capital expenditure program. Electric and gas utility business Sempra Energy (+11%) outperformed after selling a 10% stake in its US and Mexico Liquefied Natural Gas export business to a Middle East sovereign wealth fund for a higher-than-expected US$1.8 billion. The proceeds will be used to buy back stock, and to fund future capital expenditure at its utility business.

Large-cap US tower operators SBA Communications (+13%) and American Tower (+12%) delivered significant gains for the month, reflecting their structural growth attributes and lower sensitivity to coronavirus-related disruption.

The worst performing stock in the portfolio was Brazil toll road operator CCR (-5%). Resilient traffic volumes were overshadowed by the most recent in a series of interest rate rises by Brazil's central bank, as it seeks to counter rising inflation. Though concessions allow for the recovery of inflation in tolls, the long-life nature of CCR's assets make its share price relatively sensitive to interest rate changes. The portfolio's other toll road holdings performed better. European operators such as Vinci (+11%) and Atlantia (+8%) recovered ground lost in November, as concerns about Omicron subsided. Mexican peer PINFRA (+10%) rose on its appealing valuation multiples and conservative balance sheet, as well as an improvement in traffic volumes which have now exceeded pre-pandemic levels.

North American railroads also delivered mostly positive returns. East coast US operators Norfolk Southern (+12%) and CSX (+8%) climbed on the view that effective pricing power will enable them to thrive in the current higher inflation environment. However Canadian National Railway (-4%) lagged following a disappointed market reaction to the news that Jim Vena, an experienced railroading figure previously considered the company's likely next CEO, had withdrawn his candidacy for the position.

[1] First Sentier Global Listed Infrastructure Fund's cumulative return over one month. The performance of the fund is based on the Singapore unit trust, net of fees, expressed in SGD terms.

All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

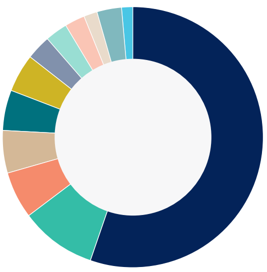
Annualised performance in SGD (%)[2]

	1 yr	3 yrs	5 yrs	10 yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	13.7	9.5	5.8	8.3	4.7
Class A (SGD - H Dist) (Inc initial charges)	8.0	7.7	4.7	7.7	4.3
Benchmark*	18.0	11.7	8.7	10.4	5.6

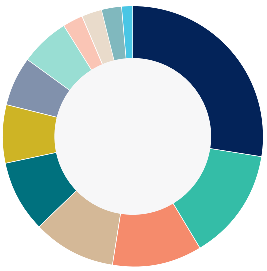
Cumulative performance in SGD (%)[2]

	3 mths	1 yr	3 yrs	5 yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	4.7	13.7	31.4	32.5	89.2
Class A (SGD - H Dist) (Inc initial charges)	-0.6	8.0	24.8	25.8	79.7
Benchmark*	7.0	18.0	39.5	52.1	113.1

Asset allocation (%)[2]



Country
- USA 55.3
- Australia 9.5
- Canada 5.8
- Spain 5.2
- France 5.1
- China 4.7
- Italy 3.0
- UK 2.8
- Mexico 2.6
- Switzerland 1.6
- Other 3.1
- Liquidity 1.2



Sector
- Electric Utilities 27.8
- Highways/Railtracks 13.7
- Multi-Utilities 11.3
- Railroads 10.3
- Specialised REITs 8.9
- Airport Service 7.0
- Oil/Gas Storage & Trans. 6.3
- Gas Utilities 6.0
- Water Utilities 2.6
- Construction & Engineering 2.5
- Other 2.5
- Liquidity 1.2

Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	6.5
Nextera Energy Inc	(Electric Utilities)	6.3
American Tower Corporation	(Specialised REITs)	5.1
Dominion Energy Inc COM	(Multi-Utilities)	5.0
Aena SA	(Airport Services)	4.2
SBA Communications Corp Class A	(Specialised REITs)	3.8
Norfolk Southern Corporation	(Railroads)	3.3
Sempra Energy	(Multi-Utilities)	3.1
Xcel Energy Inc.	(Electric Utilities)	3.1
CSX Corporation	(Railroads)	2.5

Fund activity

The Fund initiated a position in Getlink, operator of the Channel Tunnel – a unique and compelling customer proposition connecting the UK and continental Europe. Getlink has two main revenue streams. Firstly it operates a shuttle service transporting truck and passenger vehicles through the Channel Tunnel via train. Secondly, it charges a levy on a passenger rail service (Eurostar) that uses the tunnel to transport passengers between the United Kingdom and France, Belgium and the Netherlands. With a concession that runs to the year 2086, Getlink is well positioned to benefit from rising traveller confidence and higher economic activity levels once coronavirus disruptions recede.

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.

The outlook for the asset class in 2022 is positive. We remain optimistic about the substantial investment opportunities associated with the decarbonisation of the world's energy needs. Utilities, which represent about a half of the global listed infrastructure opportunity set, are positioned to derive steady, regulated earnings growth by building 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 scale of investment opportunities currently on offer across the utilities space does not yet appear to be fully reflected in valuation multiples.

In addition, there remains scope for further recovery in traffic / haulage / passenger volumes for toll roads, railroads and airports. While the emergence of new coronavirus variants may affect the timing of this recovery, a return to normality is inevitable. Markets are becoming less sensitive to coronavirus news flow as the pandemic progresses, and as vaccines and booster shots are administered. Tollroads have the potential to deliver strong earnings growth as traffic recovers, taking share from public transport. Freight railroads should benefit from a reduction in supply chain disruptions – as congestion eases, high consumer savings and low inventory levels are likely to drive demand. However airports remain potentially vulnerable to changing travel rules, with travellers still showing a clear preference for leisure over business destinations.

From a valuation perspective, a large gap remains between the valuations of public market (listed) and private market (unlisted) infrastructure assets. This gap should provide listed companies with opportunities to sell non-core assets at premiums to their

[2] Source: Lipper & First Sentier Investors. Single pricing basis with net income reinvested. Data as at 31 December 2021. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. First Sentier Global Listed Infrastructure Fund inception date: 3 March 2008.

* From inception - 31 May 08 : S&P Global Infrastructure Index; From 1 Jun 08 – 31 Mar 15 : UBS Global Infrastructure and Utilities 50-50 Index; From 1 Apr 15 : FTSE Global Core Infrastructure 50/50 Index.

listed valuations. This will enable listed infrastructure companies to strengthen their balance sheets and simplify their core businesses, leading them to trade at higher valuation multiples. Undemanding valuation multiples and still-low interest rates also increase the chance of listed infrastructure M&A activity. This would represent a continuation of the theme seen in 2021, when sovereign wealth funds, private equity, unlisted infrastructure managers and trade buyers alike demonstrated a keen appetite for listed infrastructure companies. More broadly, financial market pessimism towards global listed infrastructure over the past two years, and continued optimism towards higher risk assets, have made the relative value on offer within the asset class vs general equities increasingly compelling.

Source : Company data, First Sentier Investors, as of 31 December 2021.