Global Listed Infrastructure Fund
Monthly update

First Sentier Investors

Monthly Update | April 2021 For professional clients only

Market review

Global Listed Infrastructure rose in April, supported by generally resilient quarterly earnings numbers and rapid progress in the US vaccination rollout. The FTSE Global Core Infrastructure 50/50 index returned +3.1%. The MSCI World index^ ended the month +4.3% higher.

The best performing infrastructure sector was Towers / Data Centres (+7%), which gained on easing bond yields, positive earnings results and the anticipation of higher growth rates as telecom operators ready themselves to deploy 5G equipment onto tower sites at scale.

The worst performing infrastructure sector was Airports (-1%), owing to ongoing uncertainty about the timeframe for a return to normal travel and economic activity levels. Recent progress on this front includes the opening of a "travel bubble" between Australia and New Zealand; and hopes that the EU may introduce a digital Vaccine Passport in time for the European summer holidays.

Railroads (flat) also underperformed, with passenger rail stocks affected by similar concerns. Sentiment was more bullish in the freight rail space; Canadian National (-9%, not owned) made a US$34 billion counter-bid for Kansas City Southern (+11%, not owned), a 21% premium to the current bid from rival Canadian Pacific (-4%, not owned).

The best performing infrastructure region was the UK (+5%), owing to robust performance from its utility stocks against a backdrop of easing lockdown restrictions. The worst performing infrastructure region was Japan (-7%). The country's electric utilities fell on concerns for lower electricity sales as new entrants gain market share.

Fund performance

The Fund returned +3.2% after fees in April[1], 14 bps ahead of the FTSE Global Core Infrastructure 50/50 Index (GBP, Net TR).

Annual Performance (% in GBP) to 30 April 2021

Period	12 mths to 30/04/2021	12 mths to 30/04/2020	12 mths to 30/04/2019	12 mths to 30/04/2018	12 mths to 30/04/2017
First Sentier Global Listed Infrastructure Fund B GBP Acc	8.6	-0.1	16.1	-2.6	27.3
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	10.8	-3.5	18.7	-1.4	25.3
MSCI World Net Total Return Index GBP	32.4	-0.8	12.5	6.4	29.8

These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than the share class currency, the return may increase or decrease as a result of currency fluctuations.

Performance figures have been calculated since the launch date. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management and administration fee) and other costs charged to the fund (e.g. transaction and custody costs), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source: Lipper IM / First Sentier Investor (UK) Funds Limited.
*The benchmark changed from the UBS Global Infrastructure & Utilities 50-50 Index on 01/04/2015.

[1] Performance is based on OEIC B Acc share class, net of fees, expressed in GBP.
^ MSCI World Net Total Return Index, GBP.
All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

RISK FACTORS

This is a financial promotion for The First Sentier Global Listed Infrastructure Fund. This information is for professional clients only in the UK and Switzerland and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**
- **Charges to capital risk:** The fees and expenses may be charged against the capital property. Deducting expenses from capital reduces the potential for capital growth.
- **Currency risk:** the Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.
- **Single sector risk:** investing in a single economic sector may be riskier than investing in a number of different sectors. Investing in a larger number of sectors helps to spread risk.
- **Listed infrastructure risk:** the infrastructure sector and the value of the Fund is particularly affected by factors such as natural disasters, operational disruption and national and local environmental laws.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for each Fund.
If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

The best performing stock in the portfolio was US regulated utility FirstEnergy (+9%), whose assets include 24,000 miles of transmission network in the Midwest and Mid-Atlantic regions; and electric distribution companies serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York. Investors welcomed news that investigations into an earlier bribery scandal in its Ohio business were progressing smoothly. The company's management team also indicated that they may consider selling minority stakes in some of its assets.

Other US utilities with self-help or corporate restructuring themes also performed strongly. NiSource (+9%) announced a US$750 million equity offering, to be spent on the build-out of renewables. The transaction will eliminate the need for further equity raisings between now and 2024, removing a key stock overhang. CenterPoint Energy (+8%) sold its Arkansas and Oklahoma gas utilities to Summit Utilities (owned by JP Morgan Infrastructure) for a greater-than-expected price of US$1.7 billion.

Pipelines' earnings results revealed the silver lining to February's Texas storms. Although some assets suffered from power outages, this was more than offset by the ability to redirect natural gas, NGLs (Natural Gas Liquids) and refined product volumes, and sell them for unusually high prices. This factor contributed to better-than-expected March quarter earnings for Magellan Midstream Partners (+8%). Enterprise Products Partners (+8%) gained on the view that its well-diversified and highly integrated asset footprint was also likely to have benefitted.

Tower operators SBA Communications (+8%) and American Tower (+7%) reported strong leasing activity and tower services workflows – both of which are positive leading indicators for revenue growth. This comes after a period of relative subdued activity, as carriers (the towers' customers) begin to deploy their newly acquired spectrum to serve 5G.

The worst performing stock in the portfolio was China Gas (-12%), which carried out a US$1.5 billion capital raising. The proceeds will be used to acquire city gas projects, and to expand and develop its liquefied petroleum gas and distribution heating businesses. A lack of specific details about how the funds would be deployed saw investors take a cautious approach. However, strong policy support for the transition away from coal towards cleaner energy sources means that the company should continue to benefit from structural growth in China's demand for natural gas. Tokyo Gas (-10%), which serves industrial, commercial, residential customers in the Greater Tokyo Area, lagged after announcing lower-than-expected earnings guidance for the year ahead. Increasingly rigorous competition to its city gas distribution business is expected to affect sales volumes.

The portfolio's toll roads delivered mixed returns. Developed Market roads performed well. France's Vinci (+7%) announced strong March quarter earnings and agreed to acquire the Industrial Services division of Spain's ACS (-4%, not part of our Focus List), giving it a foothold in the global renewable energy sector. Eiffage (+7%) was buoyed by its peer's strong operating performance. Australia's Transurban (+6%) gained as traffic volumes on its Australian and North American road networks during the first quarter tracked broadly in line with expectations. However CCR (-6%), Brazil's largest toll road operator, which also runs airport and subway concessions, lagged as concerns about the worsening coronavirus situation overshadowed its longer term potential to participate in Brazil's large scale and much needed infrastructure investment opportunities.

Fund activity

The Fund divested its holding in East Japan Railway after a more positive outlook for passenger numbers since the start of the year drove significant share price gains and reduced the stock's mispricing.

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 the potential for inflation-protected income and strong capital growth over the medium-term.

The outlook for the asset class is positive. Government attempts to bolster economic fundamentals through infrastructure and green energy stimulus plans – including Biden's infrastructure plan – are likely to benefit 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. The resilience, predictability and growth potential of these earnings – showcased over the past year – do not appear to be fully reflected in current valuation multiples.

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. Reflecting this, toll roads represent the portfolio's largest sector overweight. We believe these companies represent exceptional value at current levels. Traffic volumes have proved more resilient than those of other transport infrastructure assets; and toll roads are likely to be the first to see a return to normal demand levels.

Rising interest rate risk now appears to have been priced into Towers' valuations. Ever-increasing demand for mobile data / connectivity needs continues to underpin steady earnings growth for these companies, insulating them from the ebbs and flows of the broader global economy.

More broadly, we also note that financial market pessimism towards global listed infrastructure and optimism towards higher risk assets over the past 12 months has driven an increase in intrinsic value across the asset class. This bodes well for future global listed infrastructure performance.

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

For further institutional enquiries contact institutionalenquiries@firstsentier.com
For wholesale enquiries contact enquiries@firstsentier.com

Important Information

This document has been prepared for informational purposes only and is only intended to provide a summary of the subject matter covered and does not purport to be comprehensive. The views expressed are the views of the writer at the time of issue and may change over time. It does not constitute investment advice and/or a recommendation and should not be used as the basis of any investment decision. This document is not an offer document and does not constitute an offer or invitation or investment recommendation to distribute or purchase securities, shares, units or other interests or to enter into an investment agreement. No person should rely on the content and/or act on the basis of any material contained in this document.

This document is confidential and must not be copied, reproduced, circulated or transmitted, in whole or in part, and in any form or by any means without our prior written consent. The information contained within this document has been obtained from sources that we believe to be reliable and accurate at the time of issue but no representation or warranty, express or implied, is made as to the fairness, accuracy, or completeness of the information. We do not accept any liability whatsoever for any loss arising directly or indirectly from any use of this information.

References to “we” or “us” are references to First Sentier Investors.

In the UK, issued by First Sentier Investors (UK) Funds Limited which is authorised and regulated by the Financial Conduct Authority (registration number 143359). Registered office Finsbury Circus House, 15 Finsbury Circus, London, EC2M 7EB number 2294743. Outside the UK and the EEA, issued by First Sentier Investors International IM Limited which is authorised and regulated in the UK by the Financial Conduct Authority (registered number 122512). Registered office: 23 St. Andrew Square, Edinburgh, EH2 1BB number SCO79063.

Certain funds referred to in this document are identified as sub-funds of First Sentier Investors ICVC, an open ended investment company registered in England and Wales (“OEIC”). Following the UK departure from the European Union, the OEIC has ceased to qualify as a UCITS scheme and is instead an Alternative Investment Fund (“AIF”) for European Union purposes under the terms of the Alternative Investment Fund Managers Directive (2011/61/EU). Accordingly, no marketing activities relating to the OEIC are being carried-out by First Sentier Investors in the European Union (or the additional EEA states) and the OEIC is not available for distribution in those jurisdictions. This document does not constitute an offer or invitation or investment recommendation to distribute or purchase shares in the OEIC in the European Union (or the additional EEA states). Further information is contained in the Prospectus and Key Investor Information Documents of the OEIC which are available free of charge by writing to: Client Services, First Sentier Investors (UK) Funds Limited, PO Box 404, Darlington, DL1 9UZ or by telephoning 0800 587 4141 between 9am and 5pm Monday to Friday or by visiting www.firstsentierinvestors.com. Telephone calls may be recorded. The distribution or purchase of shares in the funds, or entering into an investment agreement with First Sentier Investors may be restricted in certain jurisdictions.

Representative and Paying Agent in Switzerland: The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. Place where the relevant documentation may be obtained: The prospectus, key investor information documents (KIIDs), the instrument of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

First Sentier Investors entities referred to in this document are part of First Sentier Investors a member of MUFG, a global financial group. First Sentier Investors includes a number of entities in different jurisdictions. MUFG and its subsidiaries do not guarantee the performance of any investment or entity referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk including loss of income and capital invested.

MAR000795_0521_UK