Global Listed Infrastructure Fund
Monthly update

First Sentier Investors

Monthly Update | July 2021

For professional clients only

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 returned +0.7%, while the MSCI World index^ ended the month +1.1% 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 +1.2% after fees in July[1], 50 bps ahead of the FTSE Global Core Infrastructure 50/50 Index (GBP, Net TR).

Annual Performance (% in GBP) to 31 July 2021

Period	12 mths to 31/07/2021	12 mths to 31/07/2020	12 mths to 31/07/2019	12 mths to 31/07/2018	12 mths to 31/07/2017
First Sentier Global Listed Infrastructure Fund B GBP Acc	9.5	-10.9	22.1	-0.2	12.9
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	10.1	-11.3	20.5	2.7	11.5
MSCI World Net Total Return Index GBP	27.5	0.0	11.0	12.4	16.9

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.

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

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.

[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.

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.

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.

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.

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