Global Listed Infrastructure Fund
Monthly update

First Sentier Investors

Monthly Update | March 2021

For professional clients only

Market review

Global Listed Infrastructure rose strongly in March, helped by supportive US policy proposals and M&A activity. The FTSE Global Core Infrastructure 50/50 index* returned +8.5%. The MSCI World index^ ended the month +4.7% higher.

The best performing infrastructure sectors were Multi-Utilities (+13%), Electric Utilities (+10%) and Towers / Data Centres (+10%), which in previous months had lagged the broader market during a period of rising interest rates. The worst performing infrastructure sectors were Airports (+1%) and Toll Roads (+5%), as the logistical challenges associated with the rollout of coronavirus vaccines muted gains for transport stocks.

The best performing infrastructure region was the United States (+11%), where President Biden's US$2.3 trillion American Jobs Plan contained a number of positive implications for US infrastructure stocks. The worst performing infrastructure region was Europe ex-UK (+3%), reflecting a slow vaccine rollout and accelerating coronavirus case numbers.

Fund performance

The Fund returned +6.1% after fees in March[1], 237 bps behind the FTSE Global Core Infrastructure 50/50 Index (GBP, Net TR).

Annual Performance (% in GBP) to 31 March 2021

Period	12 mths to 31/03/2021	12 mths to 31/03/2020	12 mths to 31/03/2019	12 mths to 31/03/2018	12 mths to 31/03/2017
First Sentier Global Listed Infrastructure Fund B GBP Acc	12.6	-5.5	20.6	-8.5	28.6
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	14.2	-8.6	22.4	-6.8	26.5
MSCI World Net Total Return Index GBP	38.4	-5.8	12.0	1.3	31.9

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 Pacific Northwest-focused regulated utility Avista (+19%). Improving investor sentiment towards the utilities sector buoyed its share price. Further support was provided by news that in February Montreal pension fund Public Sector Pension Investment Board had built a 7.5% stake in the company. Other small and mid-cap US utilities including Alliant Energy (+17%), CenterPoint Energy (17%), Pinnacle West (+16%), and Portland General Electric (+14%) also performed well in this environment.

[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.

US utilities with substantial offshore wind commitments such as Dominion Energy (+12%) and Eversource Energy (+10%) gained on constructive regulatory developments. The US Bureau of Ocean Energy Management issued its long-awaited Environmental Impact Study for Vineyard Wind 1, the first US utility-scale offshore wind energy project, bringing formal approval a step closer. The Biden administration also set a goal to deploy 30 gigawatts of offshore wind energy by 2030, which is likely to expedite existing offshore wind projects.

Mobile tower operators American Tower (+11%) and SBA Communications (+9%) also climbed as structural growth drives tower earnings. US telecom company Verizon, one of the towers' largest customers, announced plans to increase its capex budget by US$10 billion (or 18%) over the next three years to deploy newly acquired 5G spectrum. We expect this will see more capacity being taken up on towers, leading to increased revenue under long-term contracts.

The worst performing stock in the portfolio was water utility Guangdong Investments (-9%), which derives most of its earnings from the distribution of water to Hong Kong and mainland China. The stock underperformed after lower than expected profits on new water projects overshadowed the company's robust fundamentals and defensive balance sheet.

Having gained strongly in recent months, Mexican airport operator ASUR (-7%) gave up some ground on indications that the pace of its traffic recovery may have eased during the March quarter. European operators AENA (-2%) and Flughafen Zurich (-3%) also lagged as a new round of lockdowns came into force across the continent. Zurich announced better than expected earnings for the second half of 2020, with resilient revenues from its Property and Commercial business segments.

The portfolio's toll road holdings achieved mixed performance. European operators such as Eiffage (flat), Vinci (+2%) and Atlantia (+3%) delivered slight gains in strongly rising markets, owing to new lockdowns. Emerging Market peers fared better. Brazil's CCR (+15%) gained after the concession life on one its assets was extended to reflect an economic rebalancing; and on a growing recognition of the value on offer at the company's current valuation multiples. Jiangsu Expressway (+7%) reported a 5% increase in toll road revenue during the second half of 2020 compared to the same period a year earlier; illustrating China's quick recovery from coronavirus and steady demand for Jiangsu's road networks.

Fund activity

The Fund initiated a position in Dallas-based gas utility Atmos Energy, which serves more than 3 million customers across eight states, as well as managing extensive pipeline and storage assets. The company's US$9 billion rate base is forecast to grow at an annualized rate of between 9% and 10% in coming years, translating into regulated earnings growth of between 6% and 8% pa. Atmos' valuation multiples contracted significantly in 2020, along with the broader US gas utility sector. It then underperformed further after disclosing costs of between US$2.5 billion and US$3.5 billion, as a result of volatility in the Texas energy market during February's unusually cold weather. The company's regulated business model means that it should be able to recover those costs from customers, over time. We believe that this underperformance has created an attractive entry point for a well-managed company, operating in favourable regulatory jurisdictions.

A holding in West Japan Railway was divested from the portfolio. Positive vaccine news over the past six months has raised the prospect of a recovery in passenger numbers, driving significant share price gains and reducing the mispricing in this stock.

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. 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 as vaccine programs are rolled out. Recent congestion data indicates a positive traffic recovery during February and March on Transurban's Sydney, Brisbane and Melbourne road networks.

The portfolio is also overweight Towers / Data Centres. Increasing demand for mobile data (reflecting the growing popularity of video streaming) continues to underpin steady earnings growth for tower companies, insulating them from the ebbs and flows of the broader global economy.

The portfolio is underweight the Airports sector. It remains to be seen how quickly consumer behaviour will return to normal, while business travel may never regain previous levels. The portfolio's exposure is focused primarily on higher quality European operators such as Spain's AENA whose passenger mix is tilted towards Leisure and VFR (visiting friends and relatives) travellers. These categories could see numbers rebound sharply as travel restrictions are lifted.

An underweight exposure to the Pipelines sector has also been maintained. While the sector has delivered solid gains in recent months, we remain conscious of the structural headwinds that these companies could face as Net Zero initiatives gather pace.

From a relative perspective, a slow or uneven economic recovery would favour structural themes – such as investment in mobile telecom networks to support increasing demand for mobile data – over cyclical growth opportunities. We also note that financial market pessimism towards global listed infrastructure and optimism towards higher risk assets 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