

Global Listed Infrastructure Fund

Monthly update

Monthly Update | December 2020

For professional clients only

Market review

Global Listed Infrastructure ended the year on a mixed note. Surging coronavirus case numbers tempered vaccine hopes and the prospect of a more substantial US stimulus package. The FTSE Global Core Infrastructure 50/50 index fell -1.0% in December. The MSCI World index[^] ended the month +1.8% higher.

The best performing infrastructure sector was Railroads (+3%), as Japanese bullet train operators gained on appealing valuations and optimism for future passenger rail volumes. Airports (+2%) also rose on hopes that a coronavirus vaccine rollout would enable the start of a return to normality for the sector.

The worst performing infrastructure sector was Towers / Data Centres (-3%), on the view that higher-than-expected prices at the latest 5G spectrum auction could leave telecom companies with less capital for network investment. Pipelines (-2%) also lagged after a very strong November.

The best performing infrastructure region was Latin America (+6%), as Brazil's utilities and Mexican airports continued to gain on hopes for a recovery from 2020's coronavirus-related economic downturn. The worst performing infrastructure region was Australia / NZ (-2%), owing to mounting trade tensions between Australia and China; and a fresh coronavirus outbreak in New South Wales.

Fund performance

The Fund returned -2.7% after fees in December¹, 164 bps behind the FTSE Global Core Infrastructure 50/50 Index (GBP, Net TR).

Annual Performance (% in GBP) to 31 December 2020

Period	12 mths to 31/12/2020	12 mths to 31/12/2019	12 mths to 31/12/2018	12 mths to 31/12/2017	12 mths to 31/12/2016
First Sentier Global Listed Infrastructure Fund B GBP Acc	-6.6	21.9	-1.6	8.2	35.9
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	-7.0	20.3	2.0	8.1	32.2
MSCI World Net Total Return Index GBP	12.3	22.7	-3.0	11.8	28.2

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.

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 the OEIC Class B Acc share class, expressed in GBP, net of fees.

[^] MSCI World Net Total Return Index, GBP.

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

The best performing stock in the portfolio was US regulated electric utility FirstEnergy (+15%), which rallied on the view that the market had over-reacted to July's news of a corruption case involving nuclear plant subsidies. The company's sale of competitive power generation assets in recent years to focus on its regulated transmission and distribution utility businesses has resulted in a more predictable earnings profile, giving scope for its valuation multiples to expand further from current levels.

Other strong performers in the US electric utility space included NextEra Energy (+5%) on continued market enthusiasm for the green energy transition; and Exelon (+3%), which sold its portfolio of solar assets for US\$810 million. The price equates to US\$2,250 per kilowatt (KW) of generation capacity, compared to our modelled valuation of US\$1,500/KW for these assets. Positively, the move also signals that Exelon is progressing along the path of separating its substantial portfolio of generation assets from its regulated utilities.

Japanese passenger rail holdings West Japan Railway (+13%) and East Japan Railway (+6%) increased on mounting hopes for a passenger recovery in 2021 once coronavirus vaccines are rolled out across Japan. The portfolio's airport operators ASUR (+9%), AENA (+4%) and Flughafen Zurich (+1%) also gained on the view that passenger numbers could increase over the course of the next year.

UK electric utility SSE (+12%) continued its strong run, reflecting a growing recognition of the substantial wind power investment opportunities available to this firm. A broadly positive Final Determination for RII0-2 (the regulated price framework that will apply to the country's gas and electricity transmission utilities for the next five years) provided an additional tailwind to its share price.

Regulatory decisions also supported Chinese water utility Guangdong Investment (+8%), which rallied after the announcement of favourable terms for its water sales to Hong Kong over the next three years. The same mechanism will also apply for the following two three-year periods, giving the company a total of nine years of regulatory certainty. Gas utility China Gas (+8%) rose after reporting a strong set of interim earnings results at the end of November.

The worst performing stock in the portfolio was Western Canadian pipeline operator Pembina Pipeline (-8%). Concerns for the structural headwinds facing fossil fuel-related businesses overshadowed the announcement of in-line earnings guidance for 2021. The company's prudent approach to capital management offers scope to reduce debt or buy back shares.

An underwhelming response to the Initial Public Offering (IPO) of Dalrymple Bay Infrastructure (not in our Focus List) which handles around a third of Queensland's coal exports, weighed on sentiment towards Australian freight rail operator Aurizon (-8%). US multi-utility CenterPoint Energy (-7%) also lagged as it continued to seek a buyer for its stake in the Enable Midstream Partners pipeline business.

Following sharp gains in November, European toll road operators Vinci (-5%), Eiffage (-4%) and Atlantia (-4%) underperformed as higher coronavirus case numbers in Europe and the return of increasingly strict lockdown measures led to concerns for lower traffic volumes.

Fund activity

The Fund sold its position in Mexican pipeline company IEnova after US multi-utility Sempra Energy (+1%, not owned) announced it would acquire the outstanding shares.

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. Interest rates appear set to remain at low levels for a sustained period of time, which should prove supportive of defensive and interest-rate sensitive sectors such as utilities and towers.

Government attempts to improve weak economic fundamentals through infrastructure and green energy stimulus plans are also 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 long time frames.

A slow or uneven economic recovery would also favour structural themes – such as investment in mobile phone networks to support ever-increasing demand for mobile data - over cyclical growth opportunities.

Further, while the timing remains hard to predict, there is also scope for gradual recovery in traffic / passenger volumes for coronavirus-impacted infrastructure sectors such as toll roads, airports and passenger rail, as vaccines are delivered.

In addition, financial market pessimism towards global listed infrastructure over the past year - and optimism towards higher risk assets – has driven an increase in intrinsic value opportunities across the asset class, which bodes well for global listed infrastructure performance in 2021.

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.

Copyright © (2021) First Sentier Investors

All rights reserved.

MAR000764_0121_UK