Global Listed Infrastructure Fund
Monthly update

Monthly Update | April 2022

For professional clients only

Market review

Global Listed Infrastructure held up as investors grew increasingly concerned about rising inflation and future interest rate increases. US Consumer Price Index jumped by a higher-than-expected 8.5% in March compared to a year earlier, the largest annual gain since December 1981. The FTSE Global Core Infrastructure 50/50 index returned +1.0% in April, while the MSCI World index^ ended the month -3.8% lower.

The best performing infrastructure sector was Toll Roads (+7%), which were supported by reduced political risk in France and M&A activity in Italy, as well as the appeal of inflation-linked tolling. The worst performing infrastructure sector was Railroads (-9%), with North American operators falling on concerns that a slowing US economy may weigh on haulage volumes.

The best performing infrastructure region was Australia / NZ (+5%), which was buoyed by strong returns from its road and rail infrastructure stocks. Japan (+5%), traditionally viewed as a safe haven during periods of market volatility, also outperformed. The worst performing infrastructure region was Latin America (-5%), which underperformed in the risk-off environment.

Fund performance

The Fund returned +2.3% after fees in April[1], 129bps ahead the FTSE Global Core Infrastructure 50/50 Index (GBP, Net TR).

Annual Performance (% in GBP) to 30 April 2022

Period	12 mths to 30/04/2022	12 mths to 30/04/2021	12 mths to 30/04/2020	12 mths to 30/04/2019	12 mths to 30/04/2018
First Sentier Global Listed Infrastructure Fund B GBP Acc	17.3	8.6	-0.1	16.0	-2.5
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	17.6	10.7	-3.5	18.7	-1.4
MSCI World Net Total Return Index GBP	6.4	32.4	-0.8	12.5	6.3

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 Spanish-listed global renewables leader Iberdrola (+11%). Operating in Spain and Portugal, the UK, the US and Latin America, Iberdrola offers investors access to renewables growth, underpinned by the predictable earnings from its regulated power transmission and distribution networks. News of relatively benign terms for a cap on Iberian natural gas prices, as the Spanish and Portuguese governments seek to shield consumers from commodity market volatility, provided a tailwind to its share price. UK utility SSE (+7%), which owns regulated transmission and distribution assets alongside a growing renewables business segment, also outperformed. Consistent with its ambition to expand outside the UK and Ireland, the company announced an agreement to buy a portfolio of onshore wind projects in Spain, France, Italy and Greece from wind engineering company Siemens Gamesa for €580 million.

The portfolio's toll road operators delivered mixed returns. Atlas Arteria (+6%), whose largest asset is a stake in French toll road network APRR, and French-listed Vinci (+2%) both gained after Emmanuel Macron's win over far right opponent Marine Le Pen eased political risk concerns. Le Pen's proposals had included nationalising French toll roads. Australia's Transurban (+6%) also gained as investors took the view that rising inflation and interest rates would represent a net benefit to the firm. The concession terms on the vast majority of its road networks allow tolls to be raised by the rate of inflation while the company's debt is fully hedged. However, EM operators fared less well. Traffic volumes for Jiangsu Expressway (-5%) were affected by travel restrictions as China maintained its zero-Covid approach. Mexico's PINFRA (-6%) and Brazil's CCR (-9%) also underperformed as the risk-off mood weighed on Latin American stocks. Traffic volumes for both companies have already reached or exceeded 2019 levels.

March quarter earnings numbers from North American freight rail operators Norfolk Southern (-10%) and CSX (-8%) showcased their strong pricing power. However both stocks underperformed on concerns that volumes may be affected in the second half of the year, if rising interest rates cause the US economic growth rate to slow. More positively, Australian freight rail operator Aurizon (+9%) gained as investors were drawn to its undemanding valuation multiples and healthy balance sheet. Rising coal prices augur well for haulage volumes over coming months. Getlink (+7%), which operates the Channel Tunnel link between the UK and France under a concession agreement that runs to the year 2086, rallied on recovering passenger volumes and market speculation that it could be the subject of a takeover offer.

The worst performing stock in the portfolio was US electric utility operator and renewables developer NextEra Energy (-16%), as reports of solar supply chain hold-ups overshadowed otherwise solid March quarter earnings numbers. The majority of the portfolio's North American utilities including Entergy (+2%), CenterPoint (flat) and Dominion Energy (-4%) held up relatively well, true to their defensive reputation.

Spanish airport operator AENA (-10%) underperformed owing to lower-than-expected earnings numbers for the March quarter. Elevated spend rates from its retail segment represented a silver lining in the results; while a trading update from EasyJet indicated strong travel demand was likely during the European summer holiday season.

Fund activity

Italian-listed toll road operator Atlantia was divested after the Benetton family's holding company Edizione (which already owns a stake in Atlantia) and US alternative investment manager Blackstone announced a take-private offer for the company.

The Fund's holding in Texas gas utility Atmos Energy was also sold following a sustained period of outperformance as its share price recovered from the aftermath of the February 2021 winter storm. At current valuation multiples, mispricing has become less evident.

Market outlook and Fund positioning

The Fund invests in a range of global listed infrastructure assets including toll roads, airports, railroads, utilities and renewables, energy midstream, wireless towers and data centres. 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.

Recent performance has seen global listed infrastructure exhibit two of the key benefits that it can offer investors. First, the asset class has held up relatively well as global equities sold off, consistent with its history of providing most of the upside in rising equity markets but offering protection from falling ones. This pattern of performance is underpinned by global listed infrastructure's consistently strong pricing power, predictable cash flows, and relative immunity to economic cycles. This ability to hold up in falling markets has enabled the asset class to generate higher returns than global equities over the past 20 years, with less risk, as measured by standard deviation of returns.

Secondly, global listed infrastructure has outperformed global equities against a backdrop of high inflation. This is a reflection of listed infrastructure being a price maker, not a price taker. Infrastructure's tangible assets provide essential services, using contracted or regulated business models. These assets consistently demonstrate the ability to pass though the effects higher input costs and inflation to the end user. This can be achieved through regulated real returns for utilities, or through contracts which explicitly link tolls or fees to the inflation rate. Infrastructure's capital intensive nature provides high barriers to entry which have allowed incumbent operators in other sectors, such as mobile towers and freight rail, to achieve similarly robust pricing results even without explicit inflation links. Our analysis has found that more than 70% of assets owned by listed infrastructure companies have effective means to pass-through the impacts of inflation to customers, to the benefit of shareholders. Further, the value of infrastructure assets can generally be expected to rise during inflationary environments. Existing infrastructure assets become more attractive as the replacement costs increase. This factor gives infrastructure assets enhanced appeal during periods of high inflation.

While global markets remain unpredictable, we are confident in global listed infrastructure's ability to consistently deliver these positive outcomes to investors over time.

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

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