Global Listed Infrastructure Fund
Monthly update

First Sentier Investors

Monthly Update | August 2022

For professional clients only

Market review

Global Listed Infrastructure shrugged off a renewed focus on inflation and rising interest rates to deliver positive returns in August. The FTSE Global Core Infrastructure 50/50 index gained +3.0% while the MSCI World index^ ended the month +0.2% higher.

The Airports (+3%) sector performed well, as June quarter earnings numbers highlighted positive operating leverage to improving passenger volumes. The worst performing infrastructure sector was Towers / Data Centres (-6%). These relatively interest rate-sensitive stocks lagged after a speech by the head of the US Federal Reserve emphasized a determination to keep raising interest rates until inflation subsides.

The best performing infrastructure region was Latin America (+8%), reflecting strong returns from Mexico's airports and Brazil's railroads and toll roads. The worst performing infrastructure region was the United Kingdom (-5%). Its utilities fell after higher natural gas prices caused a sharp rise in the regulator-set limit on UK consumer energy bills from October onwards. This led to concerns about the potential need for changes to the regulatory model, or political intervention.

Fund performance

The Fund returned +4.4% after fees[1] in August, +140 bps ahead of its benchmark index.

Annual Performance (% in GBP) to 31 August 2022

Period	12 mths to 31/08/2022	12 mths to 31/08/2021	12 mths to 31/08/2020	12 mths to 31/08/2019	12 mths to 31/08/2018
First Sentier Global Listed Infrastructure Fund B GBP Acc	19.8	14.5	-13.2	23.1	-3.5
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	21.2	15.6	-14.0	22.6	-1.9
MSCI World Net Total Return Index GBP	0.4	26.2	6.2	7.0	12.1

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 base currency of the share class, the return may increase or decrease as a result of currency fluctuations.

Performance data 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. First Sentier Global Listed Infrastructure Fund, Class B (Accumulation) GBP shares. Benchmark is the FTSE Global Core Infra 50/50 TR Index from 1 April 2015, prev. UBS Global Infra & Utilities 50/50 TR Index. ^MSCI World Index (GBP) is provided for information purposes only. Index returns are net of tax. Data to 31 August 2022. Source: First Sentier Investors UK Funds Limited/Lipper IM.

[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 Japanese passenger rail operator West Japan Railway (+11%). Earnings numbers for the June quarter included the company's first quarterly profit since the COVID-19 pandemic began, underpinned by a recovery in passenger numbers.

Mexican airport operator ASUR (+11%) outperformed after passenger volumes for the month of July increased by 21% compared to the same period a year earlier. Passenger numbers at its airports have now exceeded 2019 levels by 19%. Swiss peer Flughafen Zurich (+5%) also climbed after better than expected earnings results for the first half of 2022, helped by traffic recovery and a disciplined approach to cost control. Spanish-listed AENA (-1%) gave up some ground; investor concerns that demand for its tourism-focused airports may be affected by a slowing economic environment outweighed news that July traffic levels had reached 92% of 2019 levels.

The portfolio's US utilities performed relatively well in the "risk-off" environment. Many of these companies are expected to prove relatively immune to any economic slowdown that may arise as a result of the Federal Reserve's interest rate increases. The signing of the Inflation Reduction Act into law by President Biden also buoyed sentiment towards this space. The Act is expected to provide greater certainty of earnings growth for utilities over the long term, particularly those involved in the transition away from fossil fuels and towards renewables. Stronger performers included Arizona's largest utility, Pinnacle West (+3%), Minnesota-based Xcel Energy (+1%), and large-cap renewables leader and Florida utility operator NextEra Energy (+1%).

The worst performing stock in the portfolio was Danish-listed renewables developer Ørsted (-14%), which announced disappointing June quarter earnings results, owing to weaker than expected performance from its offshore wind division. Towards the end of August, the company announced that Hornsea 2, the world's largest installed wind farm, was fully operational. Ørsted now has 13 operational offshore wind farms in the UK, which can generate enough power for more than 7 million homes.

UK utility SSE (-7%) also underperformed after Russian energy company Gazprom announced it would suspend gas flows to Germany via the Nord Stream 1 pipeline, pushing natural gas prices sharply higher. As noted above, these higher gas prices triggered concerns about the potential need for political or regulatory intervention in UK (and European) power markets. On the other side of the equation, US Liquefied Natural Gas exporter Cheniere Energy (+7%) announced better than expected June quarter profits and raised earnings guidance for the year, as energy market uncertainty drove strong global demand for reliable sources of natural gas.

Fund activity

No material changes were made to Fund positioning during the month.

Market outlook and Fund positioning

The Fund invests in a range of 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 inflation-protected income and strong capital growth over the medium-term.

Against an unpredictable economic backdrop, listed infrastructure remains supported by a number of structural growth drivers. We remain optimistic about the substantial investment opportunities associated with the decarbonisation of the world's energy needs. Utilities, which represent about a half of the listed infrastructure opportunity set, are positioned to derive steady, regulated earnings growth by building solar and wind farms, and by upgrading and expanding the networks needed to connect these new power sources to the end user. In the medium term, the roll-out of electric vehicles is then expected to provide an additional boost to utilities – first from investment opportunities associated with linking EV charging stations to the grid; and then from higher overall demand for electricity. Our strategy has a long-held preference for US over UK / European utility companies, owing to relatively transparent and fair US regulatory frameworks and historically lower levels of US political and regulatory interference.

Digitalisation is another key theme for the asset class. Structural growth in demand for mobile data (underpinned by an ever-growing reliance on digital connectivity) continues to support steady earnings growth for Towers and Data Centres, insulating them from the ebbs and flows of the broader global economy. The changes required during the pandemic have already led to a greater reliance on wireless data in many people's everyday lives. The adoption of 5G technology over the medium term will require networks to handle increased data speed, and a much higher number of connected devices.

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

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