# Global Listed Infrastructure Fund
# Quarterly update

First Sentier Investors

Quarterly Update | Q3 2022

For professional clients only

## Market insights

Mounting concerns for higher interest rates caused turbulence in financial markets during the September quarter. The Fund returned +1.6% after fees[1], compared with a fall of -1.0% for its benchmark index. Global equities ended the quarter +2.1% higher.

In August, the US Inflation Reduction Act of 2022 (IRA) was signed into law. The IRA includes a broad range of measures in support of renewables and low carbon energy sources; notably new or extended tax credits for wind and solar, battery storage, electric vehicles, hydrogen, and nuclear power. These have positive implications for the global listed infrastructure asset class, particularly US utilities.

## Fund performance

### Annual Performance (% in GBP) to 30 September 2022

| Period | 12 mths to 30/09/2022 | 12 mths to 30/09/2021 | 12 mths to 30/09/2020 | 12 mths to 30/09/2019 | 12 mths to 30/09/2018 |
|---|---|---|---|---|---|
| First Sentier Global Listed Infrastructure Fund B GBP Acc | 13.7 | 11.3 | -12.8 | 27.5 | -2.2 |
| FTSE Global Core Infrastructure 50/50 Index Net TR GBP | 13.4 | 11.1 | -12.6 | 24.4 | 3.2 |
| MSCI World Net Total Return Index GBP | -2.9 | 23.5 | 5.2 | 7.8 | 14.4 |

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 30 September 2022. Source: First Sentier Investors UK Funds Limited/Lipper IM.

## Sector and region performance

The Energy Midstream sector performed relatively well, aided by strong performance from US operators with exposure to Liquefied Natural Gas (LNG) export markets. Japanese passenger rail stocks gained as travel restrictions into the country were eased. Airports also fared reasonably well, as June quarter earnings numbers highlighted positive operating leverage to improving passenger volumes.

However the interest rate sensitive Towers / DCs and Water / Waste sectors underperformed. During the September quarter the US 10-year bond yield increased from 3.0% to 3.8% - its highest level in over a decade.

[1] Performance is based on OEIC B Acc share class, net of fees, expressed in 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.**

## Portfolio activity

ENN Energy, a Chinese gas utility run by an experienced and well regarded management team, was added to the portfolio. The Chinese gas distribution market is on a structural growth trajectory, underpinned by a national clean energy drive and an increasing urbanisation rate. Against this supportive backdrop, ENN has demonstrated an ability to expand its high return business model across China.

UK water utility Severn Trent was divested after the stock traded up to valuation multiples where limited mispricing was evident; and on concerns that the current regulatory review process for UK water companies may affect sentiment towards the sector in coming months.

## Market outlook

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 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 (particularly car traffic) likely to prove resilient if economic conditions deteriorate. Toll roads are also likely to fare relatively well in a higher inflation environment. Many toll roads have concession agreements that specify how prices can be increased, with an option to follow the inflation rate or an agreed percentage – whichever is higher.

A substantial portion of the portfolio is invested in Utilities / Renewables. The Fund's focus is on companies with the scope to derive steady, low risk earnings growth by replacing old fossil fuel power plants with renewables, and by upgrading and expanding the networks needed to connect these new power sources to the end user.

The portfolio is underweight Towers / DCs. We still expect the sector to be a beneficiary of structural growth in demand for mobile data, and for earnings to prove relatively resilient in the event of a slowing economy. However, further interest rate rises could represent a headwind to valuation multiples in the near term, and to interest expense in the medium term. Underweight exposure to the Energy Midstream sector has been maintained. Strong gains across the sector have moved these stocks to lower rankings within our investment process; and we remain conscious of the structural headwinds that Net Zero initiatives may present to these stocks.

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