Global Listed Infrastructure Fund (Irish VCC)
Monthly update

Monthly Update | June 2022

For professional clients only

Market review

Global Listed Infrastructure decreased as central bank tightening measures, elevated inflation levels and concerns for lower economic growth rates continued to weigh on financial markets. The FTSE Global Core Infrastructure 50/50 index fell -6.2%, while the MSCI World index^ ended the month –8.7% lower.

The best performing infrastructure sector was Toll Roads (+1%), which were supported by the appeal of inflation-linked tolls and the prospect of takeover activity. The worst performing infrastructure sector was Energy Midstream (-10%), on the view that a slowing economic growth rate would reduce demand for hydrocarbons.

The best performing infrastructure region was Japan (+7%), traditionally viewed as a defensive haven during volatile markets. Its utilities performed strongly on the view that the record-breaking heatwave currently enveloping the country would lead to higher air conditioner usage and increased electricity demand. The worst performing infrastructure region was Latin America (-7%), as investor interest in higher beta areas of the market waned.

Fund performance

The Fund returned -7.5% after fees[1] in June, 129 bps behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

Annual Performance (% in USD) to 30 June 2022

Period	12 mths to 30/06/2022	12 mths to 30/06/2021	12 mths to 30/06/2020	12 mths to 30/06/2019	12 mths to 30/06/2018
First Sentier Global Listed Infrastructure Fund ID USD	-0.9	17.2	-6.7	12.4	-0.9
FTSE Global Core Infrastructure 50/50 Index Net TR USD*	2.9	18.5	-8.0	15.5	2.8
MSCI World Net Total Return USD	-14.3	39.0	2.8	6.3	11.1

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 I (Distributing) USD 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 Net Total Return Index USD is provided for information purposes only. Index returns are net of tax. Data to 30 June 2022. Source: First Sentier Investors UK Funds Limited/Lipper IM.

[1] Performance is based on VCC ID share class, net of fees, expressed in USD.
^ MSCI World Net Total Return Index, USD.
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 EEA 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 Australian-listed toll road operator Atlas Arteria (+12%), which owns toll roads in France, the US and Germany. The stock surged after direct infrastructure manager IFM Investors announced it had built a 15% stake and suggested that it may launch a takeover bid for the entire company. Mexican peer Pinfra (+9%) recovered ground after the appointment of a new auditor eased investor concerns about delays to the publication of audited financial statements for 2021. Transurban (+2%), whose assets include the main toll road networks in Australia's three largest cities, also outperformed as takeover interest in Atlas Arteria highlighted the appeal of its long-life, cash generative assets. The concession terms of the vast majority of Transurban's roads allow tolls to be increased by at least the rate of inflation. In contrast, Brazil's CCR (-6%) gave up ground as the risk-off environment overshadowed healthy traffic volumes (consistently above 2019 levels) on its toll roads.

Other strong performers during the month included West Japan Railway (+5%) following news that restrictions on the number of international travellers visiting Japan would be eased; and that the country's "Go To Travel" promotion for domestic tourists may be restarted. The company's rail network service territory includes the culturally rich Kansai region. China Gas (+4%) increased on indications that demand for natural gas in China was increasing as the country's coronavirus lockdown measures are lifted. News that the G7 group of countries were considering implementing a price cap on oil and natural gas exports from Russia provided an additional tailwind to China's gas utilities, on hopes for lower input costs.

Large cap US utility and renewables leader NextEra Energy (+2%) gained after raising earnings guidance to almost 10% per annum between 2021 and 2025, underpinned by the substantial investment opportunities presented by the transition to renewables. The company also announced a "Real Zero" target, under which it plans to eliminate carbon emissions from its operations by 2046, while providing carbon emissions-free energy to its customers. However, other US utilities including FirstEnergy (-11%), PPL Corp (-9%) and Sempra Energy (-8%) decreased as investors took profits and the US Federal Reserve raised interest rates by larger-than-expected 0.75%.

The worst performing stock in the portfolio was US energy midstream company Targa Resources (-17%), which was affected by concerns of an economic slowdown. During the month the company agreed to acquire natural gas processor Lucid Energy for $US3.5 billion, in an acquisition which complements Targa's existing Texas-focused energy infrastructure footprint. Other energy midstream stocks DT Midstream (-15%) and Pembina Pipeline (-10%) gave up ground for similar reasons.

In the airports space, Spain's AENA (-15%) underperformed despite upgrading its traffic forecasts for the 2022 calendar year, as the prospect of recession raised concerns that people may be less willing to spend on holidays and overseas travel. Switzerland's Flughafen Zurich (-11%) underperformed for the same reason. Staff shortages in the transportation sector and a series of transport strikes across Europe also weighed on sentiment towards these stocks. Mexican peer ASUR (-8%) fared somewhat better, after May data showed that passenger volumes at its airports had now reached 120% of 2019's pre-pandemic levels.

Fund activity

The Fund divested its position in large cap Spanish-listed electric utility Iberdrola. After investing in the stock in September 2021, the easing of political risk concerns and a growing focus on the build-out of renewables in Europe drove share price outperformance, moving the stock to a lower ranking within our investment process.

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 the potential for inflation-protected income and strong capital growth over the medium-term.

Against a challenging 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. Portfolio holdings Entergy, NextEra Energy and PPL Corp were amongst the US utilities that increased their earnings guidance in June as a result of additional investment in these areas – a welcome contrast to the turmoil seen elsewhere in financial markets.

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.

The asset class also continues to receive valuation support from the unlisted market. The expected takeover offer for Atlas Arteria would make it the latest Australian listed infrastructure company to be acquired by private buyers, following the acquisitions of Spark Infrastructure, Ausnet Services and Sydney Airport during the past 12 months. These offers illustrate the appeal that these long life and often unique assets present to sovereign wealth funds, private equity, unlisted infrastructure managers and trade buyers alike.

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

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. In the EEA, issued by First Sentier Investors (Ireland) Limited which is authorised and regulated in Ireland by the Central Bank of Ireland (registered number C182306) in connection with the activity of receiving and transmitting orders. Registered office: 70 Sir John Rogerson’s Quay, Dublin 2, Ireland number 629188. 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 SC079063.

Certain funds referred to in this document are identified as sub-funds of First Sentier Investors Global Umbrella Fund plc, an umbrella investment company registered in Ireland (“VCC”). Further information is contained in the Prospectus and Key Investor Information Documents of the VCC which are available free of charge by writing to: Client Services, First Sentier Investors, 1 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland or by telephoning +353 1 635 6798 between 9am and 5pm (Dublin time) 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.

In the EU: This document is a marketing communication. The fund(s) mentioned here may or may not be registered for marketing to investors in your location. If registered, marketing may cease or be terminated in accordance with the terms of the EU Cross Border Distribution Framework.

Copies of the prospectus (in English and German) and key investor information documents in English, German, French, Danish, Spanish, Swedish, Italian, Dutch, Norwegian and Swedish, along with a summary of investor’s rights are available free of charge at firstsentierinvestors.com

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.

MAR000952_0722_EU