

# Global Listed Infrastructure Fund (Irish VCC) Quarterly update

## Market insights

Global Listed Infrastructure climbed in the December quarter on hopes that interest rates may increase at a slower pace than previously anticipated; and as China lifted its strict covid restrictions. The Fund returned +8.8% after fees<sup>1</sup>, compared with a +9.0% gain for its benchmark index. Global equities ended the quarter +9.8% higher.

## Fund performance

### Annual Performance (% in USD) to 31 December 2022

Period	12 mths to 31/12/2022	12 mths to 31/12/2021	12 mths to 31/12/2020	12 mths to 31/12/2019	12 mths to 31/12/2018
First Sentier Global Listed Infrastructure Fund ID USD	-3.9	11.6	-3.5	24.3	-8.3
FTSE Global Core Infrastructure 50/50 Index Net TR USD	-4.9	14.9	-4.1	25.1	-4.0
MSCI World Net Total Return Index USD <sup>^</sup>	-18.1	21.8	15.9	27.7	-8.7

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. <sup>^</sup> MSCI World Net Total Return Index USD is provided for information purposes only. Index returns are net of tax. Data to 31 December 2022. Source: First Sentier Investors UK Funds Limited/Lipper IM.

## Sector and region performance

Water stocks recovered from previous underperformance, supported by a potential peak in bond yields and solid September quarter earnings results. The Airports sector also performed well, reflecting strong pent-up demand, better than expected traffic volumes in European and Mexican airport operators, and optimism as China's travel restrictions were lifted.

However, Towers and Data Centres lagged as healthy September quarter earnings numbers from large cap US operators such as American Tower and SBA Communications were outweighed by concerns that elevated interest rates may affect the sector's 2023 earnings.

## 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.**

<sup>1</sup> Performance is based on VCC ID share class, net of fees, expressed in USD. All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

## Portfolio activity

The Fund initiated a position in Duke Energy, a large-cap, vertically integrated electric and gas utility based in North Carolina. The company's assets include a substantial, well-diversified fleet of electricity generation assets and over 400,000km of distribution lines across a service territory covering 270,000 square kilometres. Its rate base is forecast to grow at a compound annual growth rate of 7% up to 2032, driving Earnings Per Share (EPS) growth of between 5% and 7% per annum and supporting a ~4% dividend yield. This stock, which is currently trading at undemanding valuation multiples, was added to the portfolio on the appeal of its stable earnings profile and defensive attributes.

Japanese passenger rail operator West Japan Railway was divested after the easing of travel restrictions for tourists and business travellers entering Japan, along with falling COVID case numbers, led to a period of share price outperformance. This moved the stock to a lower ranking within our investment process.

## Market outlook

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.

The asset class remains positioned to benefit from several long term, 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 global 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.

Digitalisation is another key long term theme for the asset class. The changes required during the pandemic accelerated a shift towards the use of wireless data in many people's everyday lives. While rising interest rates weighed on Towers and Data Centres earlier in 2022, structural growth in demand for mobile data (underpinned by the growing reliance on digital connectivity) continues to support steady revenue growth for these stocks.

We also see continued evidence of recovery within the transport infrastructure space. Toll roads represent exceptional value at current levels, with traffic volumes (particularly car traffic) proving resilient. 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. As a result, year-on-year toll uplifts of between 4% and 7% are likely for many developed market roads.

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