# Global Listed Infrastructure Fund (USD)

## Quarterly update

First Sentier Investors

For professional clients only

Q2 2024

## Market insights

Global Listed Infrastructure delivered modest gains during the June quarter against a backdrop of political uncertainty. The Fund returned +1.4% after fees[1], compared with a +0.7% return from its benchmark index. Global equities ended the quarter +2.6% higher.

## Fund performance

**Annual Performance (% in USD) to 30 June 2024**

| Period | 12 mths to 30/06/2024 | 12 mths to 30/06/2023 | 12 mths to 30/06/2022 | 12 mths to 30/06/2021 | 12 mths to 30/06/2020 |
|---|---|---|---|---|---|
| **First Sentier Global Listed Infrastructure Fund ID USD** | 2.37 | 0.16 | –0.89 | 17.16 | –6.70 |
| **FTSE Global Core Infrastructure 50/50 Index Net TR USD** | 4.34 | –0.62 | 2.90 | 18.51 | –8.02 |
| **MSCI World Net Total Return Index USD[2]** | 20.19 | 18.51 | –14.34 | 39.04 | 2.84 |

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.

## 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.**
- **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.
- **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.
- **Concentration risk:** the Fund invests in a relatively small number of companies which may be riskier than a fund that invests in a large number of companies.
- **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.

For details of the firms issuing this information and any funds referred to, please see Terms and Conditions and Important Information.

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.**

1 Performance is based on VCC ID share class, net of fees, expressed in USD.
2 MSCI World Net Total Return Index USD is provided for information purposes only. Index returns are net of tax. Data to 30 June 2024. Source: First Sentier Investors UK Funds Limited/Lipper IM.

## Sector and region performance

Energy midstream stocks gained on healthy March quarter earnings and a growing view that higher energy demand would drive appetite for natural gas. Utilities/renewables were buoyed by increasing demand for electricity, driven by data centres/AI, industrial onshoring and EVs. Demand is proving particularly strong for carbon-free energy sources.

However, North American freight railroads lagged on soft pricing and the slow pace of volume recovery. Norfolk Southern gave up ground on concerns that operational improvements may take longer than previously hoped, having largely rebuffed the approach of activist investor Ancora Holdings. Concerns for political risk weighed on toll road operators, as France and Mexico held elections.

## Portfolio activity

A position was initiated in GFL Environmental, the fourth-largest North American waste management company with operations in every Canadian province and in 24 US states. Despite strong earnings growth since listing in 2020, the company currently trades at a discount to peers on concerns around its current borrowing levels. From here, disciplined balance sheet management and favourable operating conditions for the waste management sector give the stock scope to close the valuation gap that currently exists between it and peers.

A position in US regulated electric utility Entergy was divested. The stock has re-rated during the portfolio's holding period and the portfolio manager is wary the upcoming Caribbean hurricane season may harm its US Gulf Coast-focused service territory. While regulators typically allow US utilities to pass these costs through to customers over time, there may be a lag between the costs being incurred and the time over which they can be recouped.

## 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.

Toll roads remain the portfolio's largest sector overweight. These stocks have benefited from a shift towards cars and away from public transport since the COVID-19 pandemic. To date, inflation-linked toll increases have had little impact on demand. High operating leverage (i.e. largely fixed costs as sales increase) has proved supportive of earnings growth. Improvements made to toll road networks in recent years provide scope for further growth in traffic volumes.

A substantial portion of the portfolio consists of utilities/renewables. The shift from coal generation to wind, solar and storage, supported in the US by the Inflation Reduction Act; along with the need for increased resiliency spend, should drive meaningful capital expenditure growth for this sector. Increased capex should in turn drive higher rate base and earnings growth for regulated utilities. This theme is being amplified by growth in demand for electricity – the first time in decades that this has been seen in many developed markets.

The portfolio remains underweight energy midstream. A rising oil price, robust US export levels and a disciplined approach to capital expenditure are enabling the sector to generate strong free cash flow. However, following a sustained period of positive performance, mispricing in this sector has become less evident. We have maintained high conviction positions in companies operating in low-cost basins; or that are positioned to benefit from growth in US exports.

Designed by the EMEA/US Design Team – PC0718