

# First Sentier Responsible Listed Infrastructure Fund (Irish VCC)

Quarterly Investment Report

31 December 2023

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## Risk Factors

This document is a financial promotion for the First Sentier Responsible Listed Infrastructure Fund 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 substantially less than the original amount invested.**
- **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.
- **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.
- **Listed Infrastructure Risk:** the Fund may be vulnerable to factors that particularly affect the infrastructure sector, for example 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.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Information Document.

**If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.**

**If you are unsure of the terminology used in this report, please seek independent financial advice.**

# Portfolio Overview

31 December 2023

## Investment objective and policy

The Fund aims to achieve income and growth on your investment.

The Fund invests at least 70% of its assets in listed shares of companies around the world that focus on or are otherwise involved in the infrastructure sector. The infrastructure sector includes but is not limited to utilities (e.g. water and electricity), highways and railways, airport services, energy storage and transportation. The Fund focuses on a number of different aspects in the companies it is looking to buy or hold including the valuation and quality of those companies. The Fund seeks to invest in infrastructure companies making progress on environmental, social and governance ('ESG') issues (such as those delivering affordable clean energy to the communities they serve). The Fund's approach to sustainable investment and its assessment of sustainability attributes is considered "thematic" due to its consideration of each company's approach and progress towards ESG issues, and their alignment with UN Sustainable Development Goals. Sustainability decisions are made on information available and may be at risk if underlying information is incorrect or withheld. The Fund will only invest in companies with a market capitalisation of at least USD500m at the time of purchase. The Fund may use derivatives with the aim of risk reduction or efficient management.

## Available Share Classes

| ISIN         | Sedol   | Share Class  |
|--------------|---------|--|
| IE00BDBRBT63 | BDBRBT6 | First Sentier Responsible Listed Infrastructure Fund USD Class VI (Accumulation) |
| IE00BDBRBS56 | BDBRBS5 | First Sentier Responsible Listed Infrastructure Fund EUR Class VI (Accumulation) |
| IE00BDBRBV85 | BDBRBV8 | First Sentier Responsible Listed Infrastructure Fund GBP Class VI (Distributing) |
| IE00BDBRBW92 | BDBRBW9 | First Sentier Responsible Listed Infrastructure Fund USD Class E (Accumulation)  |
| IE00BDBRBX00 | BDBRBX0 | First Sentier Responsible Listed Infrastructure Fund EUR Class E (Accumulation)  |
| IE00BDBRBY17 | BDBRBY1 | First Sentier Responsible Listed Infrastructure Fund GBP Class E (Distributing)  |
| IE0001WZ02Q7 |         | First Sentier Responsible Listed Infrastructure Fund EUR Class I (Accumulation)  |

## Fund Information

|                    |   |
|--------------------|---|
| Fund Launch Date   | 20 December 2017  |
| Fund Size (US\$m)  | 26.4  |
| Benchmark          | FTSE Developed Core Infrastructure ex-Pipelines Index Net TR* |
| Number Of Holdings | 35  |
| Fund Manager(s)    | Rebecca Sherlock/Peter Meany                                  |

\* The benchmark of the Fund changed from FTSE Global Core Infrastructure 50/50 Net Index to FTSE Developed Core Infrastructure ex-Pipelines Index Net TR with effect from 30 November 2022. This change has been reflected in the calculation of the benchmark performance.

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# Performance

31 December 2023

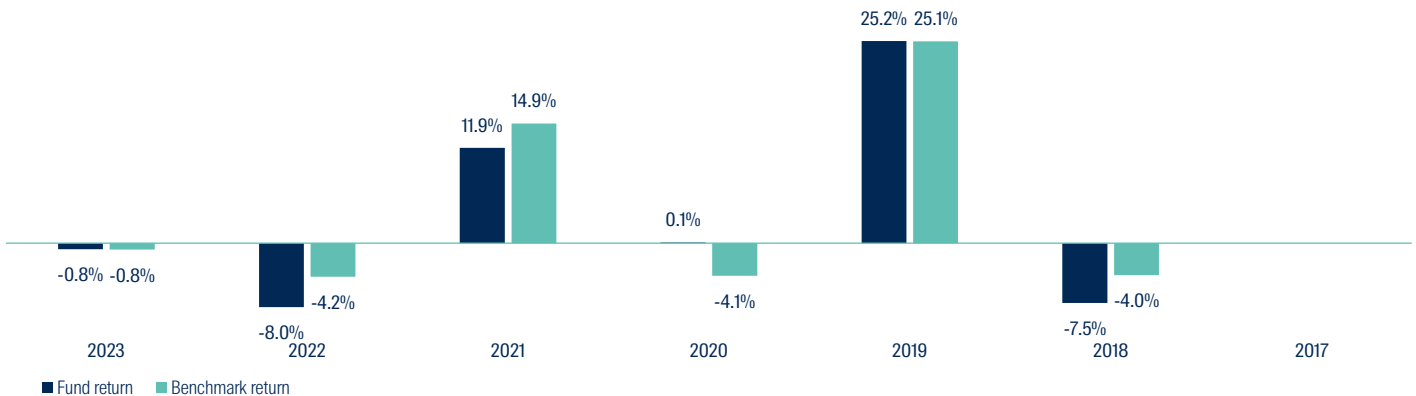
## Annual Performance (% in USD) to 31 December 2023

|  | 12 mths to 31/12/23 | 12 mths to 31/12/22 | 12 mths to 31/12/21 | 12 mths to 31/12/20 | 12 mths to 31/12/19 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| First Sentier Responsible Listed Infrastructure Fund         | -0.8                | -8.0                | 11.9                | 0.1                 | 25.2                |
| FTSE Developed Core Infrastructure ex-Pipelines Index Net TR | -0.8                | -4.2                | 14.9                | -4.1                | 25.1                |

## Cumulative Performance (% in USD) to 31 December 2023

|  | Since Inception | 10 yrs | 5 yrs | 3 yrs | 1 yr | YTD  | 6 mths | 3 mths |
|--|-----------------|--------|-------|-------|------|------|--------|--------|
| First Sentier Responsible Listed Infrastructure Fund         | 18.8            | -      | 27.9  | 2.1   | -0.8 | -0.8 | 3.2    | 14.6   |
| FTSE Developed Core Infrastructure ex-Pipelines Index Net TR | 26.7            | -      | 31.0  | 9.1   | -0.8 | -0.8 | 1.3    | 11.8   |

## Calendar Year Performance (% in USD) to 31 December 2023



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 USD, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 20 December 2017. All performance data for the First Sentier Responsible Listed Infrastructure Fund Class VI (Accumulation) USD as at 31 December 2023. Source for fund - Lipper IM / First Sentier Investors (UK) Funds Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management fee and other fund expenses), 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. Source for benchmark - FTSE, income reinvested net of tax.

On 22 September 2020, First State Sustainable Listed Infrastructure Fund was rebranded as First Sentier Responsible Listed Infrastructure Fund.

# Commentary

31 December 2023

## Market Review

A growing consensus that interest rate cuts were likely in 2024 drove a strong December quarter for Listed Infrastructure, with gains for every infrastructure sector and region.

## Performance Review

Mobile towers led the asset class higher, aided by falling bond yields and activist intervention for Crown Castle. North American freight railroads were supported by improving productivity metrics and indications of volume recovery, following a testing 2023. Water / waste rose on an improving regulatory outlook for UK water utilities, and robust earnings numbers from the US waste management sector. Toll roads performed well on solid traffic numbers and hopes of a soft landing for the global economy.

US infrastructure stocks performed well, reflecting robust gains for the region's tower, railroad and utility companies. Infrastructure stocks in Japan lagged, having delivered strong returns earlier in the year on hopes of corporate reform and easing deflation.

## Fund Activity

The Fund initiated a position in NextEra Energy Partners (NEP), the renewables-focused, listed subsidiary of large-cap US utility NextEra Energy. NEP's share price fell sharply at the end of September, after its dividend growth expectations between now and 2026 were lowered from 12%-15% per year to 5%-8% per year, and on concerns for higher interest rates. However, we believe the market over-reacted to this change, creating an appealing entry point to this stock. The company's work in the renewables space aligns it with UN Sustainable Development Goal 7: Affordable and Clean Energy.

No holdings were divested from the portfolio during the December quarter.

## Outlook

The Fund invests in a range of listed infrastructure assets including toll roads, airports, railroads, utilities and renewables, 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 Fund's focus on sustainable development, guided by the UN Sustainable Development Goals, can create opportunities for positive risk-adjusted performance. It can generate investment ideas, as well as lowering the overall risk profile of a portfolio through a better understanding of Responsible Investment-related risks.

Toll roads remain the portfolio's largest sector overweight. These companies 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. Strong operating leverage (ie largely fixed costs as sales increase) has proved supportive of earnings growth. From here, we believe that 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. Following a challenging 2023, these stocks face a more constructive outlook for 2024. Balance sheets are in better shape, customer bill pressures are declining and we could see a re-emergence of M&A activity. Capital expenditure growth should accelerate, reflecting the need for increased resiliency spend and higher electricity usage growth from data centres, industrial on-shoring and electric vehicles. However, this growth is also likely to require increased equity issuance.

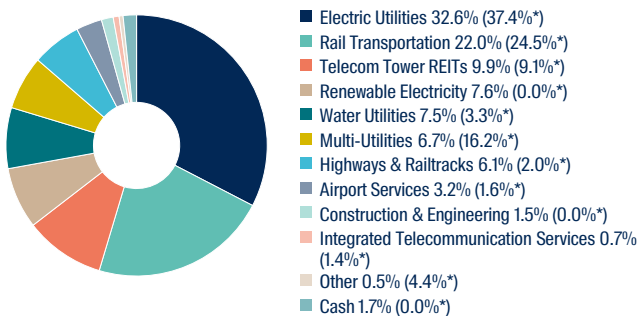
# Portfolio Allocation and Stock Holdings

31 December 2023

## Ten Largest Holdings as at 31 December 2023

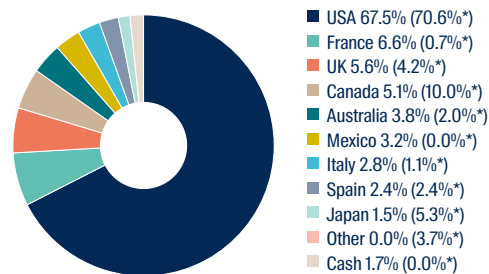
| Stock Name                        | Country | Sector              | Portfolio Weight (%) | Index Weight (%) |
|-----------------------------------|---------|---------------------|----------------------|------------------|
| Union Pacific Corporation         | USA     | Rail Transportation | 9.0                  | 7.7              |
| NextEra Energy, Inc.              | USA     | Electric Utilities  | 8.8                  | 6.3              |
| American Tower Corporation        | USA     | Telecom Tower REITs | 6.1                  | 5.2              |
| Exelon Corporation                | USA     | Electric Utilities  | 5.2                  | 1.8              |
| Canadian National Railway Company | Canada  | Rail Transportation | 5.1                  | 3.8              |
| Edison International              | USA     | Electric Utilities  | 4.5                  | 1.4              |
| Pennon Group Plc                  | UK      | Water Utilities     | 4.1                  | 0.1              |
| Crown Castle International Corp   | USA     | Telecom Tower REITs | 3.8                  | 2.6              |
| Xcel Energy Inc.                  | USA     | Electric Utilities  | 3.8                  | 1.8              |
| Norfolk Southern Corporation      | USA     | Rail Transportation | 3.7                  | 2.8              |

## Sector Breakdown



\*Index Weight

## Country Breakdown



\*Index Weight

Sector and Country classifications provided by Factset and First Sentier Investors. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities.

## Market Capitalisation Breakdown (USD)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First Sentier Investors.

# Stock Contribution

31 December 2023

## Top 5 contributors to absolute performance

3 months to 31 December 2023

| Stock Name                        | Country | Sector              | Value added (bps*) |
|-----------------------------------|---------|---------------------|--------------------|
| American Tower Corporation        | USA     | Telecom Tower REITs | 196                |
| Union Pacific Corporation         | USA     | Rail Transportation | 178                |
| Pennon Group Plc                  | UK      | Water Utilities     | 121                |
| Canadian National Railway Company | Canada  | Rail Transportation | 81                 |
| Norfolk Southern Corporation      | USA     | Rail Transportation | 78                 |

12 months to 31 December 2023

| Stock Name                 | Country | Sector                | Value added (bps*) |
|----------------------------|---------|-----------------------|--------------------|
| Union Pacific Corporation  | USA     | Rail Transportation   | 146                |
| Enel SpA                   | Italy   | Electric Utilities    | 82                 |
| American Tower Corporation | USA     | Telecom Tower REITs   | 69                 |
| Solaria Energia Y Comstk   | Spain   | Renewable Electricity | 60                 |
| Emera Incorporated         | Canada  | Electric Utilities    | 50                 |

## Bottom 5 contributors to absolute performance

3 months to 31 December 2023

| Stock Name                              | Country | Sector                                | Value added (bps*) |
|---|---------|---------------------------------------|--------------------|
| Exelon Corporation                      | USA     | Electric Utilities                    | -19                |
| Pinnacle West Capital Corporation       | USA     | Electric Utilities                    | -1                 |
| Infrastrutture Wireless Italiane S.p.A. | Italy   | Integrated Telecommunication Services | 4                  |
| West Japan Railway Company              | Japan   | Rail Transportation                   | 5                  |
| Iberdrola SA                            | Spain   | Electric Utilities                    | 9                  |

12 months to 31 December 2023

| Stock Name                      | Country | Sector              | Value added (bps*) |
|---------------------------------|---------|---------------------|--------------------|
| NextEra Energy, Inc.            | USA     | Electric Utilities  | -190               |
| Eversource Energy               | USA     | Electric Utilities  | -122               |
| Crown Castle International Corp | USA     | Telecom Tower REITs | -100               |
| Dominion Energy Inc             | USA     | Multi-Utilities     | -85                |
| Exelon Corporation              | USA     | Electric Utilities  | -76                |

Stock Contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

**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 USD, the return may increase or decrease as a result of currency fluctuation.**

This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management fee and other fund expenses) but after the deduction of transactional costs.

Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

\* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by First Sentier Investors.

# Risk Analysis

31 December 2023

## Portfolio Risk Analysis - Ex-Post 3 Years Annualised to 31 December 2023

| Risk Measure                 | Value  | Risk Description  |
|------------------------------|--------|---|
| Beta                         | 1.06   | Beta is a measure of volatility relative to the market. A beta of 1 would indicate that the fund tended to move in line with the market; a beta greater than 1 would indicate that the fund has been more volatile than the market; whereas a beta less than 1 would indicate that the fund has been less volatile than the market. |
| Information Ratio            | -0.61  | The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.   |
| Portfolio Standard Deviation | 16.88% | A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.  |
| Benchmark Standard Deviation | 15.70% | A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.  |
| Tracking Error               | 2.59%  | The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.  |

## Portfolio Risk Analysis - Ex-Ante at 31 December 2023

| Risk Measure              | Value | Risk Description   |
|---------------------------|-------|--|
| Dividend Yield (Fund)     | 3.47% | The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.   |
| Dividend Yield (Index)    | 3.12% | The annual dividend yield paid per share divided by the share price. This factor measures the value of company shares according to the stream of dividend income resulting from share ownership.   |
| Price to Book (Fund)      | 2.56  | The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares. |
| Price to Book (Index)     | 2.04  | The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares. |
| Price to Earnings (Fund)  | 21.91 | Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.                |
| Price to Earnings (Index) | 16.87 | Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.                |

Data source: Ex-post information is calculated by First Sentier Investors, ex-ante information is provided by FactSet.



# Disclaimer

31 December 2023

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