First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Monthly Review and Outlook | November 2020

Market review

Global Listed Infrastructure climbed strongly in November, helped by signs of progress in the fight against coronavirus and optimism regarding Joe Biden's victory in the US presidential election. The FTSE Global Core Infrastructure 50/50 index rose +7.8%, while the MSCI World index^ ended the month +12.8% higher.

The best performing infrastructure sector was Airports (+22%) as investors looked forward to a return to international travel. Pipelines (+15%) also gained, on the view that a coronavirus vaccine will lead to a quicker economic recovery and greater demand for fuel. The worst performing infrastructure sector was Multi-Utilities (-1%) as investors switched to assets with economic sensitivity. Electric Utilities (+3%) delivered positive returns, but also underperformed rising markets for the same reason. Having performed well when coronavirus was worsening, Towers / Data Centres (+2%) lagged in November.

The best performing infrastructure region was Europe ex-UK (+17%), which was led higher by its airports and toll road operators. Infrastructure stocks in Latin America (+14%) also outperformed on the view that a return to international travel will support developing economies. The worst performing infrastructure region was the United Kingdom (-3%) reflecting its high utilities weighting, and investor caution ahead of the year-end deadline for Brexit trade talks.

Fund performance

The Fund returned 9.3% after fees[1] in November, 156 basis points ahead of the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

Cumulative performance in USD (%)[2]

	3 mths	YTD	1 yr	3 yrs	5 yrs	Since inception
Class I (USD - H Dist)	6.4	-2.7	0.5	11.0	43.4	88.7
Benchmark*	5.8	-5.3	-1.3	12.2	48.1	89.0

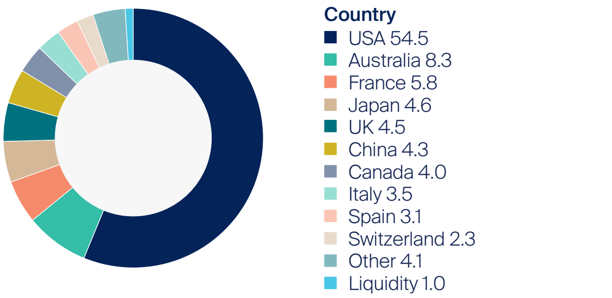
Calendar year performance in USD (%)[2]

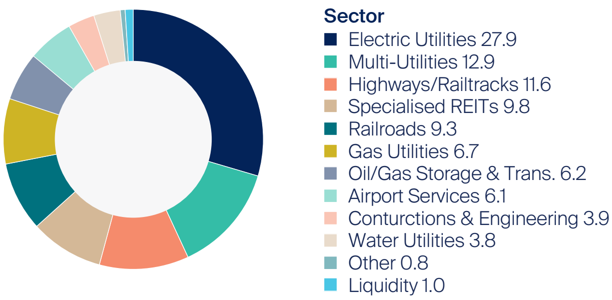
	2019	2018	2017	2016	2015
Class I (USD - H Dist)	24.3	-8.3	17.2	11.7	-5.7
Benchmark*	25.1	-4.0	18.4	11.3	-6.0

Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* The benchmark displayed is UBS Global Infrastructure & Utilities 50-50 Index until 31 March 2015 and FTSE Global Core Infrastructure 50/50 Index from 1 April 2015 onwards. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date.
1 Source: First Sentier Investors & Bloomberg, the First Sentier Global Listed Infrastructure's cumulative return over one month, data as of 30 November 2020.
^ MSCI World Net Total Return Index, USD
All stock and sector performance data expressed in local currency terms. Source: Bloomberg.
This Fund is a sub fund of Ireland domiciled First Sentier Investors Global Umbrella Fund Plc.

- The Fund invests primarily in global listed infrastructure and infrastructure-related equity or equity related securities worldwide. Investments in infrastructure projects may involve risks including projects not being completed on time and within budget, changes in environment laws and regulations.
- The Fund's investments may be concentrated in a single and limited/specialist sector or in fast growing economies which may have higher volatility or greater loss of capital than more diversified portfolios.
- Small/ mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- For certain share classes, the Fund may at its discretion pay dividend out of capital or pay fees and expenses out of capital to increase distributable income and effectively a distribution out of capital. This amounts to a return or withdrawal of your original investment or from any capital gains attributable to that, and may result in an immediate decrease of NAV per share.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Asset allocation (%)[2]





Top 10 holdings (%)[2]

Stock Name	Sector	%
American Tower Corporation	(Specialised REITs)	6.3
Transurban	(Highways/Railtracks)	6.3
Nextera Energy Inc	(Electric Utilities)	6.1
Dominion Energy Inc COM	(Multi-Utilities)	5.0
Eversource Energy	(Electric Utilities)	3.2
Aena SA	(Airport Services)	3.1
CenterPoint Energy, Inc.	(Multi-Utilities)	2.8
SBA Communications Corp Class A	(Specialised REITs)	2.7
Emera Inc	(Electric Utilities)	2.7
Alliant Energy Corporation	(Electric Utilities)	2.6

The best performing stock in the portfolio was French toll road operator Eiffage (+32%) which rallied strongly as investor sentiment improved. The company's contracting business segment is well positioned to benefit from the €100 billion French economic stimulus package announced in September. After exiting the first lockdowns, traffic volumes on its French motorway business have proved resilient. Larger peer Vinci (+26%) outperformed for similar reasons. Pre-pandemic, over 10% of its earnings came from its airport concessions business, giving it additional scope to benefit from a return to economic normality.

European airports Flughafen Zurich (+24%) and AENA (+18%) were propelled higher by the prospect of a return to international travel. As well as positive vaccine news, Mexican operator ASUR (+23%) was supported by a positive revision to the regulatory terms for peer GAP that will allow it to increase tariffs; and sequential improvements in passenger volumes.

Energy infrastructure stocks were also beneficiaries of November's developments. French-listed energy supply and storage business Rubis (+27%) was buoyed by the improving outlook and the announcement of a €250 million share buy-back, equivalent to ~9% of its market capitalisation. Pembina Pipeline (+19%) and Magellan Midstream Partners (+19%) rallied strongly as investors identified value after a sustained period of underperformance. Best-in-class LNG exporter Cheniere (+18%) also rose on the prospect of strengthening natural gas demand from Asia. Gas utility China Gas (+20%) outperformed on the view that a return to economic normality in China would increase demand for natural gas from its industrial and commercial customers. Government policies promoting a switch from coal to natural gas for residential heating continue to underpin demand from retail customers.

The worst performing stock in the portfolio was UK multi-utility National Grid (-6%), on investor caution ahead of the UK regulator's Final Determination of RIIO-2 (the price framework that will apply to the country's gas and electricity transmission utilities for the next five years) in December. UK water utility Severn Trent (-2%) lagged as investors rotated away from defensive businesses, despite strong Outcome Delivery Incentives performance (a mechanism allowing the company to earn financial incentives in return for meeting key operational performance targets). Electric utility SSE (+7%) fared better; its offshore wind business appears likely to be a primary beneficiary of the UK's recently announced 10-point plan for a green industrial revolution. US utilities including Alliant Energy (-5%), Xcel Energy (-4%) and Dominion Energy (-2%) paused for breath in November, following several months' strong performance in the lead-up to the US presidential election.

Mobile Towers lagged as these perceived safe havens suffered a reversal of equity flows, including portfolio holdings SBA Communications (- 1%) and American Tower (+2%). Despite this, Italian operator Inwit (+16%) released an updated business plan with better-than-expected earnings growth and dividend payout. US-based Crown Castle (+7%) was the first tower company to sign a leasing agreement with new entrant DISH, as a precursor to further revenue growth ahead.

Fund activity

The Fund initiated a position in FirstEnergy, a US regulated utility with 24,000 miles of transmission network connecting the Midwest and Mid-Atlantic regions; and ten electric distribution companies serving customers in Ohio, Pennsylvania, New Jersey, West Virginia, Maryland and New York. Company executives have been implicated in a bribery scandal in the company's Ohio business, relating to the payment of state subsidies to a former FirstEnergy subsidiary. As a result, FirstEnergy's share price has materially underperformed peers in recent months. While concerning and likely to create regulatory uncertainty for FirstEnergy's Ohio operations, our analysis suggests the market has over-reacted to events and created a mispricing opportunity.

Arizona-based utility Pinnacle West was also added to the portfolio. The company's main businesses are Arizona Public Service, the state's largest integrated electric utility; and Bright Canyon Energy, a transmission and renewable energy developer. The company operates in what has been a difficult regulatory

Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist).

2 Source: Lipper & First Sentier Investors, Nav-Nav (USD total return) as at 30 November 2020. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. Fund inception date: 27 June 2008.

jurisdiction. However the appointment of a well-regarded new CEO to the company, and new commissioners to the state utility regulator, are now expected to lead to a more constructive regulatory environment. Solar energy, now the lowest-cost new generation source in many parts of the US, is well suited to Arizona's climate and likely to represent a long term source of capex and earnings growth for the company.

Balancing these two US utility additions, American Electric Power was sold on the view that valuation multiples now reflect its capex-driven growth opportunities. The company continues to replace aging transmission networks and invest in renewables across its sprawling mid-West service territory. New Mexico and west Texas electric utility PNM Resources was also sold after agreeing in October to an US$8 billion takeover offer from Avangrid. The portfolio's exposure to the Airport sector was trimmed by divesting positions in Auckland Airport and Signature Aviation after recent share price gains. Chinese gas utility ENN Energy was also divested after sharp share price gains moved the stock to a lower ranking within our investment process.

Market outlook and fund positioning

The Fund invests in a range of global listed infrastructure assets including toll roads, airports, railroads, utilities, pipelines, and wireless towers. 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 listed infrastructure asset class delivered strong increases in November, helping to reduce the losses seen earlier in the year. While changes to share prices have in many cases been substantial, valuations still look reasonable overall. However mispricing in some sectors has now reduced, and portfolio weights have been adjusted to reflect this.

The Fund's exposure to the Airports sector has been reduced. While valuation multiples now reflect positive scenarios over the months ahead, it remains to be seen how quickly consumer behaviour will return to normal. Business travel may never regain previous levels. The decision by Singapore and Hong Kong to delay the launch of an air "travel bubble", originally scheduled for mid-November but now pushed back to 2021, serves as a reminder of the logistical challenges still facing the sector. An underweight exposure to the Pipelines sector has been maintained, reflecting the structural headwinds that many of these companies face as Net Zero initiatives gather pace.

More positively, we believe Toll roads still represent exceptional value, even after recent gains. Traffic volumes have proved more resilient than those of other transport infrastructure assets, with positive momentum in many regions as the year progressed. While increased flexibility to work-from-home may result in adjustments to traffic, we see clear evidence that people prefer to travel by private car than by public transport in order to maintain social distancing. The portfolio's exposure to the Towers and Data Centres sector was raised from neutral to overweight, as relative value emerged. The sector's structural growth drivers of increasing data mobility / connectivity needs in the years ahead remain intact.

The Fund has maintained a large absolute exposure to Multi/ Electric utilities. The resilience and predictability of regulated utility earnings – showcased over the past year – does not appear to be fully appreciated by the market. Further, we expect that the ongoing repair and replacement of old equipment and technology, along with the accelerating build-out of renewables, will represent a source of steady earnings growth over long time frames, particularly for larger utilities with substantial economies of scale.

Source : Company data, First Sentier Investors, as of end of November 2020