First Sentier Global Listed Infrastructure Fund
Monthly review and outlook

First Sentier Investors

Market review

Global Listed Infrastructure ended the year on a mixed note. Surging coronavirus case numbers tempered vaccine hopes and the prospect of a more substantial US stimulus package. The FTSE Global Core Infrastructure 50/50 index rose +1.3%, while the MSCI World index^ ended the month +4.2% higher.

The best performing infrastructure sector was Railroads (+3%), as Japanese bullet train operators gained on appealing valuations and optimism for future passenger rail volumes. Airports (+2%) also rose on hopes that a coronavirus vaccine rollout would enable the start of a return to normality for the sector.

The worst performing infrastructure sector was Towers / Data Centres (-3%), on the view that higher-than-expected prices at the latest 5G spectrum auction could leave telecom companies with less capital for network investment. Pipelines (-2%) also lagged after a very strong November.

The best performing infrastructure region was Latin America (+6%), as Brazil's utilities and Mexican airports continued to gain on hopes for a recovery from 2020's coronavirus-related economic downturn. The worst performing infrastructure region was Australia / NZ (-2%), owing to mounting trade tensions between Australia and China; and a fresh coronavirus outbreak in New South Wales.

Fund performance

The Fund returned -0.7% after fees[1] in December, 204 basis points behind 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)	8.8	-3.5	-3.5	10.0	43.9	87.2
Benchmark*	8.5	-4.1	-4.1	15.3	51.9	91.5

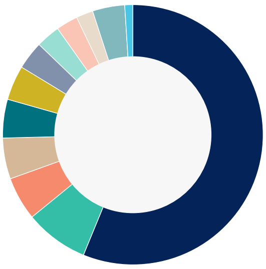
Calendar year performance in USD (%)[2]

	2020	2019	2018	2017	2016
Class I (USD - H Dist)	-3.5	24.3	-8.3	17.2	11.7
Benchmark*	-4.1	25.1	-4.0	18.4	11.3

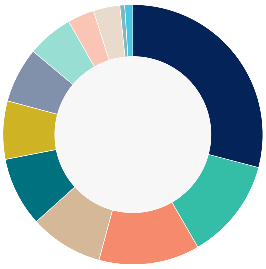
Performance is based on First Sentier Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* 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 31 December 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]



Country
- USA 53.9
- Australia 8.2
- France 5.5
- Japan 4.9
- UK 4.6
- China 4.5
- Canada 3.9
- Italy 3.6
- Spain 3.4
- Switzerland 2.3
- Other 3.7
- Liquidity 1.5



Sector
- Electric Utilities 28.3
- Multi-Utilities 12.6
- Highways/Railtracks 11.5
- Railroads 9.6
- Specialised REITs 9.5
- Gas Utilities 6.5
- Airport Services 6.2
- Oil/Gas Storage & Trans. 5.9
- Water Utilities 3.9
- Construction & Engineering 3.5
- Other 1.0
- Liquidity 1.5

Top 10 holdings (%)[2]

Stock Name	Sector	%
Transurban	(Highways/Railtracks)	6.2
Nextera Energy Inc	(Electric Utilities)	6.2
American Tower Corporation	(Specialised REITs)	6.1
Dominion Energy Inc COM	(Multi-Utilities)	5.0
Aena SA	(Airport Services)	3.4
Eversource Energy	(Electric Utilities)	3.3
Emera Inc	(Electric Utilities)	2.7
SBA Communications Corp Class A	(Specialised REITs)	2.7
CenterPoint Energy, Inc.	(Multi-Utilities)	2.6
Alliant Energy Corporation	(Electric Utilities)	2.6

The best performing stock in the portfolio was US regulated electric utility FirstEnergy (+15%), which rallied on the view that the market had over-reacted to July's news of a corruption case involving nuclear plant subsidies. The company's sale of competitive power generation assets in recent years to focus on its regulated transmission and distribution utility businesses has resulted in a more predictable earnings profile, giving scope for its valuation multiples to expand further from current levels.

Other strong performers in the US electric utility space included NextEra Energy (+5%) on continued market enthusiasm for the green energy transition; and Exelon (+3%), which sold its portfolio of solar assets for US$810 million. The price equates to US$2,250 per kilowatt (KW) of generation capacity, compared to our modelled valuation of US$1,500/KW for these assets. Positively, the move also signals that Exelon is progressing along the path of separating its substantial portfolio of generation assets from its regulated utilities.

Japanese passenger rail holdings West Japan Railway (+13%) and East Japan Railway (+6%) increased on mounting hopes for a passenger recovery in 2021 once coronavirus vaccines are rolled out across Japan. The portfolio's airport operators ASUR (+9%), AENA (+4%) and Flughafen Zurich (+1%) also gained on the view that passenger numbers could increase over the course of the next year.

UK electric utility SSE (+12%) continued its strong run, reflecting a growing recognition of the substantial wind power investment opportunities available to this firm. A broadly positive Final Determination for RIIO-2 (the regulated price framework that will apply to the country's gas and electricity transmission utilities for the next five years) provided an additional tailwind to its share price.

Regulatory decisions also supported Chinese water utility Guangdong Investment (+8%), which rallied after the announcement of favourable terms for its water sales to Hong Kong over the next three years. The same mechanism will also apply for the following two three-year periods, giving the company a total of nine years of regulatory certainty. Gas utility China Gas (+8%) rose after reporting a strong set of interim earnings results at the end of November.

The worst performing stock in the portfolio was Western Canadian pipeline operator Pembina Pipeline (-8%). Concerns for the structural headwinds facing fossil fuel-related businesses overshadowed the announcement of in-line earnings guidance for 2021. The company's prudent approach to capital management offers scope to reduce debt or buy back shares.

An underwhelming response to the IPO of Dalrymple Bay Infrastructure (not in our Focus List) which handles around a third of Queensland's coal exports, weighed on sentiment towards Australian freight rail operator Aurizon (-8%). US multi-utility CenterPoint Energy (-7%) also lagged as it continued to seek a buyer for its stake in the Enable Midstream Partners pipeline business.

Following sharp gains in November, European toll road operators Vinci (-5%), Eiffage (-4%) and Atlantia (-4%) underperformed as higher coronavirus case numbers in Europe and the return of increasingly strict lockdown measures led to concerns for lower traffic volumes.

Fund activity

The Fund sold its position in Mexican pipeline company IEnova after US multi-utility Sempra Energy (+1%, not owned) announced it would acquire the outstanding shares.

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.

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 31 December 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.

The outlook for the asset class is positive. Interest rates appear set to remain at low levels for a sustained period of time, which should prove supportive of defensive and interest-rate sensitive sectors such as utilities and towers.

Government attempts to improve weak economic fundamentals through infrastructure and green energy stimulus plans are also likely to benefit many global listed infrastructure firms. In particular, the ongoing repair and replacement of old energy transmission and distribution grids, along with the accelerating build-out of renewables, should represent a steady source of utility earnings growth over long time frames.

A slow or uneven economic recovery would also favour structural themes – such as investment in mobile phone networks to support ever-increasing demand for mobile data - over cyclical growth opportunities.

Further, while the timing remains hard to predict, there is also scope for gradual recovery in traffic / passenger volumes for coronavirus-impacted infrastructure sectors such as toll roads, airports and passenger rail, as vaccines are delivered.

In addition, financial market pessimism towards global listed infrastructure over the past year - and optimism towards higher risk assets – has driven an increase in intrinsic value opportunities across the asset class, which bodes well for global listed infrastructure performance in 2021.

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

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