

# First Sentier Global Listed Infrastructure Fund Hedged Share Class

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## Portfolio Description

This Fund is suitable for investors seeking long term income and growth from global listed infrastructure companies.

## Investment Strategy

The Fund invests in shares of infrastructure companies around the world. The infrastructure sector includes operating assets from the transport, utilities, energy and communications sectors. The strategy is based on active, bottom-up security selection which seeks to identify mispricing. The Fund seeks to minimise risk through on-the-ground research, focus on quality and sensible portfolio construction. The Fund's Hedged Share Class uses derivatives to hedge its currency exposure to Australian dollars.

## Investment Objective

To deliver capital growth and inflation protected income by investing in a globally diversified portfolio of infrastructure securities. The Fund aims to outperform its Benchmark over rolling three-year periods before fees and taxes.

## Key Investment Personnel and Experience (Industry / Firm)

Peter Meany	Head of Global Listed Infrastructure	(1996 / 2007)
Andrew Greenup	Deputy Head of Global Listed Infrastructure	(1996 / 2005)
Edmund Leung	Portfolio Manager	(2006 / 2007)

## Product Overview

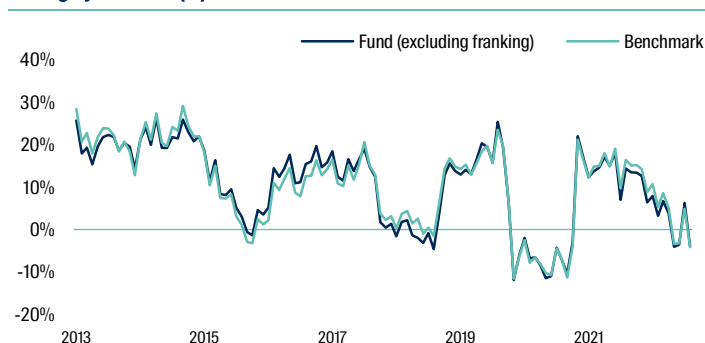
APIR code	FSF1241AU
Inception date	28 May 2012
Fund Size (AS)	361 million
Benchmark	FTSE Global Core Infrastructure 50-50 Net Index - AUD Hedged
Number of stock holdings	42
Buy / Sell spread	0.15% / 0.15%
Management fees and costs (p.a.)*	0.95%

\* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

## Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	6.5	-4.0	0.7	4.1	7.1	9.5	10.1
Benchmark return	6.4	-4.2	1.2	4.8	7.3	9.6	10.4
Excess net return	0.1	0.2	-0.5	-0.7	-0.1	-0.1	-0.3

## Rolling 1 year return (%)



## Top 5 holdings

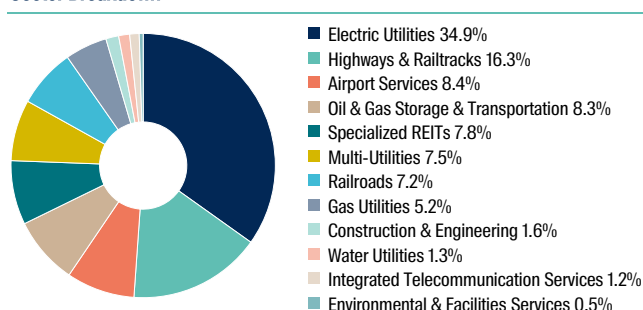
Stock
Aena SA
American Tower Corporation
Duke Energy Corporation
Nextera Energy Inc
Transurban

Sorted alphabetically

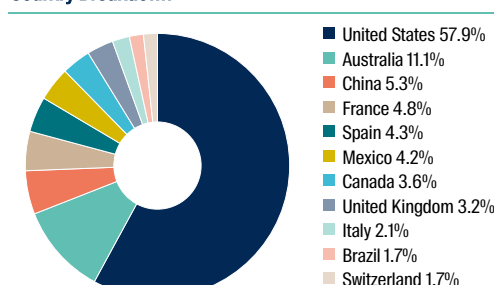
## Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	17.1	17.0	14.3	12.8	11.8	11.5
Benchmark standard deviation (%)	16.8	16.6	13.9	12.4	11.6	11.4
Tracking error (%)	1.2	2.0	1.9	2.0	2.0	2.0
Fund Sharpe ratio	-0.3	0.0	0.2	0.5	0.7	0.7
Information ratio	0.2	-0.3	-0.3	-0.1	0.0	-0.1
Beta	1.0	1.0	1.0	1.0	1.0	1.0

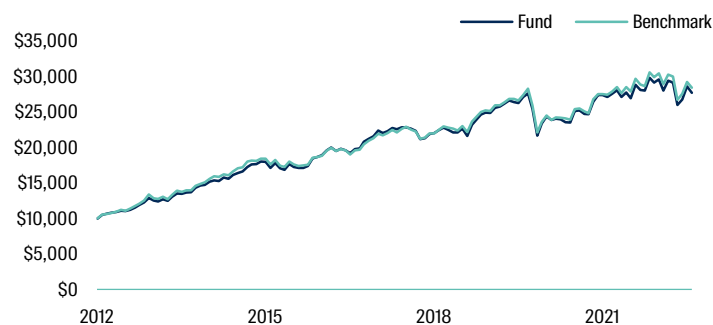
## Sector Breakdown



## Country Breakdown



## Growth of AUD 10,000 Investment Since Inception



## Top 5 Attributors To Performance (3 Months)

Stock	Value added
Crown Castle International Corp	0.27%
Jiangsu Expressway Co. Ltd. Class H	0.24%
Guangdong Investment Limited	0.22%
PPL Corporation	0.20%
Targa Resources Corp.	0.19%

## Top 5 Detractors To Performance (3 Months)

Stock	Value added
Dominion Energy Inc COM	-0.46%
Emera Inc	-0.29%
Cheniere Energy, Inc.	-0.27%
PG&E Corporation	-0.19%
ONEOK, Inc.	-0.19%

Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance.

Data source: First Sentier Investors 2022

Data as at: 31 December 2022

## 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.

## 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.

While most infrastructure sub-sectors delivered solid gains during the quarter, 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.

## 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.

**Portfolio Beta** measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

[www.firstsentierinvestors.com.au](http://www.firstsentierinvestors.com.au)

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