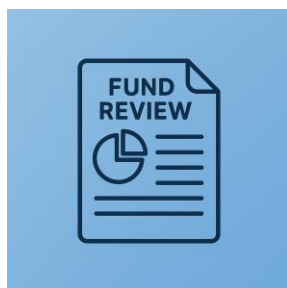




Growing together, with integrity and respect



First Sentier Global Listed Infrastructure Fund – Manager Review

Strategy overview

The First Sentier Global Listed Infrastructure Fund (GLI) aims to deliver long-term, inflation-linked income and capital growth through investment in a concentrated portfolio of listed infrastructure companies worldwide.

The strategy focuses on essential infrastructure assets that provide critical services, power, water, transport, communications, energy midstream, characterised by:

- Predictable, inflation-linked cash flows from regulated or long-term contracted revenues.
- Lower correlation and volatility than global equities, particularly in down markets.
- Structural growth drivers such as decarbonisation, digitalisation, supply-chain onshoring, and resilience capex.
- Diversification across subsectors (utilities, toll roads, railroads, airports, energy midstream, towers/data centres, water/waste) and geographies.

The team runs a high-conviction 40–50 stock portfolio built from a 250–300 stock universe, using a proprietary dual ranking system (DCF valuation and 25-point quality/ESG score). The emphasis is on avoiding permanent loss of capital, with sector/country caps to control concentration risk. Capacity is managed (\$20bn) to preserve alpha.

The approach has delivered an annualised 8.3% return since launch in 2007, with a record of lower drawdown capture compared to global equities. It sits between equities and fixed income in terms of risk, making it suitable for core real asset or defensive equity allocations.

Team

First Sentier runs £104bn across autonomous teams; GLI sits within its Infrastructure & Real Estate capability (£22bn), with £5bn in Global Listed Infrastructure. The GLI team is long-tenured (founded 2007) and led by Peter Meany, with named PMs including Rebecca Sherlock; team incentives are aligned via deferred profit-share invested alongside clients.

Process

- Universe → Focus list → Portfolio. Screen 250–300 stocks to a 130–150 “focus list”; build a 40–50 stock portfolio (mid/large-cap bias). Remove low-liquidity, high country risk, commodity beta names. Capacity c.\$20bn. The team have historically held between 35 and 45 stocks.
- Dual ranking. Proprietary DCF value rank (risk-adjusted by asset type/region) + 25-point quality score (infrastructure characteristics, financials, regulation, management, sustainability) to select and size positions; rigorous peer review to counter bias.
- Portfolio construction. Sensible sector/country limits; ability to avoid sectors/regions when top-down risks overwhelm bottom-up alpha. Risk = potential for permanent loss of capital.

Portfolio

- Top 10 (41%): American Electric Power, Norfolk Southern, Duke Energy, Transurban, National Grid, Semptra, Xcel, NextEra, Cheniere, CSX. (Tilt to US utilities and US rails, plus toll roads and midstream.)
- Sector weights: Utilities/Renewables 43%; Railroads 15%; Toll Roads 11%; Airports 10%; Energy Midstream 10%; Towers/DCs 8%; Water/Waste 2%; Cash 3%.
- Regional weights: US 58%; Europe ex-UK 13%; Aus/NZ 7%; LatAm 7%; UK 6%; Asia ex-JP 4%; Japan 3%; Cash 3%.
- Active tilts: Overweight Toll Roads (Australia/LatAm) as political risk recedes; preference for transport over utilities in EM to mitigate political interference; underweight Canada in midstream/rail on tariff/valuation concerns.
- There are no sector/country caps, but more sensible diversification leading to the characteristics that we aim to achieve

Performance (Class B Acc GBP; to 31 Aug 2025)

- Net of fees: 1yr 7.8% vs 4.8%; 5yr p.a. 7.5% vs 7.7%; 10yr p.a. 8.8% vs 8.7%; since 2007 8.3% vs 7.0% (FTSE Global Core Infra 50/50). Hit rate 55% across all markets (better in down markets). Past performance is not indicative of future results, and investments can fluctuate in value as well as rise.
- Over two decades, listed infrastructure has historically captured 80% of equity upside and 60% of downside (index vs MSCI World), supporting the “lower-vol real income” brief.

Macro & themes

- “New world order.” De-globalisation, tariffs, and record peacetime debt exacerbate the equity risk-reward imbalance, accelerating private capital opportunities in listed infrastructure as governments’ balance sheets are constrained.
- Replacement & resilience cycle. Decades-old assets need renewal; utility capex to drive 5–8% EPS growth for 5–15 years (expansion, resilience, renewables). Extreme weather adds urgency (grid hardening, undergrounding, detection/monitoring tech).
- US power demand & AI. Data centres represent a step-change in electricity load; policy shifts (even with IRA rollbacks) largely shelter utility-scale renewables/batteries/nuclear largely sheltered; PPA prices are likely to re-rate.
- Energy midstream & LNG. US natural-gas demand supported by power and LNG exports (capacity set to double over 5–7 years roughly); sector balance sheets are stronger than prior cycles.
- Rails. Operational self-help at Norfolk Southern; optionality from the proposed UNP–NSC combination (potentially triggers a second large merger); portfolio carries 9–10% in US rails.
- Valuations. Global sector multiples are at the low end of historic ranges. US utilities and rail trade at notable discounts compared to the S&P 500 on forward P/E ratios. Towers/DCs have de-rated, creating selective entry points.

ESG & stewardship

ESG is embedded in the 25-point quality score; the product does not carry a UK SDR sustainability label (it isn’t set up to pursue specific sustainability outcomes), but the team targets Net Zero 2050 across GLI pooled vehicles with a 50% WACI cut vs the 2019 benchmark by 2030; most portfolio emissions come from US utilities, which have already cut absolute emissions materially. Proxy voting and engagement are core.

Strengths

- Clear, repeatable process blending valuation discipline with pragmatic quality/ESG integration; long live record through regimes.
- Aligned team with autonomy and meaningful co-investment; capacity awareness.
- Cyclical + defensives under one roof: utilities (inflation-linked, regulated) alongside growth/catalyst assets (rails, tolls, midstream, towers).
- Attractive current tilts to US utilities/rails and midstream at supportive valuations.

Watch-outs / risks

- Policy/regulatory shocks (e.g., US utility rate cases; UK water political noise) can unsettle near-term returns. Attribution shows occasional hits from sector news (e.g., US towers).
- Energy midstream still has commodity/volume sensitivity (mitigated by contracts/balance sheets; stock-specific case like ONEOK shows improving mix but remains cyclical).
- M&A/regulatory timing risk in rails: the UNP–NSC path is long and non-linear; benefits are compelling but not guaranteed.
- Single-sector exposure. As with any specialist strategy, investors must size appropriately within a diversified CIP/CRP framework.

Role in a portfolio

- Income & inflation linkage: complements equity income and IG credit; potential to dampen drawdowns within balanced or decumulation mandates.
- Thematic growth: access to AI-driven power demand, resilience capex, LNG trade, and potential rail consolidation without illiquidity or private-market fees.
- Implementation: satellite allocation within diversified equity or real-asset sleeves; pairs well with multi-asset cores and can substitute part of a private-infra pipeline for daily-liquidity needs.

Summary

The fund offers a well-articulated route to real income + structural growth with a credible record of alpha vs the FTSE Global Core Infra 50/50 since 2007, a robust team/process, and timely exposures (US utilities, rails, LNG midstream, quality toll roads). For decumulation, the combination of inflation-linked cash flows, historically lower downside capture, and attractive sector valuations supports inclusion—sized prudently and with the usual regulatory/position-level risk controls.

Disclaimer

Past performance is not a reliable guide to future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested.

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