Value Strategy

QUARTERLY COMMENTARY | MARCH 2022

Our global listed infrastructure strategies outperformed global equities for the quarter.

The outlook for interest rates and inflation continue to cause volatility in markets following the conflict between Ukraine and Russia. We expect this volatility to continue as the market digests the impact on inflation and global growth.

Geopolitical risks, ongoing COVID-19 disruption, supply chain issues and high inflation continue to reduce expectations for economic growth, although a recession is still not considered the base case.

Portfolio Performance

On a regional basis, the U.S. and Canada region was the top contributor to quarterly performance (+3.95%), of which U.S. energy infrastructure company Cheniere (+1.07%), Canadian energy infrastructure company Pembina Pipeline (+0.80%) and U.S. electric utility Exelon (+0.58%) were the lead performers.

Cheniere Energy owns and operates U.S. liquefied natural gas (LNG) export facilities. Cheniere's share price benefited from the tensions in Europe increasing the demand for U.S. LNG.

Pembina Pipeline provides transportation and midstream services for the energy industry in North America. The company announced the hire of Scott Burrows as permanent CEO, and Jaret Sprott as COO and reaffirmed its corporate strategy, boosting investor sentiment.

Exelon is a pure transmission and distribution regulated utility business. Its utilities serve millions of electric and gas customers across Delaware, Illinois, Maryland, New Jersey, Pennsylvania, and the District of Columbia. Shares outperformed along with the utilities sector, with Exelon starting to be viewed as a premium name after its recently completed spin-off of its non-regulated nuclear business.

Turning to Western Europe, French rail operator Getlink (+0.66%) also performed well during the quarter.

Getlink is a French rail company that owns the concession over the Channel Tunnel rail link between the U.K. and France. Traffic recovery continues with the easing of pandemic related restrictions. Separately, Getlink's electric transmission interconnector project, 'Eleclink', received final safety certification from the regulator, enabling operations to start in the middle of 2022.

U.S. communications company American Tower (-0.51%) was the largest detractor from quarterly performance.

American Tower is a leading independent owner, operator and developer of wireless and broadcast communications infrastructure. The company has 41,000 sites in the U.S. and a further 139,000 sites across 19 countries, predominantly emerging markets (75,000 in India, 40,000 in Latin America and 18,000 in Africa). American Tower underperformed during the quarter as investors, driven by rising interest rates, rotated away from defensive sectors into more value-orientated sectors.

All returns are in local currency.

Positioning and Outlook

On a regional level, the strategy's largest exposure is in the U.S. & Canada (58%) and consists of exposure to regulated and contracted utilities (34%) and economically sensitive user-pays infrastructure (24%).

For the **Global Infrastructure Value Strategy**, the primary quantitative tool in portfolio construction is excess return, on which our stock-ranking system is based. As such, driven by valuation, the Investment Committee initiated a position in U.S. gas utility Sempra Energy and U.S. electric utilities PG&E Corporation and Constellation Energy.

The strategy also used the opportunity to crystallise some gains by exiting French airport operator Aeroports de Paris, U.S. electric utility Southern Company and U.S. renewables utility Brookfield Renewable Partners.

Quarterly Stock Highlight

This quarter we review Canadian energy infrastructure company Enbridge.

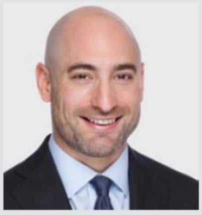
Enbridge owns and operates one of the largest oil and gas pipeline networks in North America. The company also owns regulated gas distribution utilities in Ontario, Canada.

Enbridge is a high-quality company with premium infrastructure characteristics – a critical network of assets connecting key supply regions to demand regions across North America that are difficult to replicate, backed by long-term contracts with credit-worthy counterparties and a strong balance sheet.

Enbridge's business model has proven resilient through COVID-19. The company was still able to achieve pre-pandemic earnings guidance despite going through one of the worst oil market downturns, which saw a combined demand shock from COVID-19 lockdowns and a supply shock from the OPEC/Russia price war that drove oil prices negative temporarily. With cash flows battle-tested, this will likely give investors confidence in the security of the dividend. With Enbridge's largest ever capital investment project, Line 3 Replacement, now complete, we believe investors will turn their focus to the upcoming toll renegotiation process for their core oil pipeline network. We expect a constructive outcome to further drive shares higher.

Nick Langley, Shane Hurst, Charles Hamieh and Simon Ong
Investment Committee Members

Nick Langley



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