

Value Strategy

MONTHLY COMMENTARY

| JANUARY 2021



Our Global Listed Infrastructure funds performed broadly in line with infrastructure indices which underperformed general equities in January.

Market performance was muted, impacted by concerns of rising inflation, increasing COVID-19 cases, further mobility restrictions and slow vaccine rollouts.

Markets became increasingly concerned with inflation and increases in bond rates as a result of significant stimulus and central bank policies, increasing discount rates and reducing valuations. COVID-19 cases continued to increase, reaching new highs in many geographies, resulting in further mobility restrictions and, combined with the slower than expected rollout of vaccines, dampening expectations for a speedy recovery from the pandemic.

The Democratic majority in the U.S. Senate, albeit thin, opened the door for a range of policies, notably Biden's proposal for a further \$1.9 trillion of stimulus (in addition to \$900 million from December) and significant climate-related policies, including recommitting to the Paris Agreement, which are expected to further accelerate renewables growth.

Portfolio Performance

On a sector basis, North American energy infrastructure (+0.37%) was the top contributor to monthly performance, of which Cheniere (+0.22%) and Enbridge (+0.14%) were the lead performers.

Cheniere Energy (LNG) is an energy infrastructure company that owns and operates U.S. liquefied natural gas export facilities. Shares were higher in a strong energy market marked by a tightening LNG supply environment and an improving economic outlook following the vaccine announcements.

Enbridge (ENB) 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 shares rallied along with the energy sector, fuelled by a combination of a stronger oil price outlook, resulting from OPEC's recent commitment to curtail oil supply, and the expectation of economic normalisation as the COVID-19 vaccines get rolled out.

Elsewhere in North America, U.S. renewables utility NextEra Energy Partners (+0.50%) and U.S. electric utility NextEra Energy (+0.16%) also performed well.

NextEra Energy Partners (NEP) is a growth-oriented contracted renewables company formed by its sponsor and general partner NextEra Energy (NEE) to own, operate and acquire contracted renewable energy generation assets located in North America. Growth comes from the dropdown of assets from NEE and we anticipate this should allow NEP to provide 12%–15% dividend growth to 2024.

NextEra Energy is an integrated utility business with a regulated utility operating in Florida and the largest wind business in the U.S. NEE's regulated business includes Florida Power & Light (FPL), which serves nine million people in the State of Florida.

During the month the share prices of NEP and NEE benefited from the continued positive outlook for renewable energy following the Democratic win in the Georgia runoff elections.

French rail operator Getlink (-0.40%) was the largest detractor from monthly performance.

Getlink is a French rail company that owns the concession over the Channel Tunnel rail link between the U.K. and France. Shares were weaker during the month, driven by lockdowns in France and the U.K. as COVID-19 cases remain elevated.

All returns are in local currency.

Positioning and Outlook

On a regional level, the Strategy's largest exposure is in the U.S. & Canada (52%) and consists of exposure to regulated and contracted utilities (34%) and economically sensitive user pays infrastructure (18%).

For the **Global Infrastructure Value Strategy**, the primary quantitative tool in portfolio construction is excess return, on which our stock-ranking system is based.

Monthly Stock Highlight

This month we review U.S. communications company American Tower (AMT).

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 (India 75k, Latin America 40k and Africa 18k).

AMT's revenue is contracted and usually includes an initial non-cancellable term of 5–15 years and inflation protection with escalators of CPI or better.

Over the near term, we continue to see accelerated growth in mobile penetration, connectivity and data usage benefiting the tower companies as carriers invest in their networks to maintain service quality. 5G deployment will continue to drive tower growth over the medium-to-longer term as carriers deploy more spectrum and densify their networks.

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