

Flash Notes – Fund update

December 2019



M&G Global Listed Infrastructure Fund

Please find below an update on the **M&G Global Listed Infrastructure fund**, its positioning, portfolio activity and outlook related with the mid-December UK elections' outcome.

Fund update (as of 13.12.2019): Brexit and UK exposure

The markets were right. Fears that anything other than a Tory majority would wreak havoc on the currency and the stock market have been dispelled, and Alex Araujo, lead Portfolio Manager (PM) is seeing GBP continue its recent strength and the FTSE move higher led by domestic stocks. A few things to highlight:

- M&G (Lux) Global Listed Infrastructure Fund was well positioned ahead of this move because the lead **PM increased the UK exposure in recent months to more than 16%**, not because of a macro call or a view on the election outcome, but because of attractive valuations in companies such as Unite Group and National Grid. Unite Group was up as much as 12% (on Friday 13.12.2019 in the morning) and National Grid by more than 5%.
- While the political risk of a Labour government has been removed and with it the prospect of nationalising utilities, **he remains cautious on the regulatory environment in the UK. National Grid remains the only holding in UK utilities** and the investment case relies heavily on its US business where the potential for long-term growth is significantly more attractive.
- **The fund's UK exposure is dominated by holdings in 'social' infrastructure** with a diversified collection of high-quality assets in industries such as health and education. Other UK holdings are beneficiaries of long-term structural trends such as renewable energy and energy efficiency.

It's important not to lose sight of the fact that Britain is a small island nation in the grand scheme of things. The US is centre stage from a global perspective and events on the other side of the Atlantic will have a more significant influence on world affairs.

Cyclicals led the market higher at the expense of defensives, and Alex Araujo is starting to see more attractive valuations in the latter. Having reduced the target weighting in utilities from 33% at the beginning of the year 2019 to a recent low of 25% (and thereby benefited significantly compared to active peers and passives in an environment of rising bond yields), **he has started to add to the utilities exposure again**, while taking profits in some of the holdings in transportation infrastructure which have performed well.

Dividends, which provide the ultimate sign of management confidence, also remain in good health. Enbridge (energy) reported another 10% dividend increase this month and Mastercard in payments infrastructure raised its dividend by an impressive 21%. Company fundamentals remain robust, which PMs believe will be reflected in the fund's performance over time.

WSP opinion

Performance since inception of the strategy in October 2017 has been very solid, particularly in Q4 2018 (-4.4% for the clean fee share class C in USD compared to -12.8% for the MSCI ACWI NR Index in USD) and in 2019 (+35.4% versus +26.6% for the benchmark, clean fee share class C in USD).

This outperformance has been achieved with an outstanding and unrivalled risk-adjusted profile as shown in the table below. The fund exhibits lower volatility, beta, down capture ratios and max drawdown than the index and best global equity peers.

Flash Notes – Fund update

December 2019

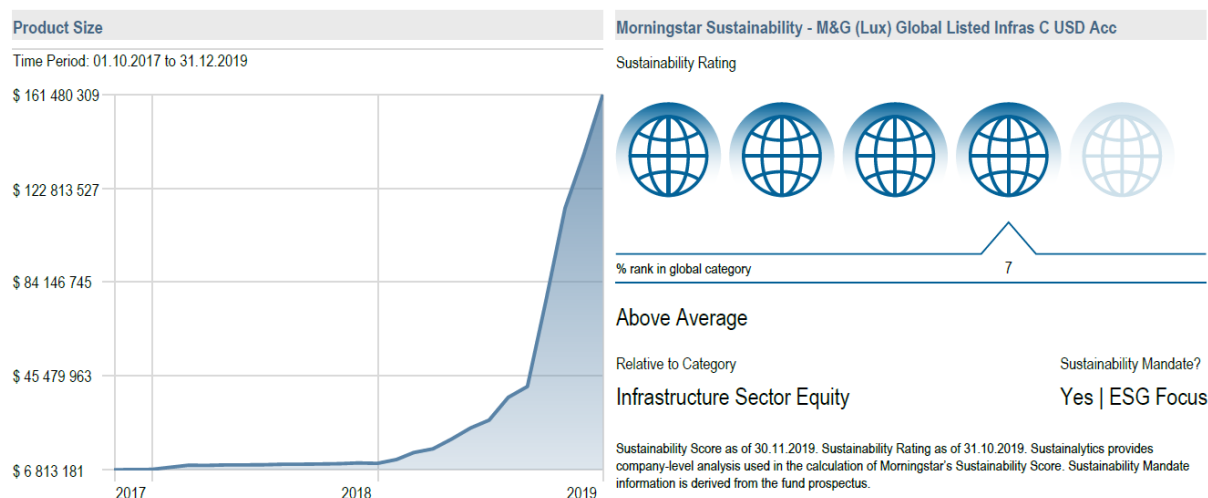


M&G Global Listed Infrastructure Fund

Risk Metrics								
Time Period: Since Common Inception (01.11.2017) to 31.12.2019 Currency: US Dollar								
	Std Dev	Sharpe Ratio (arith)	Information Ratio (arith)	Calmar Ratio	Beta	Up Capture Ratio	Down Capture Ratio	Max Drawdown
M&G (Lux) Global Listed Infrac C USD Acc	9.37	1.20	0.60	2.34	0.55	73.29	27.04	-5.68
MSCI ACWI NR USD	13.18	0.47	—	0.58	1.00	100.00	100.00	-14.25
EAA Fund Sector Equity Infrastructure	9.54	0.35	-0.43	0.46	0.63	59.66	56.96	-11.69

The sensitivity of the strategy to style or market cap reversals has been very low since inception, same for its correlation to global equities. The M&G Global Listed Infrastructure fund is a sound diversifier within an equity or mix-asset portfolio.

We have been following this strategy for 12 months when it was only at 30 Mn USD, and we are pleased to see now that the fund has grown significantly in AUMs to 161.5 Mn USD (As of 31.12.2019), in order to absorb more easily interest and new inflows.



WS Partners maintains the **M&G Global Listed Infrastructure fund** with the **“Selected”** status initiated in October 2019 in our **Global Master List**. We will keep you informed if any change in the status of the fund occurs in the coming months.