

# M&G Global Listed Infrastructure Fund - Sterling Class I

Monthly Fund Review as at 31 March 2018

For investment professionals only



## Highlights

- March was characterised by significant volatility and episodes of acute weakness in global equity markets, but listed infrastructure demonstrated its resilience in the midst of this turbulence.
- Currency detracted most from fund performance, with the weakness in the Canadian dollar causing the fund's Canadian-domiciled holdings to feature prominently among the top detractors.
- Several of the fund's holdings that had been sold indiscriminately in January and February added the most value in March.

## Risks associated with this fund

For any past performance shown, please note that past performance is not a guide to future performance.

The value of investments and the income from them will rise and fall. This will cause the fund price, as well as any income paid by the fund, to fall as well as rise. There is no guarantee the fund will achieve its objective, and you may not get back the amount you originally invested.

Changes in currency exchange rates will affect the value of your investment.

The fund holds a relatively small number of investments and, as a result, may experience larger price rises and falls than a fund which holds a larger number of investments.

The fund will invest in emerging markets which are generally more sensitive to economic and political factors, and where investments are less easily bought and sold. In exceptional circumstances, the fund may encounter difficulties when selling or collecting income from these investments, which could cause the fund to incur a loss. In extreme circumstances, it could lead to the temporary suspension of dealing in shares in the fund.

Further risk factors that apply to the fund can be found in the fund's Key Investor Information Document (KIID).

## Things you should know

The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

## Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (> \$50bn)	17.3	52.3	-35.0
Large cap (\$10 - \$50bn)	43.6	37.9	5.7
Mid cap (\$2 - \$10bn)	29.6	9.7	20.0
Small cap (< \$2bn)	8.9	0.1	8.8
Cash	0.5	0.0	0.5

## Currency breakdown (%)

	Fund
US dollar	39.8
Canadian dollar	14.8
Euro	13.5
British pound	12.9
Hong Kong dollar	6.8
Australian dollar	4.2
Danish krone	3.6
Singapore dollar	2.4
Swiss franc	1.3
Other	0.6

## Commentary

Global equities continued to sell off in March in an environment of rising volatility, driven by questions around monetary policy and ongoing geopolitical concerns including the prospect of trade wars. Against this background, listed infrastructure, which had been a victim of interest rate jitters in January and February, demonstrated its resilience relative to the broader equity market.

Currency detracted significantly more than any single stock over the course of the month. The weakness of the Canadian dollar had the most impact, and it is in this context that many of the stocks that detracted most from fund performance were holdings domiciled in Canada, such as royalty companies Franco Nevada and PrairieSky Royalty.

Elsewhere, mixed results weighed on the share price of Ferrovial, the global transport infrastructure business based in Spain. The fund manager maintains his conviction in this company's portfolio of world-class, long-life assets and it remains a core holding.

CK Infrastructure, the Hong Kong infrastructure conglomerate, detracted after market sentiment briefly turned against the stock on news that its legendary founder and chairman was retiring from his day-to-day duties. The business remains in the very capable hands of a professional management team and the founder's 53-year-old heir.

On the flipside, it was pleasing for the fund manager to see a number of holdings that had been sold indiscriminately in the first two months of the year benefiting from a (long-overdue) sentiment reversal. This rewarded his decision to add to a number of these holding on weakness at the time.

It is in this context that 'economic' infrastructure holdings National Grid and Edison International, electricity utilities based in the UK and US respectively, were among the top contributors to fund performance. In similar vein, Equinix, the US data centre company, was another of the best performers as the negative market sentiment towards businesses structured as REITs finally started to abate.

Some stock-specific growth also contributed to performance. The market continued to upgrade its expectations for offshore wind developer Ørsted's growth prospects. Infrastrutture Wireless Italiane, a wireless communications infrastructure company based in Italy, showcased its impressive growth trajectory when it reported results at the beginning of the month. Net profits in the fourth quarter of 2017 were 44% higher than the year before, and the company built on its track record of double-digit annual earnings growth since 2015. It accompanied its results with the announcement of a 29% dividend increase.

## Key changes

The fund manager added to his positions in certain Canadian holdings on weakness, including the royalty businesses mentioned above, as well as energy infrastructure companies Enbridge and TransCanada. He also reflected his increasing conviction in several stocks by scaling into them over the course of the month, such as electricity utilities Edison International and Elia System Operator.

As there were no new purchases or complete sales, the number of holdings remained at 43. The weighting in the 'economic' infrastructure class stands at 66%, the weighting of the 'social' sphere 11%, and the weighting of the 'evolving' segment 22%.

## Key information

<b>Fund manager</b>	Alex Araujo
<b>Fund manager tenure from</b>	5 October 2017
<b>Deputy fund manager</b>	John Weavers
<b>Launch date</b>	5 October 2017
<b>Launch of share class</b>	5 October 2017
<b>Fund size (millions)</b>	£9.59
<b>Fund type</b>	OEIC, incorporated in the UK
<b>Comparative index</b>	MSCI ACWI Index
<b>Comparative sector</b>	IA Global sector
<b>Number of companies</b>	43
<b>Portfolio turnover over 12 months</b>	4.6%
<b>Share type</b>	Acc & Inc
<b>Payment dates</b>	Feb, May, Aug, Nov
<b>Ex-dividend dates</b>	Jan, Apr, Jul, Oct
<b>Ongoing charge</b>	1.10%

## Industry breakdown (%)

	Fund
Utilities	32.0
Transport	19.7
Energy	15.2
Communications	11.5
Royalty	6.2
Education	5.9
Health	4.6
Transactional	4.4
Cash and near cash	0.5

## Largest holdings (%)

	Fund	Index	Relative weight
Vinci	3.8	0.1	3.7
Edison International	3.6	0.0	3.6
Ørsted	3.6	0.0	3.5
Atmos Energy Corp	3.5	0.0	3.5
Ferrovial	3.3	0.0	3.3
Gibson Energy	3.3	0.0	3.3
CK Infrastructure Holdings Ltd	3.3	0.0	3.3
Franco-Nevada	3.3	0.0	3.2
Enbridge Inc	3.0	0.1	2.9
PrairieSky Royalty	3.0	0.0	3.0

## Country breakdown (%)

	Fund	Index	Relative weight
US	39.6	52.5	-12.9
Canada	14.7	2.9	11.8
UK	12.7	5.6	7.1
Hong Kong	6.8	3.8	3.0
Spain	5.6	1.1	4.6
Australia	4.2	2.1	2.1
France	3.8	3.4	0.4
Denmark	3.6	0.6	3.0
Other	8.3	27.9	-19.5
Cash	0.5	0.0	0.5

## Dividend announcements

'Evolving' holding Infrastrutture Wireless Italiane was the standout performer in March with an impressive 29% raise in its payment. There was also some solid dividend growth above the level of CPI inflation from various holdings in the 'economic' and 'social' classes of infrastructure. Hong Kong-based 'economic' infrastructure businesses CK Infrastructure and MTR Corporation raised their payments by 5%. INPP, the UK-listed investment trust in the 'social' segment, increased its dividend by 3%.

Gibson Energy, the Canadian energy infrastructure business, held its dividend flat. The fund manager continues to believe the shares are significantly undervalued on an attractive yield of 8%.

## Fund codes and charges

Share class	ISIN	Bloomberg	Annual management charge	Ongoing charge	Minimum initial investment	Minimum top up investment
Sterling A Acc	GB00BF00RC53	MGLIGAA LN	0.95%	1.30% *	£500	£100
Sterling A Inc	GB00BF00RB47	MGLIGAI LN	0.95%	1.30% *	£500	£100
Sterling I Acc	GB00BF00R928	MGLIGIA LN	0.75%	1.10% *	£500,000	£10,000
Sterling I Inc	GB00BF00R811	MGLIGII LN	0.75%	1.10% *	£500,000	£10,000
Sterling L Acc	GB00BF00R696	MGLIGLA LN	0.50%	0.85% *	£20,000,000	£50,000
Sterling L Inc	GB00BF00R704	MGLIGLI LN	0.50%	0.85% *	£20,000,000	£50,000

The ongoing charge figures disclosed above include direct costs to the fund, such as the annual management charge (AMC), administration charge and custodian charge, but does not include portfolio transaction costs. They are based on expenses for the period ending 10 April 2018.

\* The ongoing charge figure shown here is an estimate. The Fund's annual report for each financial year will include details of the exact charges made.

## Important information

Cash and near cash may be held on deposit and/or in the Northern Trust Cash Funds (a range of collective investment schemes) and/or in short-dated government bonds.

All statistics from M&G internal sources, as at 31 March 2018 unless indicated otherwise.

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### Contact M&G

**Financial advisers**  
[www.mandg.co.uk/advisers](http://www.mandg.co.uk/advisers)  
0345 600 4125\*

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