M&G (Lux) Global Listed Infrastructure Fund

Focus on long-term opportunities in listed infrastructure

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- US President Joe Biden has agreed a US$1.2 trillion infrastructure spending package
- While higher infrastructure spending can provide a favourable backdrop for listed infrastructure, we believe the asset class is a beneficiary of long-term trends such as renewable energy and digital connectivity
- We identified an attractive opportunity to start a position in a US utility firm **Eversource Energy,** which we believe has reliable growth prospects and strong sustainability credentials.

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested. The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment .

US infrastructure package to boost transportation, water and broadband

We have a deal. Infrastructure was back in the headlines last week as President Joe Biden reached an agreement for a US$1.2 trillion infrastructure bill in the US. The Bipartisan Infrastructure Framework is a critical step in Biden's 'Build Back Better' vision and aims to support not only economic growth, but also a strong democracy which can compete in the 21st century against the likes of China.

US$579 billion of the total package has been earmarked for new spending, with transportation projects accounting for the lion's share. But, as we know from the original proposal, this infrastructure programme was always going to be more than just about roads and bridges. In transport alone, the spending on roads and bridges will be eclipsed by the commitment to improve rail, public transit, airports, ports and waterways, as well as plans to expand the network of charging stations for electric vehicles.

Water infrastructure was highlighted again as an area of importance in a country where many water pipes are still made out of lead. Clean water is a matter of public safety and the spending required for a network upgrade is long overdue.

Digital infrastructure is another priority given the desire to provide universal broadband access and connect every American to high-speed internet, just as the US government took steps to provide electricity to every American nearly 100 years ago.

Higher infrastructure spending may provide a favourable backdrop for listed infrastructure as an asset class, but M&G's long-term approach is not reliant on fiscal expansion continuing or government initiatives having an immediate impact on economic growth. We acknowledge the tailwind of fiscal spending, but it is also important not to lose sight of the fact that listed infrastructure is a beneficiary of powerful long-term trends which we believe are likely to be more enduring. Thematic tailwinds such as renewable energy, clean transportation and digital connectivity are likely to persist for many decades to come.

Looking for companies with long-term growth potential at attractive valuations

M&G has a resolute focus on long-term growth opportunities in listed infrastructure, but valuation is another crucial consideration in the decision-making process. The price we pay is just as important as the growth we seek.

The M&G (Lux) Global Listed Infrastructure Fund is usually managed as a buy-and-hold strategy with low levels of turnover, but we will look to take advantage of buying opportunities when they arise – just as we did last year when the onset of COVID-19 triggered an abrupt downturn in markets and provided attractive entry points for companies with strong long-term growth potential.

In the current environment of rising bond yields, the market's aversion to utilities provided an opportunity to initiate a new holding in **Eversource Energy**, a multi-utility operating in the US northeast.

Eversource is a company we know well and have tracked for many years. The stock's recent performance provided what we saw as a buying opportunity for a company with reliable growth (earnings and dividends are projected to grow at 5-7% per annum) and strong sustainability credentials (target for carbon neutrality by 2030, with a strong focus on growth in solar and offshore wind).

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The views expressed in this document should not be taken as a recommendation, advice or forecast.

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.

Further risks associated with this fund can be found in the fund's Key Investor Information Document.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE

M&G Investments