M&G (Lux) Global Listed Infrastructure Fund

Top 10 holdings

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Fund description

The fund aims to deliver a combination of capital growth and income that is higher than that of the global equities market over any five-year period while applying the fund's environmental, social and governance (ESG) criteria and sustainability criteria and to increase the income stream every year, in US dollar terms. It looks to do this by investing at least 80% of the fund in shares issued by infrastructure companies, investment trusts and real estate investment trusts of any size, from any country, including emerging markets. The fund usually holds shares in fewer than 50 companies. Infrastructure companies include businesses in the following sectors: utilities, energy, transport, health, education, security, communications, and transactions. ESG and sustainability considerations are integrated into the investment process.

The fund is actively managed and the benchmark is the MSCI ACWI Net Return Index.

Past performance is not a guide to future performance.

Enel

Infrastructure class: Economic
Industry: Utilities
Country: Italy

- Integrated electricity and gas utility with a diversified business model generating more than half of group cashflows outside Italy. Significant presence in the long-term growth markets of South America.
- Sustainability is at the core of Enel's growth strategy, with a vision of becoming a 'super major' in renewables over the next decade. The long-term strategy focuses on the energy transition, combining significant and growing investment in renewables with an accelerated decarbonisation of legacy assets. Renewables capacity is expected to triple over the next 10 years, with renewables accounting for more than 80% of group power generation capacity in 2030, up from 55% today.
- Enabling the development of electric mobility is another key initiative, with Enel embarking upon the single largest deployment of electric vehicle charging stations in Europe. The company is proposing to increase the number of charging stations across the group by more than fourfold over the next three years, from 175,000 today to 780,000 in 2023. Charging points for electric buses is expected to increase by a multiple of six over the same period to support cities in their path towards sustainability.
- Strong balance sheet and a clear commitment to returning cash to shareholders. Enel's guidance for dividend growth over the next three years is approximately 6% per annum, consistent with the growth of the underlying business.
- We initiated the position in June 2018 when concerns about the political and fiscal situation in Italy led to indiscriminate selling in the Italian stock market, particularly in the more interest-rate sensitive sectors. Enel's business is not confined to the domestic market and we saw the sentiment-driven weakness as a buying opportunity. The stock was purchased on a historic yield of more than 5% with the potential for robust and reliable growth in the dividend stream.

PrairieSky Royalty

Infrastructure class: Evolving
Industry: Royalty
Country: Canada

- Enduring assets generating long-term cashflows by virtue of royalty rights held into perpetuity. An established business model which has its origins in the 17th century when Charles II of England granted land rights for the entire watershed of Hudson Bay.
- PrairieSky receives royalties from oil & gas bearing lands. Unique business model with high margins, debt-free balance sheet and minimal capital requirements to fund growth.

- Leverage to production volumes and inflation protection by way of commodity prices. Minimal operational risk and no current or future environmental liabilities.
- Favoured by pension funds with a long-term time horizon, misunderstood by the broader market and its short-term perspective

Gibson Energy

Infrastructure class: Economic
Industry: Energy
Country: Canada

- A midstream company which has undertaken a significant transformation to focus on its core infrastructure business that has the potential to generate stable and growing cash flows from long-term contracts.
- Unlike oil & gas producers, energy infrastructure businesses, which own and operate pipelines, storage terminals and processing facilities, have limited direct exposure to the underlying commodity price. About 80% of Gibson Energy's cashflows are derived from take-or-pay or fee-based contracts.
- Dominant position in the strategic hub of Hardisty in western Canada, with continued growth in pipelines and storage terminals expected to drive the company's target of increasing distributable cash flow by 10% per year.
- Strong financial position with net debt/earnings before interest, tax, depreciate and amortisation (EBITDA – a measure of a company's overall financial performance)below its target range of 3.0-3.5x.

Crown Castle

Infrastructure class: Evolving
Industry: Communications
Country: US

- A communications towers company which is capitalising on the long-term opportunity created by rising internet penetration and mobile data usage. A market leader in the US, the company is also a beneficiary of technological developments as 5G deployment gathers pace.
- The importance of digital infrastructure came to the fore during lockdown as millions of people became reliant on digital communication to connect with friends, family and work colleagues in the absence of face-to-face interaction. We believe that the trend in mobile data consumption is a powerful tailwind in modern society, which is likely to persist beyond the immediate climate and endure over the long term.
- Crown Castle is classified as a real estate investment trust (REIT) but should not be considered as a bond proxy (shares likely to offer predictable returns) owing to the company's compelling growth credentials driven by structural trends.
- A strong commitment to long-term dividend growth supported by high-quality contracted revenue.

Franco-Nevada

Infrastructure class: Evolving
Industry: Royalty
Country: Canada

- Potential for long-term cashflows running into perpetuity from mineral landholdings including those producing gold. Unique business model with high margins, debt-free balance sheet and minimal capital requirements to fund growth.
- Franco-Nevada has a strong commitment to a sustainable and progressive dividend. Almost all distributable cashflows returned to shareholders.
- Leverage to production volumes and inflation protection by way of commodity prices. Minimal operational risk and no current or future environmental liabilities.
- Favoured by pension funds with a long-term time horizon, misunderstood by the broader market and its short-term perspective.

E.ON

Infrastructure class: Economic
Industry: Utilities
Country: Germany

- European powerhouse with operations in the domestic market of Germany as well as the UK, Sweden, Czech Republic, Hungary and Turkey.
- A business model focused on the energy transition, with 20% of Europe's renewable assets connected to E.ON's networks. E.ON aims to be carbon neutral by 2040, ahead of the EU Green 's target of becoming climate neutral by 2050.
- Digitisation and reconfiguration of electricity networks is a key requirement of the transition to a greener energy mix.
- We initiated the holding in April 2019 as the shares looked cheap on a valuation discount to

its European peers despite the potential for higher growth. The dividend yield was almost 5%.

Edison International

Infrastructure class: Economic
Industry: Utilities
Country: US

- Integrated Californian utility with a bias towards grid and transmission, and limited exposure to power generation.
- Growth driven by the need for safety in existing networks and the investment required to ensure reliability.
- California's low carbon objectives provide another key avenue of growth, encompassing grid modernisation, transportation electrification, electric vehicle charging and energy storage.
- Potentially exposed to the liabilities associated with Californian wildfires (inverse condemnation), but the company has provisions in place and we feel does not face disproportionate financial risk based on the events of 2017 and 2018. Although Edison's share price has been vulnerable to fears of uncertainty, the situation is different to the well-documented demise of PG&E.
- Strong commitment to sustainable dividend growth and has a track record of raising the dividend for 17 consecutive years

TC Energy

Infrastructure class: Economic
Industry: Energy
Country: Canada

- A midstream company which owns and operates pipelines, storage terminals and processing facilities, providing essential energy services across North America.
- Unlike oil & gas producers, energy infrastructure businesses, which own and operate pipelines, storage terminals and processing facilities, have limited direct exposure to the underlying commodity price and have the potential to generate stable and growing cash flows from long-term contracts. About 95% of TC Energy's cashflows are derived from regulated assets and/or long-term contracts.
- Clear strategy for disciplined, profitable growth, backed by a strong balance sheet.

Transurban

Infrastructure class: Economic
Industry: Transport
Country: Australia

- A toll road operator primarily focused on Australia (Melbourne, Sydney and Brisbane), with some emerging exposure in North America (Greater Washington and Montreal). Ensuring smooth flow of traffic and easing congestion in urban areas is core to the investment proposition.
- Completes our geographic footprint in toll roads and complements our other holdings in Ferrovial (Toronto and Dallas in North America, the UK & Ireland, and Spain), Vinci (France) and CCR (Brazil).
- Long-term organic growth driven by rising traffic volumes, inflation-linked revenue and a solid pipeline of projects. Disciplined approach to growth opportunities, while paying dividends and keeping debt under control.
- Traffic volumes have scope to recover quickly if an effective vaccine can facilitate a world returning to normal. We have also seen behavioural changes since the initial period of lockdown which may remain permanent.
- In our view, road transportation is likely to be a key beneficiary of fiscal stimulus and higher infrastructure spending.

Home REIT

Infrastructure class: Social
Industry: Social
Country: UK

- The company addresses a social need to combat homelessness by providing high quality accommodation to vulnerable people across the UK.
- Revenues and cashflows are governed by long-term leases and provide inflation protection by way of index linking.
- The target dividend is set at a minimum of 5.5% per annum and adds ballast to the fund's income stream.
- We participated in the company's initial public offering (IPO) in October 2020 and subsequently supported its capital raising activity in September 2021 to accelerate the long-term strategy.

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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.

Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the fund.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as a building or shares of a company, as these are only the underlying assets owned by the fund.

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.

Please refer to the glossary list for an explanation of the investment terms used in this article. Please note that these links open a new window.

The fund’s sustainability-related disclosure can be found at:

- Austria: https://www.mandg.com/investments/professional-investor/de-at/funds/mg-lux-global-listed-infrastructure-fund/lu1665237704#sustainability
- Belgium: https://www.mandg.com/investments/professional-investor/en-be/funds/mg-lux-global-listed-infrastructure-fund/lu1665237704#sustainability
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UCITS HAVE NO GUARANTEED RETURNS AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE