Premier Miton Global Infrastructure Income Fund

Key Facts

Fund launch date	23 March 2017
Fund type	OEIC
Fund managers	Jim Wright
Fund size	£46.7m
No of holdings	46
IA Sector	Global Equity Income
Base Currency	GBP
Valuation point	12:00 midday
Accounting dates	Final - 31 May Interim - 30 Nov

Distributions

XD date	Pay date	Dividend
27 Nov 20	31 Jan 21	0.7118p
1 Sep 20	31 Oct 20	1.2520p
1 Jun 20	31 Jul 20	1.5365p
2 Mar 20	30 Apr 20	0.8217p
Historic yield		3.5%

The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at 01.02.21. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Calendar year performance (%)

	Fund	Sector
2021 YTD	1.0	-0.4
2020	1.8	3.3
2019	26.4	18.6
2018	-4.6	-5.8
2017	n/a[1]	10.4
2016	n/a[1]	23.2

Source: FE Analytics. On 30 November 2020, this fund moved from a single pricing basis (mid) to a swing pricing basis, which is where the price can swing to either a bid or an offer basis depending on the investment and redemption activity in the fund. This means the investor selling or buying fund shares bears the associated [dis]investment costs and protects the continuing holders in the fund. Performance could be shown on a combination of bid, mid or offer prices, depending on the period of reporting. Performance is shown net of fees with income reinvested.

Summary

- In January 2021, the share price of the fund increased by 1.0%.
- Holdings in the regulated utilities and renewables and energy infrastructure sectors contributed positively on aggregate to the fund's return, partially offset by negative contributions from the transportation and telecommunications sectors.
- The fund value increased from £45.0m at 31 December 2020 to £46.7m at 31 January 2021, driven by market gains and inflows.
- During January, we fully sold out of the fund's holding in Ferrovial. At 31 January 2021, the fund held 46 stocks.

Market Review

The fund had a good start to the year, outperforming the IA Global Equity Income sector average. It was again notable that a number of renewable generation stocks led the way in delivering positive returns, although interestingly, the Danish wind farm owner and developer Orsted was an exception as a significant underperformer over the month. This divergence of performance occurred after Orsted disappointed the market with 2021 profit guidance, which was a little below the consensus forecast. However, by the end of this year, the offshore wind market is expected to auction up to 25GW of new capacity in the North-eastern USA, Japan, Taiwan and Northern Europe; this is equivalent to the entire existing global offshore generation capacity. Orsted currently has offshore capacity of 7.5GW and has a similar amount of capacity in its order book at present. As the leading company globally in offshore wind, we believe that Orsted has the potential to capture at least 10% - so around 2.5 GW – of the projects to be auctioned this year and on a similar note, has the potential to continue to grow its business through the next decade and beyond. We are therefore not particularly concerned by small downward revisions to near-term forecasts, and this stock remains a core holding for the fund, given the value of its existing assets and the sector-leading growth it provides.

We remain strong believers in the opportunity for communications infrastructure to provide attractive long-term returns for infrastructure investors and have been encouraged by a number of market developments recently. In last month's commentary, we discussed the continued investment by private equity buyers in European telecommunication fibre networks, and now we potentially have another new cohort of investors in this area with the announcement that two investment trusts focused on communications infrastructure plan to raise capital and list on the London market. The way we approach the sector is two-fold: investing in both the specialist listed telecom tower stocks and in several telecom network operators where low equity market valuation multiples do not reflect the value of the network infrastructure owned by these companies. It is encouraging to have more transactions in the sector, with acquisition multiples paid by private equity and investment trust infrastructure buyers highlighting the value of the infrastructure assets owned by the network operators.

The increasing success of the vaccination programme against Covid-19, particularly in the UK, has led to speculation over the removal of travel restrictions domestically and the possibility of "vaccine passports" to facilitate international travel. We continue to monitor closely the stocks in the

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transport infrastructure sector to assess whether it is opportune to increase the fund's exposure to those assets which are geared to an inflexion in passenger travel numbers, and the conclusion at present is that a limited exposure is appropriate. We sold the fund's holding in the Spanish transport infrastructure stock Ferrovial during the month, as discussed below, and will be cautious regarding any increased exposure to this area of infrastructure, given the continued uncertainty in terms of the pace and trajectory of revenue and earnings recovery.

Performance

The fund's share price increased by 1.0% over the month, ahead of the median performance of the peers in the IA Global Equity Income sector, which saw a fall of -0.4%. The fund's return was in the first quartile for January.

In terms of the listed infrastructure sectors, regulated utilities and renewables and energy infrastructure recorded aggregate positive returns, with telecoms and transportation delivering negative returns. By geography, the biggest positive aggregate contributions came from Canada, Spain and the USA, with the most material negatives from Germany, Italy and Denmark.

Looking at individual stocks, the biggest positive contributors to the fund's return were renewable energy stocks NextEra Energy Partners (stock up 21% in Sterling), Atlantica Sustainable Infrastructure (+8%) and Innergex (+6%), energy infrastructure company Enbridge (+5%) and telecom operator Vodafone (+3%). The most material negative contributions came from renewable generation stock Orsted (-8%), telecom tower owner Inwit (-12%), US regulated utilities Ameren (-7%) and Xcel Energy (-5%) and US railroad stock Union Pacific (-6%).

Portfolio Activity

At the beginning of January, we fully divested the fund's holding in the Spanish transport infrastructure stock Ferrovial. Ferrovial's main asset is a 43% stake in the ETR 407 toll road in Ontario, Canada. This is a major commuter road for travel into Toronto and has been hit hard by the impact of the pandemic and the consequential increase in home working. We believe that toll road commuter traffic will see a long-term structural impact from changing working patterns, and the attraction of the 407 has always been the avoidance of congestion on the parallel 401 freeway. In addition, Ferrovial owns a 25% stake in Heathrow airport and again we are concerned about long-term business travel patterns on airlines, and the impact on profitability of an airport such as Heathrow in this context. The proceeds from the sale were used to top up existing holdings in the Japanese mobile telecom stock KDDI and the US energy infrastructure stock Enterprise Products Partners. Elsewhere, we took some profits in Atlantica Sustainable Infrastructure, which has been an exceptionally strong performer over recent months, and invested the proceeds and the fund's inflows in adding to existing holdings in Alliant Energy, Enbridge, Clearway Energy and American Tower.

Outlook

The prospects for the fund for 2021 and beyond remain extremely positive. The stock holdings which delivered exceptional performance during 2020 in the renewable energy sector have increasingly valuable existing asset portfolios and very strong growth potential. On this basis, we continue to believe that the gains in these stocks are not driven by speculative excess, but by improving fundamental attributes, and holdings such as Orsted, NextEra Energy Partners and Northland Power continue to offer compelling prospects for our investors.

For the sectors which have seen more pedestrian performance as equity markets have rallied since March 2020, we see a "catch-up" trade based, again, on fundamental valuation and growth opportunities. Regulated utilities have lagged markets even though they are central to the energy transition and the decarbonisation theme; a theme which is absolutely central to the evolution of societies and of the investment universe over the upcoming years and decades. Equity markets simply cannot continue to ignore this driver of value for the regulated utility sector. The growth of the digital economy is another vitally important macroeconomic thematic, and our holdings in the telecommunications sector own the crucial infrastructure to continue to deliver this transformation. While the market is focused on high-growth stocks we are unlikely to see outperformance from these sectors, but the long-term investment case is very clear. We will continue to invest to deliver a long-term combination of safe and secure dividends and resilient growth, based on our long-term investment strategy.

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Risks

The performance information presented in this commentary relates to the past. Past performance is not a reliable indicator of future returns.

The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.

Forecasts are not reliable indicators of future returns.

For funds investing globally, currency exchange rate fluctuations may have a positive or negative impact on the value of your investment.

This fund may experience high volatility due to the composition of the portfolio or the portfolio management techniques used.

In certain market conditions companies may reduce or even suspend paying dividends until conditions improve. This will impact the level of income distributed by the fund.

The fund will invest predominantly in companies that have exposure to infrastructure. This can mean the fund is more sensitive to price swings than other less concentrated funds.

Fees will be deducted from capital which will increase the amount of income available for distribution; however this will erode capital and may constrain capital growth.

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Important information

For Investment Professionals only. Not for onward distribution. No other persons should rely on any information contained in this document.

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All data is sourced to Premier Miton unless otherwise stated. Persons who do not have professional experience in matters relating to investments should not rely on the content of this document.

The fund is classified in the IA Global Equity Income sector, which we believe is a meaningful comparator to help investors assess the performance of the fund.

A free, English language copy of the fund's full prospectus, the Key Investor Information Document and Supplementary Information Document are available on the Premier Miton website, or you can request copies by calling us on 01483 306090.

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