

Q4 2023 GBP

KBI Global Investors

KBIGI Global Sustainable Infrastructure Strategy



Summary Details

Assets under Mgmt.	£1.8bn	
Inception Date	01 Oct 2017	
Benchmark	S&P Global Infrastructure Index	
Number of Stocks	49	
Revenue Alignment SDG Score	81.8%	
Risk Characteristics		
Beta (5 Yrs)	0.74	
Information Ratio (5 Yrs)	0.73	
Tracking Error (5 Yrs)	8.07	
Portfolio Statistics	Strategy	Index
Current Dividend Yield	3.5%	3.9%
Price to Earnings (forward)	16.3x	15.5x
Price to Book	1.9x	2.0x
Weighted Avg Market Cap.	\$32.9bn	\$36.4bn

Source: KBI Global Investors as of 31/12/23. The risk characteristics are calculated independently by KBI Global Investors using monthly gross returns of the composite over a 5 year period relative to the Index as at the 31/12/23. Portfolio and Benchmark Statistics are from a representative account managed to the same strategy and the benchmark respectively. KBI Global Investors independently estimate these statistics for both the portfolio and the benchmark. The AUM listed above is Global Sustainable Infrastructure Strategy AUM excluding Assets under Advisement from Q1 2022. Weighted Avg. Mkt. Cap figures are in US Dollars. The Revenue Alignment SDG Score measures the portfolio contribution to the achievement of United Nations Sustainable Development Goals. Calculations are based on KBIGI's own methodology and are not independently verified as at 09/30/2023 (quarterly).

Investment Thesis

There are compelling investment opportunities in infrastructure companies providing solutions to resource scarcity across water, food and energy driven by five long term trends.

- Inadequate supply of water, cleaner energy and arable land for farming
- Increasing demand for resources, driven by population growth, industrialisation and urbanisation
- Increasing regulation and government support
- Increasing investment in infrastructure to address urgent global requirements
- Increasing investment in technology to create solutions and facilitate the more efficient use of resources

Annualised Performance (£)

	3Mths	YTD	1Yr	2Yrs	3Yrs	5Yrs	Since Incep
Fund (Gross)	8.6	-1.4	-1.4	1.1	7.3	12.7	9.6
Benchmark	6.0	-0.2	-0.2	5.5	7.6	6.4	4.4

Source: KBI Global Investors, Datastream, MSCI as of 31/12/23.

KBI calculate both composite returns and benchmark returns. Returns are gross of fees in GBP. Our firm claims GIPS compliance and is annually verified by an independent verification firm to be so. The verification report from our verifier and our GIPS composite presentation are available upon request. The performance record disclosed here is that of the firm's composite for this strategy. The Infrastructure strategy invests in sustainable publicly-traded infrastructure companies that deliver strong investment returns within a robust risk framework. The strategy delivers material and diverse exposure to water and clean energy infrastructure, food storage, transportation and farmland. Further, integrating ESG considerations is key to our investment process given our belief that companies with good governance and whose products and services enhance social or environmental goals are likely to have long, durable, sustainable business models. The material risks associated with the composite include market risk and stock-specific event risk. Share prices can decline and there is a risk that the composite may under-perform its benchmark. The benchmark is the S&P Global Infrastructure index, net of taxes on dividend income. The index is comprised of listed infrastructure securities from across the world. To create diversified exposure, the index provider includes three distinct infrastructure clusters within the index structure; energy, transportation and utilities. See disclaimers for further information

Portfolio Positioning

Sector Breakdown

Sector	%
Utilities	44.0
Asset Owners	41.2
Infrastructure Capex	14.8

Geographical Breakdown

Region	%
North America	54.3
Europe	40.3
Emerging Markets	3.8
Japan	1.6

Top 10 Holdings

Stock	Country	%
Nextera Energy Inc	US	6.5
SBA Communications Corp	US	5.8
RWE AG	Germany	5.3
Northland Power Inc	Canada	4.0
The Renewables Infrastructure Group	UK	3.8
National Grid Plc	UK	3.6
Equinix Inc	US	3.4
Essential Utilities Inc	US	3.3
Hydro One Ltd	Canada	3.1
Waste Management Inc	US	3.0

Source of all data: KBI Global Investors. Data as of 31/12/23

Strategy Overview

The KBI Global Sustainable Infrastructure Strategy is a global portfolio of 30-60 sustainable publicly traded infrastructure companies. The composition of our portfolio is demonstrative of where we believe we have a core competency, but more importantly where we believe a significant proportion of future infrastructure will occur, and where we believe investors lack exposure. Many commentators continue to highlight the vast amounts of money required to be spent on water infrastructure, clean energy infrastructure and the infrastructure necessary for the storage and transportation of food as a direct result of:

- Ageing and depleted assets in dire need of rehabilitation/replacement
- Population growth
- Rapidly expanding cities
- Societal and economic demand

The strategy provides exposure to companies that demonstrate strong infrastructure investment characteristics:

- High regulatory support
- Predictable and stable cash flow
- Long-term contractual businesses
- Low volatility of earnings
- Quality of assets and management

The strategy offers new sources of alpha to investors in the infrastructure asset class, and seeks to provide protection from long-term inflation. It is demonstrative of future investment and displays strong ESG credentials as well as providing investors with differentiation and diversification in what is an efficient asset class.

Investment Team

Infrastructure Portfolio Management Team	Role	Industry Experience
Colm O'Connor	Lead Portfolio Manager	21yrs
Noel O'Halloran	Co Portfolio Manager	36yrs
Martin Conroy	Co Portfolio Manager	20yrs
Investment Team	Title	Investment Experience
Treasa Ni Chonghaile	Senior Portfolio Manager	25yrs
Catherine Cahill	Senior Portfolio Manager	23yrs
Matt Sheldon	Senior Portfolio Manager	22yrs
Andros Florides	Senior Portfolio Manager	28yrs
Eoin Fahy	Head of Responsible Investing	35yrs
Ben Cooke	Investment Analyst	7yrs
Jeanne Chow Collins	ESG & Engagement Analyst	23yrs
Robert Fullam	Investment Analyst	9yrs

Contact Details

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Investment Process

Our investment process is designed to use our specialist skills to precisely define each theme, construct a proprietary investment universe and then build a concentrated, high conviction portfolio designed to outperform the benchmark.

Identification of sustainable companies as either:
<ul style="list-style-type: none">• Pure plays (>50% of sales from either Water, Agri or Clean Energy) or• Market leaders (>10% sales and also be a global leader)
Identification of infrastructure companies as either:
<ul style="list-style-type: none">• Owners or operators of sustainable infrastructure assets or• Beneficiaries of sustainable infrastructure investment
Weighting Sector
<ul style="list-style-type: none">• Focus on bottom up fundamentals and valuation with an overlay of top down influences
Stock Selection
<ul style="list-style-type: none">• Focus on asset-intensive (often monopolistic) businesses with long-duration contracts (often with strong regulatory or government backing) producing stable cash flow generation with inflation protection.• Emphasis on companies with predictive and stable dividend yields, strong fundamentals, stable management and attractive valuations.

Overview

The portfolio invests in companies which own and operate long-duration assets within water, clean energy, agribusiness and social and digital end markets, and prefers long-term infrastructure assets which are producing predictable cash flows (often inflation linked). When building the portfolio, we aim to provide exposure to stable regulatory environments.

There is an urgent need to upgrade ageing infrastructure in developed markets; much of the water supply and wastewater systems for instance was designed when cities were less congested and are now in major need of overhaul. Following several years of under investment, governments are increasingly recognising the need to invest in ageing infrastructure both as a way of stimulating the global economy and as a way of providing a social benefit to taxpayers.

There are three key drivers supporting increased growth in sustainable infrastructure. Demographic changes (such as population growth, emerging market middle class growth and urbanisation etc) are set to raise demand for infrastructure sharply over coming decades. Secondly, concern over rising emissions has prompted governments to prioritize climate change objectives when enacting fiscal incentives schemes that support infrastructure end markets. Finally, advances in technology across renewable energy end markets has accelerated the trend of decarbonization. Increased growth in intermittent wind and solar energy requires additional spend in electric grid infrastructure.

Disclaimer

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