abrdn Global Infrastructure Equity

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by a team of experienced infrastructure investors.
- The approach and decision-making processes are highly collegiate in nature. "Quality" is a pre-eminent factor in the firm's approach to company research. The team's high thresholds in this regard are deeply ingrained, as is their commitment to assessing environmental, social and governance (ESG) factors.
- The resources and inputs available to the team enable them to cover a wide range of opportunities from across geographies and market-cap ranges. This helps them to maintain a well-diversified portfolio.

Key characteristics and expected outcome

- This specialist infrastructure equity fund is focused on the areas of transportation, utilities, energy and communication. The portfolio is shaped around three key themes: increasing urbanisation, energy transition and digital acceleration.
- As an asset class, global listed infrastructure has low correlation features compared to global equities, often outperforming in falling, risk-averse markets and lagging in rising, momentum-fuelled markets. As this fund can have meaningful exposure to emerging markets (up to 25%), it has the potential to exhibit higher volatility than other infrastructure equity funds, although the team always strives for good risk-adjusted total returns over time.
- It is also important to be aware of listed infrastructure's innate interest rate sensitivity, meaning that these specialist funds are more correlated to bond market moves than generalised equity funds.
- The fund's exposure to companies that can link their earnings to inflation can potentially provide a stable and growing distribution yield over time. However, investors should be aware that the fund's yield varies according to prevailing conditions and portfolio composition.
- The fund should appeal to investors who are attracted to an equity asset class that provides stable cashflows with inflation linkage, high barriers to entry and low correlation to other asset classes.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 5 means the fund's historic volatility is between 10% and 15%.

Our analysis indicates that the fund's five-year standard deviation is towards the upper end of the 10%-15% range associated with a score of 5. However, until 2023, please note that the fund was managed as a global equity income product, which influences the five-year risk/return outcome. An SRRI score of 5 is in keeping with that of global equities and other infrastructure equity funds. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	1 May 1986
Manager(s) Since:	Joshua Duitz (Sep 23) and team*
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	S&P Global Infrastructure Net Return
IA Sector:	Infrastructure

*The fund changed its name and mandate in September 2023. It was previously the abrdn Global Income Equity fund.

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A specialist global equity fund with a sole focus on investing in companies with high-quality infrastructure assets, with a view to delivering a sustainable level of income and capital growth over the long term. The focus is upon high quality infrastructure companies with attractive growth drivers.

Investment Team

The fund is managed by the Global Equity Infrastructure portfolio construction group (pod). The pod is made up of three experienced investors: Josh Duitz, Head of Listed Infrastructure, Donal Reynolds, Investment Director, and Investment Manager, Nick Machin. Mr Duitz joined Aberdeen Investments in 2018 and was previously a Portfolio Manager at Alpine Woods Capital Management. Mr Reynolds joined the firm in 2006 and has previous experience in US and global equities, while Mr Machin joined in 2017 and is responsible for real assets sector research in the Developed Markets Sector Research team.

Investment Philosophy

The team believes that the market often underestimates the sustainability of returns from high quality companies. Therefore, they concentrate on evaluating infrastructure companies using a deep fundamental approach, seeking also to engage actively with management teams to encourage positive change. The aim is to maintain a portfolio of high quality, monopolistic assets with stable cash flows and long-term viability.

Investment Process

The team divides the global infrastructure universe into four primary sectors, which are then further divided into a variety of sub-sectors. The four primary sectors are: transportation; utilities; energy; and, communication. The approach is grounded in deep fundamental research, team debate and a rigorous stock selection process. Environmental, Social and Governance factors (ESG) are embedded throughout.

With the search for quality companies driving their analysis, they look to uncover strong business models, clear competitive advantages, and industry leaders and innovators. A quality score (Q score) is given to each company under coverage from one to five, with each ranked both at an overall level and on five distinct criteria: the attractiveness of the industry in which the company operates; the strength of the business model and its economic or competitive moat; the skill and experience of the management; the resilience of the company's financials; and, the company's ESG credentials. They combine their assessment of quality with a focus on understanding what lies ahead for the business and the factors that will determine corporate value over time.

Once they understand the foundation of the business and how key drivers are changing, they focus on valuation. A wide range of valuation techniques and metrics are used to gauge the upside potential, as well as to evaluate potential downside scenarios. Using this analysis, they assign every stock under coverage as a 'strong buy', 'buy', 'hold' or 'sell'. Team debate and peer review of stock insights and recommendations are a crucial part of the research process, and these discussions support the portfolio managers within each pod in their deliberations about the composition of their specific mandates.

Portfolio Construction and Risk Controls

The fund typically holds 50-70 positions with regional and sector risks carefully monitored by the team. Individual holdings are a function of conviction, but there is a maximum stock holding of 5%. Key sectors are transportation, utilities and communications services (including cellular towers). Up to 25% can be invested in developing markets. The fund may hold up to 5% in cash.

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