

Press release

# M&G Investments launches Global Listed Infrastructure Feeder Fund

14 June 2023

In response to significant demand from local investors, M&G Investments is excited to announce the launch of the M&G Global Listed Infrastructure Feeder Fund. This new rand-denominated global equity fund will enable South African institutional and retail clients to gain easy access to global listed infrastructure assets and their attractive growth and inflation protection benefits. The Feeder Fund, now available directly from M&G in South Africa, invests into the existing Luxembourg-domiciled US dollar-denominated M&G (Lux) Global Listed Infrastructure Fund. We have also applied for approval to distribute this US dollar fund in South Africa in terms of Section 65 of the Collective Investment Schemes Control Act (CISCA).

The launch comes at a time when global listed infrastructure investments are increasingly popular around the world for offering diversification, steady income growth and inflation protection. The Fund, which already has a successful five-year track record and US\$3.2 billion (approximately R60 billion) under management, invests across a well-diversified mix of listed infrastructure-related equities around the world.

Explains Pieter Hugo, Chief Client and Distribution Officer at M&G Investments: “Far from being a traditional fund focused solely on utilities and other basic infrastructure projects like roads and bridges, our fund is much more varied and innovative – it includes renewable energy solutions, health, educational and civic facilities as well as an array of ‘evolving infrastructure’ needed for the global digital economy. These can encompass cellphone towers, data centres, satellite infrastructure and optical networks, to name a few. These longer-term projects generate growing income streams, often contractually linked to inflation and able to weather economic downturns. These qualities enable resilient dividend growth for investors who benefit from their compounding ability.

The large and experienced investment team at M&G UK managing the Fund aims to beat the MSCI All Country World Index (ACWI) over any five-year period, using bottom-up stock selection and focusing on companies with strong dividend growth and long-term earnings growth potential. The Fund holds between 40 and 50 stocks at any given time. The team narrows down the investment universe of around 650 listed stocks to approximately 250 by considering only those with assets that are difficult to replicate (such as those deriving income from critical infrastructure, long-term concessions or perpetual royalties). Additionally, they prefer stocks with a market capitalisation of over US\$1 billion for liquidity purposes and, naturally, with attractive valuations. Also important is a sustainable business model, with ESG criteria integrated into the fundamental investment process. In fact, the fund has a four-star Morningstar Sustainability Rating and is categorised under Article 8 of the EU Sustainable Finance Disclosure Regulation as one that promotes ESG characteristics.

According to Alex Araujo, who has been managing the fund since its inception over five years ago, decarbonisation and energy security are playing increasingly important roles in the asset class and are important investment opportunities represented in the Fund. “While this asset class has often been ignored, it has a remarkable compounding ability over time and is now at the centre of the global energy transition. Utilities are the deployers of renewable energy and are also putting infrastructure in place to ensure energy security.

“Renewable energy will eventually replace some of our energy needs, but moving to renewables is not simple and can’t be achieved at short notice,” he adds. “This means there are opportunities in the nearer-term via companies already helping deliver essentials like electricity and natural gas throughout the value chain.”

Looking at the electrification of transportation as an example, he says, transmission networks and low-voltage distribution networks need to be built and stabilised before electric transport facilities can become widespread. And the electrification of heat in homes requires two-way networks and heat exchangers.

To take advantage of some of these opportunities, among the largest overweight holdings in the M&G (Lux) Global Listed Infrastructure Fund currently include: Enel, the Italian multi-national electricity and natural gas group; TransCanada Corp, a major North American energy company; Crown Castle Inc, providing wireless telecoms infrastructure in the US; Alexandria Real Estate Equities, a California-based REIT focused on leasing property in the life science and technology sectors; and E.ON, the German multi-national electricity utility.

Utilities have typically formed the foundation of many infrastructure funds because of their ability to produce consistent returns over time. While many investors might think their returns uninteresting, over the last 20 years utility returns have nearly kept pace with those from general global equities, with the MSCI ACWI Utilities Sector Index having produced 7.7% p.a. and the MSCI ACWI generating 8.5% p.a. (both in US\$ to 31 May 2023).

As for the M&G (Lux) Global Listed Infrastructure Fund, it has returned 7.6% p.a. (C Class, net of fees in US\$) over the five years to 31 May 2023, compared to 3.2% p.a. from the average fund in the Morningstar Equity Infrastructure Sector, and 6.8% p.a. from its benchmark\* over the same period.

Concludes Pieter Hugo: “South African investors have held relatively little exposure to global infrastructure assets given the restrictions on offshore investments imposed by Regulation 28 of the Retirement Funds Act. Now that the offshore limit has been raised to 45% of a portfolio, local investors are looking for alternative global equity options to enhance the diversification of their offshore holdings and provide alternative investment return profiles. What better way to both lower risk and enhance return potential than investing in a fund that can equally help facilitate the global energy transition and do so in a sustainable way?”

## **ENDS**

For more information on the M&G Global Listed Infrastructure Feeder Fund, please contact Lynn Bolin, Head of Communications and Media, at 083 443 0105 or [lynn.bolin@mandg.co.za](mailto:lynn.bolin@mandg.co.za).

\*Fund Benchmark: The M&G (Lux) Global Listed Infrastructure Comparative Index (MSCI ACWI Gross to 1 October 2018, MSCI ACWI Net thereafter). Net Return indices include dividends after the deduction of withholding taxes.

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### **About us**

M&G Investments is a global investment manager with operations in 28 countries, over 5 million retail clients and more than R7.0 trillion in assets under management and administration. We are also one of South Africa's top 10 asset managers, with approximately R320 billion in assets under management (as of May 2023). For over 25 years we have built up an admirable local track record for delivering consistently strong performance for our clients over time, most recently with the M&G Equity and M&G Dividend Maximiser Funds having been ranked #1 and #3 in their ASISA category over the 20 years to 31 May 2023. The M&G Inflation Plus Fund was also ranked #1 in its ASISA category over the past 20 years.

M&G Investments offers clients the benefit of our wealth of global expertise, resources and cutting-edge technology, uniquely combined with a deep understanding of South African investment markets and client needs. Over the years, as part of our overriding commitment to transformation we have built a widely diverse and talented staff complement, with each person owning a meaningful stake in the company.

We are proud to have achieved a certified Level 1 B-BBEE rating, and are committed to promoting diversity and inclusion in the communities in which we live and work. We take our responsibility for growing and protecting our clients' hard-earned savings very seriously, so that our clients and their families can create better futures for themselves and future generations.

Not only are we long-standing active and engaged shareholders, but we integrate environmental, social and governance (ESG) factors in our valuation-based investment process. We offer our clients a range of world-class investment solutions to meet diverse risk and return requirements, from AI-based global equity and property funds to top-performing local equity, income and multi-asset funds.

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