Quarterly Factsheet

December 31, 2020

JENNISON ASSOCIATES

Global Infrastructure

A high-conviction portfolio seeking capital appreciation and current yield

Strategy Overview

Firm AUM:	$224.3B
Strategy AUM:	$0.5B
Inception Date:	July 31, 2008
Number of Holdings:	Typically 40-60
Benchmark:	S&P Global Infrastructure Index
Available Vehicles:	▪ Institutional Separate Account ▪ US Mutual Fund

Team Members

Portfolio Managers

Average Experience: 24 years

Bobby Edemeka

Shaun Hong, CFA

Brannon P. Cook

Dedicated Analysts: 4

Average Experience: 21 years

Highlights

- Global, diversified, and flexible portfolio construction to provide higher upside capture potential, while mitigating downside capture
- A pioneer in utility investing, managing one of the largest utility mutual funds in the US since the 1990s
- Extensive experience in analyzing the operational, financial, and regulatory factors within the infrastructure universe, provides a competitive advantage
- In-depth specialization and experience across utilities, transportation infrastructure, midstream, and telecommunications infrastructure contributes to our deep knowledge base
- Identifies high-quality companies that exhibit above-average free cash-flow growth, with fundamentals and assets that are underappreciated by the market
- Employs a thorough understanding of the asset base, business model, financial strength, and management quality of companies to project future cash-flow growth potential
- Seeks to take advantage of “time-horizon arbitrage” - capture longer-term opportunities from short-term market inefficiencies and dislocations

Performance

	4Q20	Full Year 2020	3 Years	5 Years	10 Years	Since Inception
Global Infrastructure Composite (Gross)	9.1%	2.2%	7.0%	10.1%	10.1%	7.9%
Global Infrastructure Composite (Net)	8.9	1.7	6.4	9.5	9.5	7.3
S&P Global Infrastructure Index (Net*)	14.8	-6.5	1.8	6.9	5.6	3.6

Past performance does not guarantee future results. **Index returns are reported net of reclaimable and non-reclaimable withholding taxes. Inception of Global Infrastructure Composite: 7/31/08. Periods greater than one year are annualized. See disclosures for important information.*

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Region and Country Allocation

North America	59.4%	Western Europe	31.0%	Asia & Pacific Rim	8.6%
United States	47.4	Spain	11.2	Australia	8.6
Canada	10.6	France	7.4		
Mexico	1.4	Germany	4.7		
South America	**1.1%**	Italy	4.6		
Brazil	1.1	Denmark	3.0		

Source: FactSet. Country & Regional classifications are defined by Jennison using FactSet country classifications. Cash excluded. See disclosures for important information.

Industry Allocation

Utilities	45.0%
Transportation Infrastructure	33.4
Telecommunications Infrastructure	11.2
Midstream Infrastructure	10.4

Source: FactSet. Industry classifications are defined by Jennison (Transportation: Industrials; Midstream: Energy; Telecommunications: Communication Services, REITs; Utilities: Utilities). Cash excluded. See disclosures for important information.

Largest Holdings

NextEra Energy	5.9%
Cellnex Telecom	5.0
RWE	4.7
Union Pacific	4.5
Enel	3.9
Norfolk Southern	3.8
Iberdrola	3.6
GFL Env EQ Unit 6% 3/15/23	3.2
Orsted	3.0
Atlas Arteria	2.7
	40.5%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (4Q20)

Top Five	Average Weight	Total Return	Contribution to Return	Bottom Five	Average Weight	Total Return	Contribution to Return
Orsted	3.0%	48%	1.23%	SBA Communications	1.8%	-11%	-0.23%
GFL Env EQ Unit 6% 3/15/23	2.8	34	0.84	Equinix	2.7	-6	-0.16
NextEra Energy	5.8	12	0.67	Dominion Energy	2.7	-4	-0.08
RWE	4.8	13	0.60	Equitrans Midstream	1.4	-3	-0.08
Enel	3.7	16	0.58	American Tower	1.4	-7	-0.07

Past performance does not guarantee future results. *Source: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison during the time period shown. A complete list of holdings and how each contributed to the portfolio's return is available upon request. See disclosures for important information.*

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Overview

The S&P Global Infrastructure Index (the Index) solidly advanced with all segments gaining ground in over the fourth quarter. Gas utilities and airport services led the Index, along with marine ports & services and toll roads. Water utilities, midstream infrastructure, and electric utilities all lagged, but still returned modest performance. Notable Index contributors included Aena SME, Getlink SE, Signature Aviation plc, and NextEra Energy. Notable detractors within the Index were TC Energy, Dominion Energy, Consolidated Edison, and WEC Energy Group.

The Global Infrastructure Composite (hereinafter, the “Composite”) posted gains, but trailed the Index over the quarter.

On an absolute basis, the representative portfolio’s (hereinafter the “Portfolio”) electric utilities holdings were among the primary performance drivers, followed by toll roads, and midstream infrastructure. Airport services also meaningfully contributed to gains over the period. Wireless tower & data centers modestly hurt. No other segments detracted on an absolute basis over the quarter.

Relative to the Index, the Portfolio’s overweight exposure to wireless tower & data center REITs were among the top detractors, as the recovery trade took hold over the quarter and investor appetite for defensive stocks quickly diminished. Underweight exposure and stock selection within airport services also meaningfully hurt, as airport stocks rallied off the bottom. Allocations to railroads also hampered relative returns. On the contrary, the Portfolio’s successful stock selection within utilities meaningfully added, along with underweight exposure to midstream infrastructure. Positive stock selection within toll roads also contributed to relative performance over the quarter.

Key Contributors

- Denmark-based **Orsted** is one of the leading global developers of renewables and is a global leader in offshore wind development. The Company continues to benefit from demand for new offshore wind generation, which we believe is about to enter an accelerated growth phase. We continue to favor the Company given our belief that it is well positioned to capture market share, in this fast-growing segment of global electricity generation.
- **NextEra Energy** (NEE) announced 3Q20 earnings over the period, beating expectations and affirming EPS guidance at the high end of its range. Last quarter, management pointed to the ongoing strength of its renewables development and execution across all business, which has led to its increased conviction in its outlook. From Jennison’s view, NEE continues to be the best-in-class clean energy/ESG story.
- **RWE** has benefitted from the global movement towards cleaner electricity sources through its development of renewable power generation. The Germany-based integrated utility is in the process of transforming itself into the third largest renewables developer in Europe and the second largest offshore wind operator globally. We believe RWE should continue to benefit, given its platform to capture the long-term growth in wind and solar generation, along with a clear path to becoming carbon-neutral by 2040. Over the period, RWE announced auction success in the German Hard Coal phase out process, removing the Company’s hard coal exposure in Germany, taking a further step away from coal and that much closer towards its transformation goal.

Key Detractors

- Tower and data center REITs came under pressure over the period after positive vaccine news sparked an equity market rally in November, causing investors to pivot away from defensive sectors such as real estate and utilities, in favor of riskier assets. As a result, shares of **SBA Telecommunications** and **American Tower Corporation** (AMT) were weak over the period. This came despite SBA and AMT both reporting solid 3Q20 results, beating consensus estimates and raising 2020 guidance. AMT also announced its acquisition of InSite Wireless for $3.5B over the quarter. The acquisition expands its growing international portfolio as it enters Canada, but more importantly, adds to its core US tower business. We view towers as the backbone of the telecom industry – providing the necessary infrastructure to construct wireless networks. We see both companies continuing to benefit from a further 5G buildout, while demand for tower infrastructure, both domestically and internationally remains strong.
- **Dominion Energy** is a Virginia-based multi-utility engaged in the provision of electricity and natural gas to homes, businesses, and wholesale customers. After divesting its gas infrastructure business to Berkshire Hathaway that was completed in November, the Company is now focusing itself on its core regulated utility businesses, with a more visible and predictable EPS profile. We continue to favor Dominion as it moves to a more stable and financially healthier company, while the potential to build offshore wind assets in Virginia could provide potential upside.

The views expressed herein are those of Jennison investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice. Forecasts may not be achieved and are not a guarantee or reliable indicator of future results. See disclosures for important information.

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Outlook

Demand trends within transportation infrastructure remained volatile across modes in 4Q due to COVID-related impacts across toll-roads, airports, and rails. Transport infrastructure levered to the movement of goods (rails and waste volumes) has continued to recover through 4Q, while toll roads/airport trends have diverged across regions due to government based restrictions. Within transports, we continue to favor rails who are well positioned to leverage accelerating freight volumes over the next year while adding costs at a much slower pace. All of which, should enable solid incremental margins and free cash-flow growth, in our view. Our preference remains for rails with PSR (precision schedule railroading) exposure. We continue to own waste companies where we see solid pricing power and free cash-flow generation despite impact from COVID1-19. Toll road traffic moderated in certain geographies such as Europe, given new restrictions, but as vaccine distribution progresses, we expect traffic trends will improve through 2021 and continue to see material upside in French toll road companies. We continue to prefer toll-roads over airports, as we see a path to more normalized demand in 2021 and greater clarity on pricing and regulation. However, we have selectively added to our airport exposure in 2H20 preferring those airports positioned for a leisure short-haul traffic recovery in 2021/22. Some airports such as Mexico have been exceeding traffic expectations in 4Q20 given limited regulations while European traffic expectations have been resetting lower in 4Q and 1H21.

Utility sector fundamentals remain healthy, and we believe the sector should generate mid-high single digit earnings growth with commensurate dividend growth, owing to highly visible capital expenditure trajectories plus improving regulatory compacts. In particular, utilities are well positioned in the secular trend of the ‘energy transition’ to cleaner sources, and stand to benefit from rising demand for renewable energy supply and the subsequent grid infrastructure investment needed to modernize aging networks and absorb the intermittent nature of renewable generation. The majority of our utility exposure stems from our US utility holdings, given their regulated investment opportunities with higher rates of return than foreign peers that, in turn, are generating on average, better earnings and cash-flow growth. Overall, we continue to favor utilities with solid and sustainable dividend yields and above-average projected earnings and/or dividend growth operating in constructive regulatory environments that support timely and attractive returns on capital deployed. Looking beyond US utilities, renewable energy continues to be a dominant theme in the utility sector – both domestically and abroad -- and most of our non-US utility exposure is leveraged to the trend towards greater investment in renewable electric generation, specifically within Europe. We believe any project setbacks or regulatory permitting issues is not a major driver of long-term shareholder returns.

Moving to our midstream infrastructure exposure, we have consolidated our holdings into companies that we believe are well-positioned to thrive during the crisis and beyond due to: their exposure to prolific natural gas basins tied to more visible long-term demand; are more North American focused; and lack some of the geopolitical oil risks. Companies with strong balance sheets, integrated asset systems with multiple touch-points across the entire energy value chain, as well as those stocks that have transparency and strong ESG metrics with a focus on reducing carbon footprint, will continue to fare better going forward, in our view.

Lastly, regarding communications infrastructure, we continue to favor wireless towers and datacenter operators. We do not expect any material impact from COVID-19 on the tower companies as they have long-term contracts with wireless operators, which we view to be low counterparty risk. In Europe, we continue to see compelling growth potential through M&A within the independent tower sector alongside the organic secular growth opportunity. In the datacenter space, the demand for data has increased during this time as more employers have moved to the “work-from home” environment. Fundamentally, both industries capitalize on exponential data demand growth around the world.

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All data is as of December 31, 2020 unless otherwise noted. Due to rounding, individual values may not sum to total shown.

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The S&P Global Infrastructure Index consists of approximately 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy. In March 2013, the composite's primary benchmark was changed from the Standard & Poor's (S&P) Global Infrastructure Index (Gross) to the Standard & Poor's (S&P) Global Infrastructure Index (Net). Jennison believes the Standard & Poor's (S&P) Global Infrastructure Index (Net) offers a better point of comparison because composite returns are net of non-reclaimable withholding taxes. The Standard & Poor's (S&P) Global Infrastructure Index (Gross) is now the composite's secondary benchmark. The net benchmark return is reported net of reclaimable and non-reclaimable withholding taxes. The gross benchmark return is reported gross of all withholding taxes. Withholding tax rates used for the benchmark differ from, and may be higher than, the withholding tax rates used when calculating the composite return.

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