abrdn Global Infrastructure Income Fund

Quarterly Commentary

Second Quarter 2024

Fund performance

The abrdn Global Infrastructure Income Fund returned -1.05%[1] on a net asset value basis in the second quarter of 2024, versus the 2.33% return of its benchmark, the S&P Global Infrastructure Net Index[2].

Stock selection in both industrials and utilities weighed on the Fund's performance relative to the S&P Global Infrastructure Index for the quarter.

In terms of individual stock detractors, Zon Holdings saw challenges in the second quarter related to a competitive market environment in its core north-east markets and lower-than-expected sale proceeds for the businesses.

CCR, the Brazilian toll-road operator, released decent quarterly results and held an analyst day outlining the company's capex and asset recycling plans for the coming years. However, the stock lagged the overall market after CCR announced that it had missed out on a bid for a toll road in Brazil. While this was disappointing news, it does highlight good capital discipline from the management team.

Norfolk Southern Corporation, the U.S. railroad operator, continued its weak start to the year, driven in part by the conclusion of a proxy battle with minimal changes at the management level, except for the recent installation of a new chief operating officer. Additionally, overall negative sentiment within the transportation sector, coupled with a lack of volume recovery, further weighed on the share price.

Conversely, Fund performance for the quarter relative to the S&P Global Infrastructure Index was supported by a non-benchmark exposure to the information technology sector, while an absence of holdings in the materials sector only marginally detracted.

In terms of individual stock contributors, Helios Towers, the Africa-focused tower operator, reacted positively to strong first-quarter results that beat expectations and laid the groundwork for earnings upgrades later in the year.

BT Co-Invest Fund continued its strong growth trajectory in its core Houston market, with a business model focused on customer service for smaller municipalities overlooked by larger waste companies.

Vistra Corporation, the U.S. power producer, continued its strong momentum as investors remained bullish on long-term demand being bolstered by data center-driven growth.

[1] **The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling 800-387-6977 or visiting abrdn.us.**

[2] The S&P Global Infrastructure Index is an unmanaged index considered representative of stock markets of developed and emerging markets.

Market review

Global equity markets ended higher over the quarter. Given continued disinflation in recent months, the European Central Bank (ECB), the Bank of Canada, and the Swiss National Bank have all started cutting interest rates. Moreover, investors are factoring in further interest-rate cuts in most regions later in 2024. However, with inflationary pressures still present, the world's major central banks have maintained a cautious stance on monetary policy. As a result, any additional easing is now expected to occur later in the year than previously forecast. Meanwhile, robust economic data, particularly in the U.S., has raised hopes for a 'soft landing'. Against this backdrop, corporate first-quarter results have generally exceeded expectations, particularly from those companies exposed to artificial intelligence (AI). However, investors continued to be concerned about the outlook for the Chinese economy, especially the country's property sector, and the implications for global economic growth. The ongoing wars in Ukraine and the Middle East remain other key risks.

U.S. equities ended higher. Despite still-elevated bond yields, large technology companies, led by NVIDIA, fared especially well as they benefited from their exposure to the fast-growing area of AI. U.S. annualized GDP grew by 1.3% in the first quarter of 2024, compared with a growth rate of 3.4% in the previous three months. Inflationary pressures continued to ease over the quarter after a succession of interest-rate increases from the Federal Reserve (Fed) since early 2022. In particular, the central bank's favored measure of inflation, the core Personal Consumptions Expenditures Price Index, fell from an annual rate of 2.8% in April to 2.6% in May, as expected, but remained above the 2% target. The Fed kept the target range for the fed funds rate at 5.25-5.50% over the period but has signaled just one rate cut over the remainder of 2024 (having previously flagged three), with more easing to come in 2025 and 2026.

European equities rose over the period. Annual GDP in the eurozone grew by 0.4% in the first quarter of 2024, an improvement from 0.2% in the last three months of 2023. According to initial estimates, annual consumer price inflation fell from 2.6% in May to 2.5% in June, as expected, but the core rate remained at a higher-than-forecast 2.9%. In response to continued disinflation in recent months, the ECB cut its main refinancing operations rate by 0.25% to 4.25% at its June meeting. Meanwhile, French President Emmanuel Macron called for a snap general election after his centrist alliance suffered a shock defeat to the far-right National Rally in the European Parliament elections. The resulting political uncertainty, coupled with concerns about France's future fiscal position and the stability of the EU, led to a sharp sell-off in French equities and government bonds.

UK equities ended higher but underperformed most other regional indices. Prime Minister Rishi Sunak called a snap general election for July 4, looking to take advantage of stronger economic data. Annual GDP grew by just 0.2% in the first quarter of 2024, although the UK economy had contracted by 0.2% in the fourth quarter of 2023. Annual inflation fell from 2.3% in April to 2.0% in May, as expected, returning to the Bank of England (BoE)'s target. Moreover, annual core inflation was in line with expectations, falling from 3.9% to 3.5% over the same time frame. The BoE maintained its Bank Rate at a 15-year high of 5.25% over the quarter, but there are indications that it may soon begin to ease its policy.

In the Asia Pacific region, stocks in Australia underperformed due to continued concerns about the Chinese economy despite further stimulus measures in the country. The Reserve Bank of Australia kept its cash rate at 4.35% over the quarter. Japanese equities ended higher. Annual GDP contracted by 0.2% in the first quarter of 2024, having grown by 1.2% in the last three months of 2023. Annual core inflation of 2.5% in May remained above the Bank of Japan (BoJ)'s 2% target. The BoJ kept its key short-term interest rate at around 0-0.1% over the quarter. However, the central bank has signaled the possibility of another rate hike at its next meeting in July (following the increase in March) and will also be looking to start reducing bond purchases then. This potential shift comes as the BoJ's ongoing accommodative monetary policy stance has led to further yen weakness, triggering central-bank intervention. In the BoJ's latest quarterly Tankan survey, the sentiment index for large manufacturers improved from +11 to +13, but that for large non-manufacturers edged down from +34 to +33.

Emerging markets ended higher, despite a stronger U.S. dollar, given investors' increased optimism about the global growth outlook as falling annual inflation rates led to central banks considering future interest-rate cuts. Chinese equities languished despite the Chinese authorities announcing fresh stimulus measures to support the economy. The yuan further depreciated due to continued worries about the country's uncertain economic outlook and its indebted property sector. Indian equities outperformed, helped by Prime Minister Narendra Modi's pro-business reforms. The country's first-quarter GDP rose by a stronger-than-expected 7.8% year on year, and the central bank kept its benchmark rate at 6.5%. Stocks in Taiwan were supported by the country's relatively high weighting to the buoyant technology sector. Brazilian equities ended lower over the period, given investor concerns about the country's fiscal position under left-leaning President Lula da Silva and the fact that China is Brazil's main export market. The Central Bank of Brazil further reduced its Selic rate from 10.75% to 10.50% over the quarter after 12 consecutive rate hikes since March 2021 had led to a marked reduction in annual inflation. Meanwhile, Turkey's central bank kept interest rates unchanged at 50% during the period as annual inflation rose above 75% and the lira continued to depreciate. Nonetheless, Turkish equities ended notably higher, driven by strong economic growth, robust corporate earnings, and improved investor sentiment after recent policy changes.

Outlook

Macroeconomic factors remain as unpredictable as ever, with investors scrutinizing the latest data and trying to predict when a pivot in the direction of interest rates might occur. We now have central banks on different paths with regards to rates: the ECB cut rates in June while the Fed is still relatively hawkish. Geopolitical pressures remain elevated throughout the world. Elections in Mexico, India, South Africa and France have thrown up surprises. With an election in the UK in July and the early start of presidential proceedings in the US, this trend is likely to continue. Recessionary concerns appear to have largely abated, given that economic data has so far been more positive than many expected. Our main focus remains at the stock level, ensuring the portfolio is well diversified on both a regional and sectoral basis, and robust enough to preserve capital in periods of market weakness. We aim to invest in higher-quality businesses with the financial strength to withstand volatility and exposure to strong structural drivers for long-term growth.

In the broader markets, companies exposed to technology, and more specifically AI, continued to drive sentiment and markets higher, with infrastructure still lagging this growth-driven phenomenon. However, we are seeing more examples of technology companies signing power agreements and acknowledging that electricity supply is one of the biggest bottlenecks for the further build-out of AI data centers. This fits into our overarching thesis that all waves of innovation are underpinned and reliant on infrastructure, and each wave is additive to the infrastructure universe. Looking more near term, we are starting to see some light at the end of the tunnel for this interest-rate cycle, as inflation fears recede and central banks feel they have scope for cuts, though this is unlikely to be synchronous across the major markets. Political risk also needs to be properly assessed and monitored, as most recently seen in the snap election in France and, more importantly, with the upcoming US presidential election in November. All that being said, the long-term structural drivers for infrastructure remain in place. These include the energy transition, digital acceleration, and increasing urbanization.

Total returns (as of 06/30/24)

	1 month	3 months	Year to date	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)	Since inception (p.a.)
NAV	-5.19	-0.96	-0.55	3.91	3.13	–	–	7.53
Market Price	-1.28	6.29	7.96	13.54	3.01	–	–	5.43
S&P Global Infrastructure Net Index	-3.04	2.33	3.48	5.97	4.66	–	–	7.81

Annual calendar year returns (as of 12/31/23)

	2023	2022	2021	2020
NAV	7.53	12.10	-4.59	13.32
Market Price	5.43	14.46	-10.58	18.15
S&P Global Infrastructure Net Index	5.78	-0.99	11.04	0.00

Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.