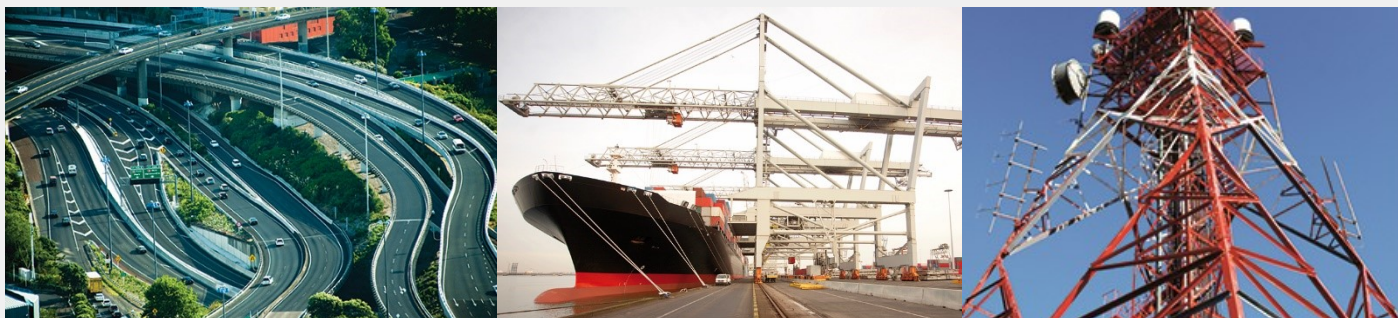


Global Listed Infrastructure

Monthly Review and Outlook

As at January 2016

- First State Global Listed Infrastructure Fund invests in global listed infrastructure and infrastructure-related securities.
- Investing in shares in a single sector may expose the Fund to greater volatility than investing in multiple sectors. The value of the Fund may be impacted by risks associated with listed infrastructure including changes in environmental regulations. It is possible that the entire value of your investment could be lost.
- All or part of the Fund's fees and expenses may be paid out of capital resulting in an increase in distributable income and effectively a distribution out of capital. Similarly in certain circumstances dividends may be paid out of capital. This amounts to a partial return of an investor's original investment, or from any capital gains attributable to that original investment, and may result in an immediate decrease of the Net Asset Value per share.
- You should not base your investment decision solely on this document. You should not invest unless the intermediary who sells it to you has advised you that the Fund is suitable for you and explained how it is consistent with your investment objectives.



Welcome to the latest monthly update on First State Global Listed Infrastructure Fund, providing a review of the Fund and latest outlook for the sector.

Key highlights:

- Global listed infrastructure provided stability to investors during a turbulent start to 2016, the sector dipped 0.4% while global equities fell 6.0%
- Utilities performed best, as investors sought the safety of regulated earnings
- Renewed concerns over the state of global economic growth weighed on volume-sensitive ports and railroads

Market review

Defensive assets outperformed in January as weak manufacturing data from China and the US and a fluctuating oil price sparked market volatility. In USD terms (total return), the FTSE Global Core Infrastructure 50-50 Index dipped 0.4%, compared to a drop in global equities of 6.0%.

Multi-utilities performed best, buoyed by the appeal of regulated returns and cash-generative business models. Pipelines rebounded as investors identified fundamental value in the wake of significant underperformance in recent months. Growing risk aversion and lower volumes dragged on Ports and Railroads

The best performing regions were North America and the UK, which were lifted by substantial utilities gains. The worst performing region was Asia, which bore the brunt of China slowdown concerns. Japan also lagged, although the Bank of Japan's unexpected announcement of negative interest rates helped its infrastructure stocks regain some ground at the end of the month.

Fund review

In USD terms, the Fund declined 2.79% in January¹, lagging behind its benchmark index.

Utilities outperformed, highlighting the value of defensive holdings to a portfolio. US electric utility **NextEra Energy** announced consensus-beating Q4 results, driven by customer growth at its Florida-based regulated utilities business; and favourable weather.

NiSource was supported by continued speculation that its portfolio of gas and electric transmission and distribution assets would make an attractive takeover target. In-line Q4 earnings results from peer **Xcel Energy** made 2015 the 11th consecutive year that it has met or exceeded earnings guidance. **Alliant Energy**, **Duke Energy**, **Eversource Energy** and **National Grid** also delivered solid returns.

The best performing stock in the Fund was **Spectra Energy**. The US gas pipeline operator raised its quarterly dividend by almost 10% and announced that its dividend coverage had improved to 1.2x, illustrating its continued ability to deliver reliable cash flows from its robust, fee-based business model. **Kinder Morgan**, the largest US pipeline company, rallied as fourth quarter results confirmed that its recent dividend cut had stabilised the balance sheet. Canadian peers **TransCanada** and **Enbridge Inc** also increased as rebounding oil prices in the second half of the month provided an additional tailwind.

Latin American infrastructure advanced as focus shifted from the region's macroeconomic headwinds to company fundamentals. Brazilian water utility **SABESP** climbed as improving water levels at its reservoirs underpinned a stream of positive developments including a reduction to its bonus program for low consumption customers; and permission to increase reservoir access which would enable it to sell more water. Brazilian toll road **CCR** gained on reports that it was negotiating the sale of its stake in STP, an electronic tolling and payments company. Mexican airport operator **GAP** (flat) outperformed its peers after announcing very positive 2016 guidance, including 7% passenger growth and 12% revenue growth.

Airports, ports and toll roads delivered mixed returns. The worst performing stock in the Fund was private jet airport operator **BBA Aviation**, on worries that economic uncertainty may curtail business jet demand. Port operator **China Merchants Holdings International** fell on slower than expected volume growth, and after paying a high valuation multiple for a minority stake in Northern China's Dalian Port. Toll road **Jiangsu Expressway** lagged despite robust recent traffic numbers, on concerns that a slowing Chinese economy may impact volumes. More positively, Australian toll road operator **Transurban** announced impressive uplifts to both traffic volumes and revenues for the December quarter. Japanese port and logistics company **Kamigumi** was supported by its undemanding valuation multiple; a large net cash position; and the Bank of Japan's negative interest rate announcement.

Railroads lagged as quarterly results from US freight rail operators **CSX**, **Union Pacific** and **Kansas City Southern** indicated that softness in haulage volumes continues to outweigh productivity improvements. Japanese passenger rail company **East Japan Railway** (-4%) rallied towards the end of the month after reporting very strong quarterly results. New routes; an improving economy; and tourism growth drove a 12% increase in operating profit. Its significant Tokyo property assets make it a direct beneficiary of lower Japanese interest rates.

US towers faced industry blog rumours that telecom operator **Sprint** was planning to transition its network away from tower operators. However, **Crown Castle** (flat), **American Tower** (-3%) and **SBA Communications** (-6%) recovered sharply from intra-month lows as the logistical and contractual challenges of replicating incumbent tower networks became increasingly clear. Sprint announced that it expected its strategic relationship with the tower companies would continue "for many years". Crown Castle announced solid quarterly results and raised its 2016 earnings outlook.

Transactions

During the month, a position in Canadian freight rail company **Canadian National Railway** was sold following outperformance compared to peers. French toll road operator **Vinci** was also sold. Significant share price appreciation during the Fund's extended holding period reduced mispricing and saw the company move lower within our investment process.

Outlook

The Fund invests in a wide range of global listed infrastructure assets including toll roads, airports, ports, railroads, utilities, pipelines, and mobile towers. These sectors share common characteristics, like barriers to entry and pricing power, which can provide investors with inflation-protected income and strong capital growth over the medium-term.

Recent market movements have showcased listed infrastructure's ability to hold up in falling markets, reflecting the stable earnings growth profiles of its underlying assets. We expect returns will continue to vary by sector and region, presenting opportunities for active managers when short term sentiment overcomes long term fundamentals.

Our investment process currently favours toll roads and mobile towers. Solid traffic volumes, inflation linked prices, and distribution yields of between 4% and 6% make toll roads an attractive investment option. Mobile towers continue to benefit from structural growth in demand for mobile data, which is putting telecom companies under ongoing pressure to improve network quality and capacity. M&A activity has driven Gas Utilities and Airports to levels that are difficult to justify on fundamentals.

¹ The Fund's calendar year performance: -5.7% (2015); 12.3% (2014); 17.3% (2013); 10.4% (2012); 1.2% (2011).

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