First State Investments 首域投資

Global Listed Infrastructure

Monthly Review and Outlook

March 2017

- 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.

Market review

Global listed infrastructure continued its strong start to 2017, helped by well-received earnings numbers and positive investor sentiment.

The best performing sector was Satellites, which continued its recovery as investors took the view that some satellite stocks had reached oversold levels. We remain cautious of the structural headwinds facing this sector over the medium term.

The worst performing sector was Railroads which paused for breath in March, having rallied in recent months on hopes of a continued economic revival and a business friendly regulatory environment.

The best performing region was Europe ex-UK. Volume-sensitive airports and toll roads were supported by traffic growth, positive economic indicators, higher inflation and improved growth forecasts from the European Central Bank for 2017 and 2018.

The worst performing region was North America. Pipeline and railroad stocks lagged after proposed amendments to US health care legislation failed to pass through Congress. This raised concerns that other policy initiatives on the Trump administration's agenda such as corporate tax cuts and revival of the energy sector may also face headwinds.

Fund review

The Fund rose 1.9% in March[1], 38 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the Fund was mobile tower operator Inwit, which announced pleasing fourth quarter earnings numbers. US peers American Tower, SBA Communications and Crown Castle increased on a more optimistic outlook for 2017 earnings and the announcement that the US government will use AT&T to build a wireless based First-Responder Network.

The Fund's airport holdings rallied on positive passenger growth momentum. Spanish operator AENA, the world's largest listed airport company, announced February passenger growth of 5.1% year-on-year (yoy). French-listed Aeroports de Pari and Mexico's GAP reported February passenger growth 8.2% (yoy) and 10.9% (yoy) respectively.

Toll roads gained as a brightening economic outlook buoyed European operators. Italian-based Atlantia rallied as investors looked forward to the potential sale of a stake in its Italian motorway concession business. Spain's Abertis acquired an extra 17% of its French tollroad subsidiary, bringing its stake to almost 90%. China's Jiangsu Expressway rallied on better than expected 2016 financial year earnings results, as well as healthy truck traffic volumes in January and February.

Utilities delivered mixed returns. Spanish-listed Iberdrola won a contract to construct and operate a new US$400 million gas-fired power station in Mexico as it continues to deploy capital into network and generation assets. National Grid completed the sale of a 61% stake in its gas distribution business to a consortium of institutional investors and sovereign wealth funds, and announced that a further 14% stake may also be sold in 2019.

However SSE fell after suggesting that its dividend coverage ratio may be at the lower end of its target range over the next two years. Hong Kong-listed Power Assets Holdings, which owns utility assets in the UK, Australia and Hong Kong, underperformed owing to a weaker than expected profit result.

The worst performing stock in the Fund was Japanese port operator Kamigumi which declined despite a lack of material news as a stronger yen weighed on Japanese infrastructure stocks. China-listed peer COSCO Shipping Ports announced disappointing earnings results as a result of a worse-than-expected contribution from minority port stakes. China Merchants Ports fared better after announcing robust 2016 earnings and provided an optimistic outlook for 2017 driven by tariff increases (1-2% in China and 3-4% outside China), container growth and a slowing in cost growth.

[1] Source: First State Investments as at 31 March 2017. Performance is based on First State Global Listed Infrastructure Fund Class I (USD - H Dist).
All stock and sector performance data expressed in local currency terms. Source: Bloomberg.
The Fund's calendar year performance: 11.7% (2016); -5.7% (2015); 12.3% (2014); 17.3% (2013); 10.4% (2012).

No stocks were divested, and no new stocks were added to the Fund during March.

Market outlook and fund positioning

The Fund invests in a 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.

The outlook for the Fund is positive. Most infrastructure sectors are forecasting healthy EPS growth, underpinned by tangible assets, providing essential services in contracted or regulated business models.

When considered relative to other asset classes listed infrastructure looks well placed to deliver reasonable risk adjusted returns to investors, given the still-low expected returns from cash and bonds at current levels. If there was a correction in equity markets, the stability of infrastructure cash-flows and historic outcomes would suggest that listed infrastructure would fall by significantly less than general equities.