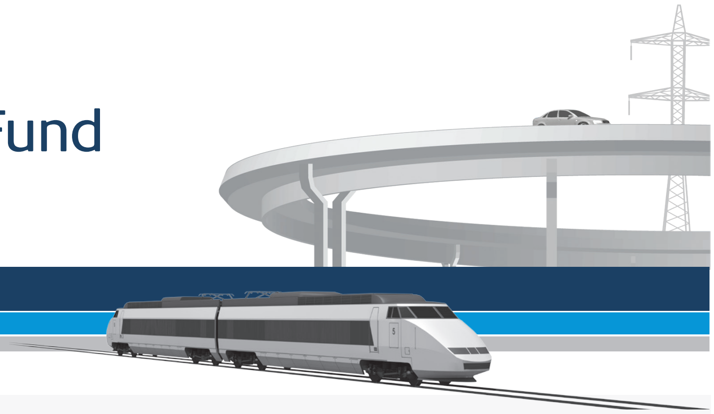
First State Investments
首域投資

First State Global Listed Infrastructure Fund

Monthly Review and Outlook

August 2017



- The 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 climbed in August as investors looked past mounting geopolitical tensions to focus on an improving economic environment and generally robust earnings numbers. The FTSE Global Core Infrastructure 50/50 index (USD, Net TR) rose +1.9% during the month, while global equities returned +0.1%.

The best performing sector was Towers. Demand for this cash generative sector was underpinned by positive earnings numbers and continued evidence of structural growth in mobile data. The worst performing sector was Pipelines. Although quarterly earnings results were largely in line with expectations, evidence of weakness in crude oil and Natural Gas Liquids margins raised concerns for the sector.

The best performing region was Australia / NZ. Australian toll roads, airports and utilities rallied on well-received earnings numbers and investor demand for yield, as US bond yields trended lower. The worst performing region was Latin America (flat), where slowing passenger growth rates weighed on Mexican airports. More positively, Brazil proposed a significant extension to its infrastructure privatisation program of airport, toll road, port and utility assets.

Performance Review

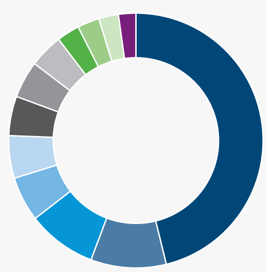
The Fund gained 1.5% in August[1], 43 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

Cumulative Performance in USD (%) [1]	3 mths	YTD	1yr	3yrs	5yrs	Since inception
Class I (USD - H Dist)	2.7	17.5	15.0	22.9	67.6	70.8
Benchmark*	4.3	18.5	15.9	23.3	74.5	66.3

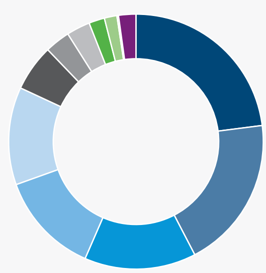
Calendar Year Performance in USD (%) [1]	2016	2015	2014	2013	2012
Class I (USD - H Dist)	11.7	-5.7	12.3	17.3	10.4
Benchmark*	11.3	-6.0	13.6	17.9	12.7

Asset Allocation (%) [1]

Country



Sector



[1] Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 August, 2017. Since inception date: 27 June 2008. Performance is based on First State Global Listed Infrastructure Fund Class I (USD – H-Dist). This is the semi-annually dividend distribution class of the fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital. *The benchmark displayed is the FTSE Global Core Infrastructure 50/50 Index.

Top 10 holdings (%) [2]

Stock name	Sector	%
National Grid plc	(Multi-Utilities)	7.9
American Tower Corporation	(Specialised REITs)	5.4
Atlantia S.p.A	(Highways & Railtracks)	5.2
Transurban Group Ltd.	(Highways & Railtracks)	5.0
Enbridge Inc.	(Oil/Gas Storage & Trans.)	4.4
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	4.3
East Japan Railway Co	(Railroads)	4.3
Dominion Resources, Inc.	(Multi-Utilities)	4.2
American Electric Power Company, Inc.	(Electric Utilities)	4.0
NextEra Energy, Inc.	(Electric Utilities)	4.0

The best performing stocks in the portfolio were the three US tower operators SBA Communications, American Tower and Crown Castle. SBAC announced healthy 2Q earnings and raised full year guidance. Site leasing revenue rose by 5.5%, led by operations in faster growing international markets such as Brazil and Mexico. Further demand for US tower space over the coming year is implied by the scheduled deployment of new spectrum, and the roll-out of the FirstNet first responder wireless network.

The Fund's geographically diversified toll road and railtrack holdings delivered consistently positive returns for the month. Eurotunnel rallied after announcing an 8% increase in EBITDA for the first half of 2017 from its unique infrastructure asset, and maintained profit and dividend growth forecasts for 2017 and 2018. Australian toll road operator Transurban announced robust FY 2017 results, including EBITDA growth of 10%, underpinned by continued traffic growth and tolling increases of inflation or better. Jiangsu Expressway reported a 22% increase in net profit for 1H, helped by an 8% increase in light vehicles and a 10% increase in heavy vehicles on its main Shanghai-Nanjing Expressway concession.

The better-performing US utility holdings included those deriving earnings growth from investment in renewable energy. American Electric Power announced plans to purchase a 2 gigawatt (GW) wind farm in Oklahoma and build a transmission line to connect to its customer base. Xcel Energy put forward a proposal for renewables-focused generation projects of up to 2.4 GW in Colorado, and the retirement of two coal units. NextEra Energy, whose businesses include the world's largest generator of solar and wind energy, also outperformed.

The worst-performing stock in the portfolio was a small position in Plains All American Pipeline, which announced poor second quarter earnings results. Continued weakness in its Supply & Logistics business segment forced the company to carry out substantial measures, including a 45% dividend cut, to improve its financial position. While disappointing, this month's measures have removed uncertainty and put the company in a much more stable position today. Ongoing production growth in the Permian region should support demand for its strategically located network of gathering and pipeline assets. Larger holdings in peers Kinder Morgan and Enterprise Products Partners also underperformed as sentiment to the sector was affected by the news, before regaining some ground as the month drew to a close.

The Fund bought shares in US freight rail operator Norfolk Southern, which has a track network that covers approximately 19,500 miles and serves every major container port in the eastern United States. In the near term, Norfolk Southern appears well placed to benefit from any customer service issues encountered by east coast peer and current Fund holding CSX, as "Precision Scheduled Railroading" is introduced to the CSX network. Over the medium term, this strategy is likely to present opportunities for both companies to improve operational efficiency.

The Fund also built a position in Vopak, the world's largest independent owner and operator of bulk liquid storage assets, after a period of underperformance led it to trade at a discount to peers. The company has a healthy balance sheet and now trades at a conservative multiple, with sensible earnings growth expectations. The potential to further develop its existing portfolio of strategically located terminals, or to acquire valuable energy infrastructure assets deemed "non-core" by integrated oil companies, provides scope for future earnings growth.

A holding in US freight rail operator Kansas City Southern was sold after investor concerns about US / Mexico trade disruption receded, leading to substantial share price gains which reduced mispricing.

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 Fund has maintained its overweight exposure to the toll road sector, which contains high quality companies with inflation-linked pricing and high barriers to entry. We are attracted to their reasonable valuation multiples and well-supported dividend yields of between 3% and 5%. Long-term, structural factors such as urbanisation and traffic congestion are likely to underpin growing demand.

Railroads are the Fund's second largest overweight position. Japan's stable, low beta passenger rail stocks including East Japan Railway and Central Japan Railway are trading at appealing valuations, and operating against an improving economic backdrop. US freight rail operators such as Norfolk Southern and CSX are unique and valuable franchises with strong pricing power, and the ability to grow earnings over time by improving operational efficiency.

The Fund has an underweight exposure to utilities, where share price gains in recent months have made it more difficult to find clearly mispriced stocks. The Fund's utility exposure is focussed on companies such as NextEra Energy and PG&E, which are deriving low risk earnings growth by investing in transmission network enhancements and growth in renewables.

[2] Source: First State Investments as at 31 August, 2017.

The Fund's largest underweight exposure remains the airport sector which continues to trade at valuation multiples that we find difficult to justify on fundamentals. The Fund has retained some exposure to European and Mexican airports, where valuations are more reasonable.