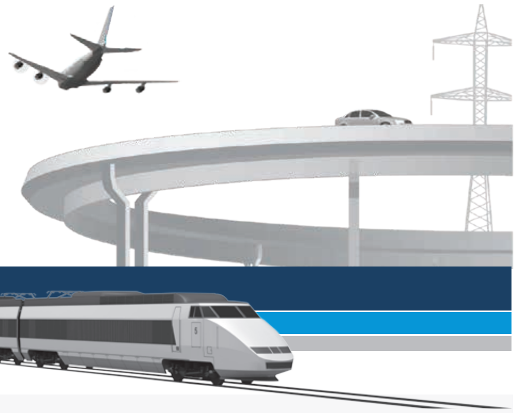
First State Investments
首域投資

First State Global Listed Infrastructure Fund



Monthly Review and Outlook

May 2019

- The Fund invests primarily in global listed infrastructure and infrastructure-related equity and equity related securities worldwide. Investments in infrastructure projects may involve risks including projects not being completed on time and within budget, changes in environment laws and regulations.
- The Fund's investments may be concentrated in a single and limited/specialist sector or in fast growing economies which may have higher volatility or greater loss of capital than more diversified portfolios.
- Small/ mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks
- For certain share classes, the Fund may at its discretion pay dividend out of capital or pay fees and expenses out of capital to increase distributable income and effectively a distribution out of capital. This amounts to a return or withdrawal of your original investment or from any capital gains attributable to that, and may result in an immediate decrease of NAV per share.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Market Review

Global Listed Infrastructure held up well in May as geopolitical uncertainty and a deteriorating global economic outlook drew investors towards defensive assets. The FTSE Global Core Infrastructure 50/50 index fell -0.6%, while the MSCI World index^ ended the month -5.8% lower.

The best performing infrastructure sector was Towers (+6%). The sector continues to benefit from structural growth in demand for mobile data, reflecting the growing popularity of video-on-demand and media streaming. Toll Roads (+2%) gained on the appeal of their stable cash flows, high operating margins and inflation-linked pricing.

The worst performing sector was Airports (-2%). Asian operators were affected by weakening passenger growth rates; while Aeroports de Paris (-16%, not held) dropped after it was announced that the long-awaited sale of the French government's stake in the company would be subject to a referendum. Ports (-2%) fell as the China-US trade war worsened. The world's largest container shipping company, Maersk, lowered its forecast growth rates for container traffic citing ongoing trade tensions.

The best performing infrastructure region was Latin America (+5%), as investors looked past a US threat to implement a 5% tariff on Mexican goods; and focused on news that Brazil appeared increasingly likely to pass pension reform measures later in the year.

The worst performing region was Japan (-5%) as uncertainty about the timing of nuclear reactor re-starts continued to weigh on the country's electric utilities (screened out of our Focus List); and the country's economy was deemed to be "worsening" for the first time in more than six years. The United Kingdom (-2%) also underperformed as political turmoil intensified.

Fund Performance

	Cumulative Performance in USD (%) [1]					
	3 mths	YTD	1yr	3yrs	5yrs	Since inception
Class I (USD - H Dist)	2.6	13.4	8.5	23.0	30.1	76.9
Benchmark*	2.7	13.2	12.6	31.0	37.1	80.6

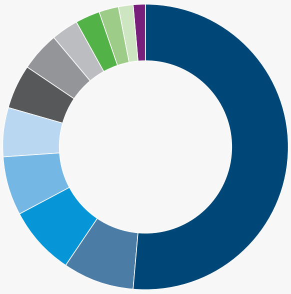
	Calendar Year Performance in USD (%) [1]				
	2018	2017	2016	2015	2014
Class I (USD - H Dist)	-8.3	17.2	11.7	-5.7	12.3
Benchmark*	-4.0	18.4	11.3	-6.0	13.6

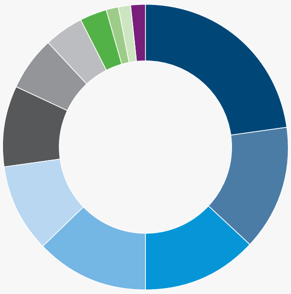
Top 10 holdings (%) [2]

Stock name	Sector	%
Dominion Energy Inc COM	(Multi-Utilities)	6.1
Transurban	(Highways/Railtracks)	5.6
Nextera Energy Inc	(Electric Utilities)	5.4
Transcanada Corp	(Oil/Gas Storage & Trans.)	4.1
East Japan Railway Co	(Railroads)	3.6
SBA Communications Corp Class A	(Specialised REITs)	3.6
Williams Companies, Inc.	(Oil/Gas Storage & Trans.)	3.5
American Electric Power Company, Inc.	(Electric Utilities)	3.4
Crown Castle International Corp	(Specialised REITs)	3.4
Union Pacific Corporation	(Railroads)	3.3

All stock and sector performance data expressed in local currency terms. Source: Bloomberg. [1] Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 May 2019. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. Fund 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. [2] Source: First State Investments as at 31 May 2019. [3] Performance is based on VCC ID share class, net of fees, expressed in USD. All stock and sector performance data expressed in local currency terms. Source: Bloomberg. ^MSCI World Net Total Return Index, USD. *The benchmark displayed is UBS Global Infrastructure & Utilities 50-50 Index until 31 March 2015 and the FTSE Global Core Infrastructure 50/50 Index from 1 April 2015 onwards. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date.

Asset Allocation (%) [1]





The portfolio returned -0.1%[3] in May, 51 basis points ahead of the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the portfolio was CCR (+17%), Brazil's largest toll road operator. Investors looked past the slow recovery in traffic volumes, to focus on the company's scope to participate in the new growth projects and privatisations that will be needed to meet Brazil's infrastructure needs.

Australian freight rail company Aurizon (+9%) outperformed after agreeing new terms with the customers of its Queensland rail network, which generates around 50% of company earnings. If approved by the regulator, the 10-year agreement would allow Aurizon to earn higher returns from this substantial regulated asset, while avoiding a costly and time consuming regulatory tariff review every four years.

Tower companies American Tower (+7%), SBA Communications (+6%) and Crown Castle (+3%) were buoyed by reports that Amazon may be interested in buying wireless assets from Sprint, if Sprint and T-Mobile are allowed to merge. The move could see the Tower sector gain a large new customer. March quarter earnings results from American Tower highlighted robust growth rates for its US business and generally healthy leasing activity across its towers globally.

The worst performing stock in the portfolio was a small holding in China Merchants Ports (-13%) whose assets include a 26% stake in Shanghai International Port Group, the world's busiest container port. April data showed a -2% decline in shipping container volumes across China Merchants' ports, compared to the same period a year earlier. Peer COSCO Shipping Ports (flat) held up better as its volumes gained +4%, led by strong growth for its port assets in Europe and the Middle East.

US electric and gas utility CenterPoint Energy (-7%) lagged after March quarter earnings disappointed, owing to lower earnings from its small Energy Services business segment. The company reaffirmed 2018 – 2023 earnings guidance, citing strong customer growth and favourable regulatory frameworks for its utility businesses. UK utilities SSE (-6%) and National Grid (-1%) underperformed after a leaked policy document from the opposition Labour Party provided the latest reminder to investors of its plans to nationalise the UK's energy network companies, if it came to power.

US freight rail stocks Union Pacific (-5%) and Norfolk Southern (-4%) slipped as volume growth rates softened, consistent with May's weak ISM Manufacturing survey. Both companies continue to implement measures to improve operational efficiency, with Union Pacific reducing headcount faster than expected, and Norfolk Southern demonstrating material improvements in key service metrics including Train Speed (up) and Terminal Dwell times (down).

Fund Activity

The Fund broadened its exposure to the energy pipelines sector by initiating a position in Enterprise Products Partners. The company has a significant presence in the US energy infrastructure space with ~50,000 miles of pipelines and 260 million barrels of storage capacity, run by a well-regarded and experienced management team. It has a strong balance sheet, pays a distribution yield of ~6% and has a robust earnings growth profile, based on exposure to US energy exports and growth in Natural Gas Liquids.

Mexican airport operator ASUR was also added to the portfolio. The company's portfolio of modern, well managed airports includes Cancun, a popular and high profile destination for US tourists. Mounting security risks in Cancun, concern over a possible Mexican recession, and political uncertainty under the country's left wing populist President Obrador have overshadowed a positive longer term outlook for passenger growth. The stock has materially underperformed other Mexican airport stocks and our broader investment universe over the past year, creating a compelling value opportunity.

The Fund sold its holding in Channel Tunnel operator Getlink after a strong period of outperformance moved the stock lower within our Value / Quality ranking process. Current valuation multiples do not adequately reflect the ongoing uncertainty associated with Brexit and market hopes for a takeover appear increasingly optimistic.

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 wireless 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 global listed infrastructure is positive. The asset class consists of stable, long life assets, and continues to deliver a reliable yield of between 3% and 5% per annum. Many infrastructure assets are insulated from inflation by regulation, concession terms or contracts that are explicitly linked to the inflation rate. Several infrastructure sectors are benefitting from structural growth drivers such as urbanisation (toll roads) and the increasing mobility of communication (mobile towers).

Many listed infrastructure companies are taking proactive measures to streamline operational efficiency and improve business profitability. The implementation of Precision Scheduled Railroading by US freight railways Union Pacific and Norfolk Southern is improving customer service, reducing costs, and improving asset returns. Pipeline companies are making positive moves to sell non-core assets, reduce leverage, and lower commodity sensitivity. The resulting improvements to business quality are being reflected in improved valuation multiples.

The Fund's investment universe continues to broaden. The listing of mobile tower company China Tower and the privatisation of Sydney's WestConnex toll road in 2018 saw substantial, long life assets added to the listed infrastructure opportunity set. The auctioning of new LatAm airport and toll road concessions, and build-out of additional energy export infrastructure facilities in the US, are expected to add to this theme.