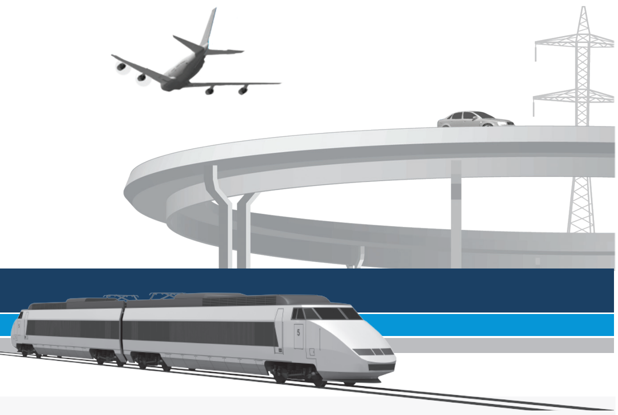
First State Global Infrastructure



Monthly Review and Outlook

August 2018

Market Review

Global Listed Infrastructure gave up ground in August as above-trend US GDP growth contrasted with EM volatility.

The best performing infrastructure sector was Satellites (+3%), which continued its run of upward momentum. Full year earnings results from French operator Eutelsat (+11%, not held) showed year-over-year declines for every business segment. However no further reduction in guidance, coupled with a dividend increase, saw the stock outperform. Airports (+2%) also gained, led by Mexican operators, which rallied on consistently strong passenger growth rates and reports that a US - Mexico trade deal had been agreed.

The worst performing sector was Toll Roads (-6%); Italy's Atlantia (-29%, held) sold off sharply following the Morandi bridge tragedy. Pipelines (-3%) paused for breath after several months of positive returns.

The best performing region was Australia / NZ (+3%), as the market looked past this month's change of Prime Minister to focus on the generally favourable economic backdrop, including resilient household consumption levels and modest wages growth. The worst performing region was Europe ex UK (-6%), where infrastructure stocks were affected by Italy's insecure fiscal position and ongoing Brexit negotiations.

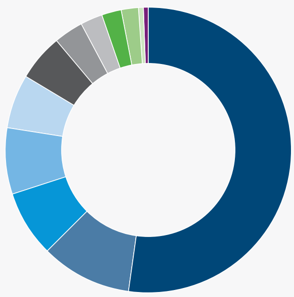
Performance Review

The Fund ended the month -0.3% lower[1], 26 basis points ahead of the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

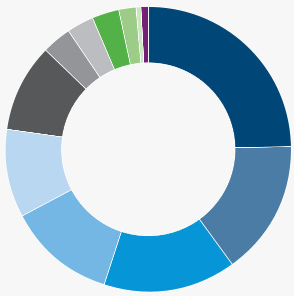
Annualised Performance in SGD (%) [1]	1yr	3yrs	5yrs	10yrs	Since inception
Fund (Ex initial charges)	-2.9	6.6	9.1	5.2	4.1
Fund (Inc initial charges)	-7.8	4.7	8.0	4.6	3.6
Benchmark*	0.7	8.4	10.9	5.5	4.4

Cumulative Performance in SGD (%) [1]	3 mths	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	3.1	-2.9	21.0	54.6	52.2
Fund (Inc initial charges)	-2.1	-7.8	14.9	46.8	44.6
Benchmark*	5.3	0.7	27.4	67.8	57.9

Asset Allocation (%) [1]



Country
- USA 53.0
- Canada 10.2
- Japan 7.6
- UK 7.6
- Australia 6.1
- China 5.5
- Italy 3.2
- Brazil 2.6
- Spain 2.3
- France 1.9
- Other 0.5
- Liquidity -0.5



Sector
- Electric Utilities 25.1
- Oil/Gas Storage & Trans. 15.4
- Highways/Railtracks 15.2
- Multi-Utilities 12.6
- Railroads 10.1
- Specialised REITs 9.9
- Gas Utilities 3.5
- Construction & Engineering 3.2
- Marine Ports & Services 3.0
- Water Utilities 1.9
- Other 0.7
- Liquidity -0.5

Top 10 holdings (%) [1]

Stock name	Sector	%
Dominion Energy Inc COM	(Multi-Utilities)	7.1
Transurban Group Stapled Deferred	(Highways/Railtracks)	6.1
NextEra Energy, Inc.	(Electric Utilities)	5.2
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	5.1
Crown Castle International Corp	(Specialised REITs)	5.0
American Tower Corporation	(Specialised REITs)	4.9
Evergy Inc Com	(Electric Utilities)	4.7
TransCanada Corporation	(Oil/Gas Storage & Trans.)	4.6
East Japan Railway Co	(Railroads)	4.6
National Grid plc	(Multi-Utilities)	4.5

The worst performing stock in the portfolio was Italian tollroad operator Atlantia (-29%). The motorway bridge that collapsed in Genoa, Italy on August 14th, claiming 43 lives, was under concession with Autostrade per l'Italia (ASPI), which is majority owned by Atlantia. The Italian government and the company are now seeking to determine the cause of the disaster and

[1] Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 31 August 2018. Fund since inception date: 3 March 2008. *Inception - 31 May 2008: S&P Global Infrastructure Index. 1 June 2008 – 31 March 2015: UBS Global Infrastructure and Utilities 50-50 Index. From 1 April 2015: FTSE Global Core Infrastructure 50/50 Index.

the most appropriate course of action. Whilst a tragic event, the operational and financial impacts of the bridge outage itself are minimal in the context of Atlantia as a whole. The key issues are the reputational impact if maintenance is found lacking, and the precedent if ASPI's concession is revoked.

Political and economic headwinds weighed on Brazilian peer CCR (-11%). June quarter earnings numbers included lower volumes and margins, reflecting June's trucker strike and a weaker domestic economy. More positively, the company's stable balance sheet (net debt / EBITDA is low at around 2x) should enable the company to bid for new transportation infrastructure concessions that are expected to become available in Brazil. In Australia, a consortium led by Transurban (+3%) successfully bid A$9.3 billion for a 51% stake in Sydney's WestConnex motorway network. While a full price has been paid, key construction risks remain with the government and the cost of debt for the deal is lower than expected. Transurban shares were briefly suspended while it conducted a rights issue to help fund the acquisition.

The best performing stock in the portfolio was COSCO Shipping Ports (+13%), which reported exceptional June quarter earnings numbers, underpinned by pleasing volume growth across its expanding China-Europe ports network. North American freight rail stocks maintained their upward trajectory. Robust haulage volumes for Canadian Pacific (+6%), CSX (+5%) and Norfolk Southern (+3%) are underpinned by the strong US economy. The current shortage of truck drivers - reflecting the low US unemployment rate - has reduced competition, reinforcing freight rail's already-strong pricing power.

In the utilities space PG&E (+7%) outperformed as legislation was introduced providing scope for Californian utilities to recover wildfire-related costs from ratepayers. The move could help mitigate the company's liabilities for wildfires that hit its Northern California service territory in late 2017. In contrast Southern Co (-9%) fell as construction cost overruns at its Vogtle nuclear plant over-shadowed otherwise positive June quarter earnings results.

North American pipeline stocks also delivered mixed returns. Better than expected June quarter earnings and new growth projects buoyed Gibson Energy (+6%), which owns strategically located storage terminals and processing facilities in the Canadian energy hubs of Hardisty and Edmonton. Plains All American Pipeline (+5%) announced pleasing June quarter earnings and raised guidance. However Canadian peer TransCanada (-5%) lagged after being ordered to carry out an environmental assessment of the Nebraska leg of the proposed route for its Keystone XL pipeline expansion. Peer Enbridge Inc (-2%) also underperformed, after a revision to an earlier FERC ruling on income tax caused the firm to raise the amount it will pay to acquire the outstanding shares in its MLP entity, Spectra Energy Partners, by almost 10%. The transaction will streamline Enbridge's complex corporate structure.

The Fund established a position in Emera, a regulated Canadian-listed electric and gas utility which derives most its earnings from business-friendly regulatory jurisdictions in the United States. Recent underperformance, owing to concerns about the strength of the company's balance sheet following its US$10 billion acquisition of Florida-based TECO Energy in 2016, presented an appealing entry point to the stock. The company's current focus on organic rate base growth, along with the expected sale of non-core assets, should strengthen its balance sheet and enable Emera to re-rate to a valuation that better reflects the quality of its business.

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.

Tollroads remain the Fund's largest sector overweight, owing to the appeal of their high operating margins, stable cash flows and effective barriers to entry. Notwithstanding this month's tragic event in Italy, European operators are positioned to benefit from resilient traffic volumes over long time frames. Transurban's successful bid for WestConnex adds a substantial and high quality asset to the listed infrastructure opportunity set. Peers in China and Latin America operate high growth tollroads with well-established concession agreements, providing an essential service to some of the most densely populated regions in the world.

Energy pipelines are the portfolio's second largest sector overweight. Investor concerns about earnings growth have presented the Fund with opportunities to build positions in several companies with unique and long life energy infrastructure networks, at appealing valuation multiples. Sentiment towards the sector is now improving, helped by simpler corporate structures and clarity for substantial growth projects; while surging North American production growth is providing a favourable operating environment.

On a more cautious note, the Fund remains underweight airports and some US utilities. Despite strong growth prospects and some high quality assets, these sectors continue to trade at valuations that we find difficult to justify based on company fundamentals.