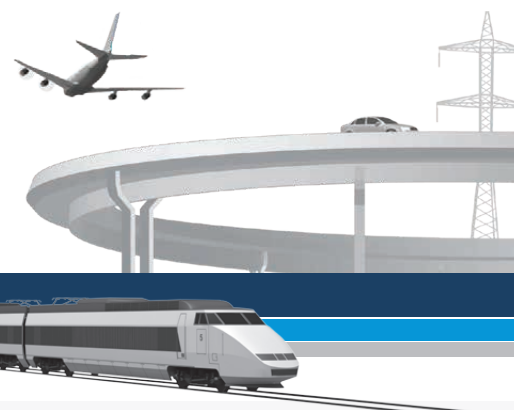


First State Global Infrastructure

Monthly Review and Outlook

June 2019



Market Review

Global Listed Infrastructure gained in June, supported by increasingly dovish central bank rhetoric and persistently low bond yields. The FTSE Global Core Infrastructure 50/50 index rose +4.2%, while the MSCI World index^ ended the month +6.6% higher.

The best performing infrastructure sector was Airports (+8%). Malaysia Airports (+16%, not held), Airports of Thailand (+15%, not held), and Flughafen Zuerich (+9%, not held) received positive regulatory and duty-free revenue sharing outcomes; while European and Australian operators reported robust passenger volumes. The benign interest rate environment, along with the prospect of growth opportunities in Brazil from additional concession auctions, proved supportive of Toll Roads (+6%).

The worst performing sector was Towers (flat), which paused following a sustained period of significant outperformance on the back of exponential demand growth for mobile data. Pipelines (+1%) also delivered relatively muted gains following strong ytd performance.

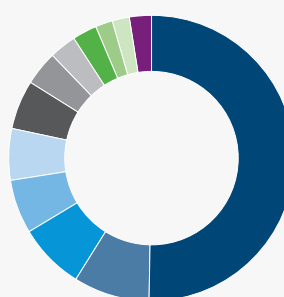
The best performing infrastructure region was Australia / NZ (+9%), where airports, toll roads and ports were buoyed by the Reserve Bank of Australia's decision to cut interest rates for the first time in three years. The worst performing region was Japan (-2%), where low beta passenger rail and utilities stocks were out of favour in rising markets.

Fund Performance

	Annualised Performance in SGD (%) ¹				
	1yr	3yrs	5yrs	10yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	11.2	7.9	7.4	8.8	4.7
Class A (SGD - H Dist) (Inc initial charges)	5.6	6.1	6.3	8.3	4.2
Benchmark*	15.5	10.3	9.1	10.1	5.3

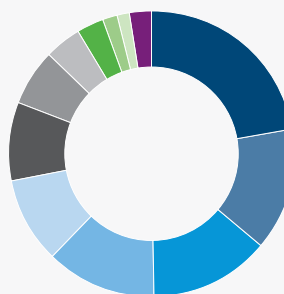
	Cumulative Performance in SGD (%) ¹				
	3 mths	1yr	3yrs	5yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	4.6	11.2	25.8	42.7	68.5
Class A (SGD - H Dist) (Inc initial charges)	-0.6	5.6	19.5	35.6	60.1
Benchmark*	4.4	15.5	34.3	54.3	79.6

Asset Allocation (%)¹



Country

USA	50.6
Canada	8.5
Japan	7.4
Australia	6.2
UK	5.8
China	5.6
Spain	3.8
Italy	3.1
France	2.9
Brazil	2.0
Other	1.8
Liquidity	2.4



Sector

Electric Utilities	22.4
Oil/Gas Storage & Trans.	13.8
Highways/Railtracks	13.6
Multi-Utilities	12.5
Railroads	9.6
Specialised REITs	8.8
Gas Utilities	6.4
Construction & Engineering	4.3
Airport Services	3.0
Marine Ports & Services	1.7
Other	1.3
Liquidity	2.4

Top 10 holdings (%)¹

Stock name	Sector	%
Nextera Energy Inc	(Electric Utilities)	5.5
Dominion Energy Inc COM	(Multi-Utilities)	5.4
Transurban	(Highways/Railtracks)	5.3
TC Energy Corp COM	(Oil/Gas Storage & Trans.)	4.0
Williams Companies, Inc.	(Oil/Gas Storage & Trans.)	3.6
American Electric Power Company, Inc.	(Electric Utilities)	3.5
SBA Communications Corp Class A	(Specialised REITs)	3.5
East Japan Railway Co	(Railroads)	3.5
Crown Castle International Corp	(Specialised REITs)	3.2
Union Pacific Corporation	(Railroads)	3.2

All stock and sector performance data expressed in local currency terms. ^MSCI World Net Total Return Index, USD. Source: Bloomberg.
¹ Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 30 June 2019. Fund 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 Fund ended the month +2.1% higher², 41 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

The best performing stock in the portfolio was Chinese gas utility ENN Energy (+10%) which remains well positioned to benefit from the Chinese government's efforts to adjust the country's energy mix away from coal and towards cleaner fuels such as natural gas. The company earns a fee for each new household that it connects to the gas supply and for each unit of gas sold; while improvements to China's energy infrastructure are expected to support healthy volume and margin growth over the medium term.

The portfolio's geographically diversified toll road holdings performed well. Australian-listed Transurban (+8%) pushed higher owing to lower interest rates and a robust earnings growth outlook. Jiangsu Expressway (+7%) gained on the winning of a new US\$840 million, 5km bridge project across the Yangtze River, as well as continuing to report solid traffic growth. Spanish-listed peer Ferrovial (+5%) rallied as investors welcomed the sale of its 65% stake in southern Spain's Autopista del Sol toll road for €447 million at the remarkable price of ~21x forward EV/EBITDA.

UK utilities Severn Trent (+6%), National Grid (+5%) and SSE (+4%) gained as softer polling numbers for the opposition Labour Party saw renationalisation concerns recede somewhat, allowing investors to focus on the sector's attractive valuation multiples. Severn Trent remains confident in its ability to improve efficiency and exceed its Outcome Delivery Incentives (operational metrics set by the regulator, which give the company the potential to earn additional returns). Severn Trent's share price was further buoyed by news that Qatar's sovereign wealth fund had built a 4.2% stake in the company. SSE reiterated that its dividend policy, rising in line with RPI inflation until 2023, remains in place. The stock currently yields over 7%.

The worst performing stock in the portfolio was Japanese gas utility Tokyo Gas (-6%), which fell alongside Osaka Gas (-3%). These defensive, cash generative utilities lagged as investors rotated towards higher beta assets. Both stocks face lingering concerns that mounting competitive pressure, following the de-regulation of domestic energy markets, could weigh on medium term earnings growth.

Japanese passenger rail operator East Japan Railway (-2%) also underperformed in this environment, as investors overlooked its stable, commuter-driven earnings and undemanding valuation multiples. Smaller peer West Japan Railway (+3%) fared better, helped by a higher (albeit still small) exposure to inbound tourism growth, and the prospect of continued development along its rail network and property corridor.

Portfolio activity

Large cap Canadian pipeline operator Enbridge Inc. was added to the portfolio. The company's assets include the world's longest crude oil and liquids transportation system; Canada's largest natural gas distribution company; and substantial US natural gas gathering, transportation, processing and storage facilities. Regulatory delays to one of the company's growth projects - the Line 3 Replacement Project - resulted in material share price underperformance, providing an opportunity to gain exposure to the company's portfolio of unique, long life infrastructure assets at an appealing price.

Market Outlook and Portfolio 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 Fund is positioned with toll roads as its largest sector overweight. Transurban, Atlantia and Vinci have high barriers to entry, strong free cash flow and inflation linked pricing. We are attracted to their reasonable valuation multiples and well-supported dividend yields of between 3% and 6%. Growing urbanisation and worsening traffic congestion are likely to underpin long term demand. EM peers operate high growth toll roads with well-established concession agreements, providing an essential service to some of the most densely populated regions in the world.

The Fund is also overweight energy pipelines including TC Energy (TransCanada) and Williams. These companies own assets connecting North American oil and gas fields with processing facilities and export terminals, positioning them to benefit from rising production levels and US energy exports.

The Fund is underweight multi/electric utilities. A number of high quality US names continue to trade at valuations that we find difficult to justify based on company fundamentals. The Fund has also maintained its underweight exposure to Airports, with exposure limited to leading European and Mexican operators. Notwithstanding this month's positive developments, the sector faces medium term headwinds following a long period of above-average growth.

² Fund performance is based on the Singapore unit trust, net of fees, expressed in SGD terms. All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

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Applications for units of the Fund must be made on the application forms accompanying the prospectus. Investments in unit trusts are not obligations of, deposits in, or guaranteed or insured by First State Investments (Singapore), and are subject to risks, including the possible loss of the principal amount invested.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same.

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