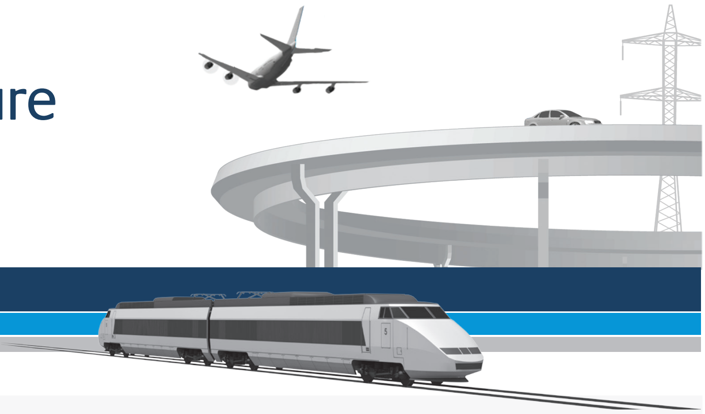
First State Global Infrastructure



Monthly Review and Outlook

September 2019

Market Review

Global Listed Infrastructure proved resilient during September against a backdrop of geopolitical tensions and softening economic data.

The best performing infrastructure sectors were Electric Utilities (+4%) and Multi-Utilities (+4%). Ongoing uncertainty over global trade and Brexit; an attack on Saudi Arabia's oil processing facilities; and the initiation of an impeachment investigation into US President Donald Trump drove demand for defensive assets. A mid-month 25 basis point interest rate cut by the US Federal Reserve provided additional support. The worst performing sector was Towers (-3%), which gave up ground following several months of strong returns on concerns that near term growth rates could slow as a result of the proposed merger between US telecom companies T-Mobile and Sprint (both large tower customers).

The best performing infrastructure regions were Latin America (+5%), which rallied on a brightening domestic economic outlook; and Japan (+3%), whose infrastructure stocks continue to trade at appealing levels relative to global peers. The worst performing region was Australia / NZ (-2%), where airport stocks lagged as investors noted softening domestic passenger volumes and full valuation multiples.

Fund Performance

First State Global Infrastructure ended the month +1.2% higher[1], 35 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

The best performing stock in the portfolio was Japanese gas utility Osaka Gas (+10%) which rallied on growing confidence for the company's prospects within a de-regulated environment. Kansai Electric Power Company, which has competed fiercely for Osaka Gas customers, recently announced it intended to shift its focus from growth to profitability. Competition to Osaka Gas' core business is anticipated to ease as a result. Tokyo Gas (+3%) also rallied as it has been affected by similar concerns.

East Japan Railway (+3%) and West Japan Railway (+3%) outperformed in turbulent markets. These stable growth, cash generative companies operate highly efficient, quasi-monopoly passenger rail networks. Both are trading at undemanding valuation multiples, with under-appreciated potential to benefit from Tokyo property development (JR East) and rising inbound tourist numbers (JR West).

The portfolio's US electric and multi-utility holdings ended the month higher, with CenterPoint Energy (+9%), Eversource Energy (+7%) and NextEra Energy (+6%) among the best performers. These stocks have material growth opportunities to renew generation assets, as solar and wind replace coal-fired power stations; expand transmission lines; and replace ageing distribution networks. Regulated US utilities generally earn an allowed return on their assets (rate base) so capital investment leads directly to medium term earnings growth. Regulators remain supportive of this investment, as cheap input costs have enabled utilities to spend without raising customers' bills.

North American pipeline operators recovered during September. Cheniere Energy (+6%) gained as investors focused on the company's ability to drive substantial free cash flow growth by exporting Liquefied Natural Gas from the US into global markets. This growth is expected to enable the company to expand its business footprint and continue to strengthen its balance sheet; whilst implementing its recently-announced share buyback program. Canada's Enbridge Inc (+4%), rose as the market shrugged off recent news of regulatory and permitting delays to some of its pipeline projects and focused on its unique collection of valuable, long life energy infrastructure assets - including the world's longest crude oil and liquids transportation system. US peer Williams (+4%) also gained as stock purchases by its management team in August added credence to the view that the company remains on track to achieve its long term forecast EBITDA growth rate of between 5% and 7% per annum.

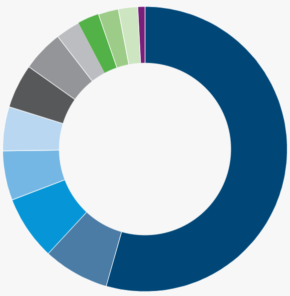
The worst performing stock in the portfolio was Chinese gas utility ENN Energy (-9%), which underperformed after the company's chairman and controlling shareholder transferred his 33% stake of the firm into clean energy company ENN Ecological. The move could provide ENN Energy with easier access to cheap natural gas. However it also allows the chairman to realise profits on his ENN Energy holding; and serves as a reminder of the governance risks associated with this company. Jiangsu Expressway (-4%) also underperformed, despite achieving strong traffic growth (+12% and +22% year-on-year in the previous two months); and confirming it has seen no significant impact from the long running trade dispute between the US and China.

All stock and sector performance data expressed in local currency terms. Source: Bloomberg. [1] The First State Global Infrastructure's cumulative return over one month. The performance of the fund is based on the Singapore unit trust, net of fees, expressed in SGD terms.

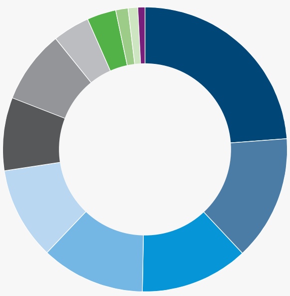
	Annualised Performance in SGD (%) [2]				
	1yr	3yrs	5yrs	10yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	19.3	8.2	8.7	8.1	5.0
Class A (SGD - H Dist) (Inc initial charges)	13.4	6.3	7.6	7.6	4.6
Benchmark*	20.0	11.2	10.5	9.2	5.6

	Cumulative Performance in SGD (%) [2]				
	3 mths	1yr	3yrs	5yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	4.8	19.3	26.6	51.7	76.5
Class A (SGD - H Dist) (Inc initial charges)	-0.5	13.4	20.3	44.1	67.7
Benchmark*	4.8	20.0	37.4	64.7	88.2

Asset Allocation (%) [2]



Country
- USA 54.3
- Canada 7.5
- Japan 7.3
- UK 5.6
- Australia 5.0
- France 5.0
- China 4.7
- Spain 2.8
- Italy 2.4
- Mexico 2.3
- Other 2.2
- Liquidity 0.8



Sector
- Electric Utilities 23.8
- Multi-Utilities 14.2
- Oil/Gas Storage & Trans. 12.3
- Highways/Railtracks 11.8
- Railroads 10.5
- Specialised REITs 8.3
- Gas Utilities 8.3
- Construction & Engineering 4.2
- Airport Services 3.3
- Marine Ports & Services 1.4
- Other 1.1
- Liquidity 0.8

Top 10 holdings (%) [2]

Stock name	Sector	%
Nextera Energy Inc	(Electric Utilities)	5.7
Dominion Energy Inc COM	(Multi-Utilities)	5.4
Transurban	(Highways/Railtracks)	5.0
Williams Companies, Inc.	(Oil/Gas Storage & Trans.)	4.3
American Electric Power Company, Inc.	(Electric Utilities)	3.5
Crown Castle International Corp	(Specialised REITs)	3.4
East Japan Railway Co	(Railroads)	3.4
Union Pacific Corporation	(Railroads)	3.3
CenterPoint Energy, Inc.	(Multi-Utilities)	3.2
TC Energy Corp COM	(Oil/Gas Storage & Trans.)	2.9

Tower stocks SBA Communications (-8%), American Tower (-4%) and Crown Castle (-3%) also lagged in September on concerns for near term earnings growth. The longer term structural growth story of mobile data demand driving long term earnings growth for the sector remains intact.

Fund Activity

The Fund initiated positions in Central Japan Railway, CLP Holdings and Eiffage. Passenger rail company Central Japan Railway operates bullet train (shinkansen) lines connecting the densely populated cities of Tokyo, Nagoya and Osaka. Concerns for project cost overruns related to the company's expensive and technologically complex maglev project have long represented a key overhang to this stock. After a sustained period of share price underperformance the company is now trading at levels which we believe more than reflect the associated risks.

Hong Kong-listed electric utility CLP Holdings generates, transmits and distributes electricity in Hong Kong, Australia, China and India. Around 60% of its profits are derived from Hong Kong, where it will earn a contracted 8% Return on Assets until 2033. Regulatory headwinds and competitive pressure faced by its Australian business (approximately 20% of profits) have seen the stock significantly underperform peers during the last 6 months. We believe that Australia's challenging operating environment is now fully reflected in the company's share price, and that the market is substantially undervaluing the company's core Hong Kong franchise.

Eiffage is a French-listed infrastructure concession and construction company with stakes in high quality French toll roads like APRR and Channel Tunnel operator Getlink; and a growing presence in the French airport sector. Following the successful example of larger peer (and existing portfolio holding) Vinci, concessions are becoming a more important part of Eiffage. We expect this will reduce earnings risk and volatility, driving a material expansion of the company's valuation multiples.

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.

[2] Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 30 September 2019. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. The First State Global Infrastructure inception date: 3 March 2008. * FTSE Global Core Infrastructure 50/50 Index

The Fund is also overweight Gas Utilities. Japanese operators are conservatively managed, low beta companies with strong balance sheets, trading at very appealing valuations. The Fund also has holdings in mid-cap North American and French gas utilities being run by disciplined management teams, pursuing effective strategies in niche markets.

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 holdings limited to leading European and Mexican operators. The airport sector faces medium term headwinds following a long period of above-average growth.