For professional clients only

First State Investments

FIRST STATE GLOBAL LISTED INFRASTRUCTURE FUND

Monthly Update

January 2019

Market review

Global Listed Infrastructure rebounded in January, aided by well-received December quarter earnings. The FTSE Global Core Infrastructure 50/50 index gained +4.4%, in line with global equities^.

The best performing infrastructure sector was Pipelines (+16%), which rallied from December lows as investors began to acknowledge the sector's improving fundamentals. Railroads (+10%) also climbed, as December quarter earnings results from North American freight rail firms highlighted consistently firm pricing and robust volume growth. The worst performing sector, Ports (+1%) delivered positive absolute returns but lagged in the absence of progress in ongoing tariff negotiations between the US and China.

The best performing region was Latin America (+16%). Brazil's stock market rallied on mounting enthusiasm for the right wing government's economic reform agenda. The worst performing region was Asia ex-Japan (+3%) as China's slowing economy weighed on the region's ports, airports and toll roads.

Fund performance

The Fund gained +4.8% in January[1], 35bps ahead of its benchmark index. The best performing stock in the portfolio was Brazil toll road operator CCR (+33%). The stock surged after the São Paulo governor announced plans to extend a number of the state's toll road concessions – including some managed by CCR – rather than re-auctioning them as had been expected. Brazil's buoyant equity market provided additional support.

Annual Performance (% in GBP) to 31 January 2019

Period	12 mths to 31/01/2019	12 mths to 31/01/2018	12 mths to 31/01/2017	12 mths to 31/01/2016	12 mths to 31/01/2015
First State Global Listed Infrastructure Fund B GBP Acc	7.9	3.6	34.4	-3.7	26.0
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	11.7	3.0	27.8	-3.4	26.8
MSCI World Net Total Return Index GBP	1.0	11.3	32.0	0.5	17.1

These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than the share class currency, the return may increase or decrease as a result of currency fluctuations.

Performance figures have been calculated since the launch date. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management and administration fee) and other costs charged to the fund (e.g. transaction and custody costs), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source: Lipper IM / First State Investments (UK) Limited

*The benchmark changed from the UBS Global Infrastructure & Utilities 50-50 Index on 01/04/2015.

Pipelines also outperformed. Williams (+22%) rallied on the appeal of its strategically located pipeline networks connecting prolific natural gas fields in the Northeast US and Texas to liquefied natural gas (LNG) export facilities and eastern US population centres. Kinder Morgan (+19%) announced better than expected December quarter earnings, driven by robust performance from its natural gas pipeline business. Rumours that it would seek to divest its carbon dioxide business segment were also welcomed by the market. The company's corporate credit rating was upgraded during the month by S&P, who

[1] Performance is based on OEIC B share class, net of fees, expressed in GBP.

^ MSCI World Net Total Return Index, GBP.

All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

RISK FACTORS

This document is a financial promotion for First State Global Listed Infrastructure Fund for professional clients only in the EEA and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**
- **Currency risk:** changes in exchange rates will affect the value of assets which are denominated in other currencies.
- **Single sector risk:** investing in a single sector may be riskier than investing in a number of different sectors. Investing in a larger number of sectors helps spread risk.
- **Charges to capital risk:** the fees and expenses may be charged against the capital property. Deducting expenses from capital reduces the potential for capital growth.
- **Listed infrastructure risk:** investments in infrastructure may be vulnerable to factors that particularly affect the infrastructure sector, for example natural disasters, operational disruption and national and local environmental laws.

Reference to specific securities or companies (if any) are included to explain the investment strategy and should not be construed as investment advice, or a recommendation to invest in any of those companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document.

If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

cited a "continued focus on strengthening its balance sheet". Plains All American Pipeline (+15%) gained on a recovery in crude oil prices and the prospect of additional growth projects such as the reversal of the Capline pipeline, which runs between Illinois and the US Gulf Coast.

North American freight rail stocks were led higher by Union Pacific (+15%), which appointed a new Chief Operating Officer with extensive experience in implementing Precision Scheduled Railroading (a series of operating procedures that can materially improve rail company efficiency and profitability). East coast peer Norfolk Southern (+12%) rallied on the view that it is well-placed to benefit from similar measures.

European transport infrastructure shrugged off soft economic data and ongoing Brexit uncertainty. Toll road company Atlantia (+14%) recovered as concerns eased that its concession may be revoked, following August's Morandi Bridge collapse. The CEO of its Italian motorway division (ASPI) has resigned, and Atlantia is paying for the bridge to be rebuilt. AENA (+11%) was supported by the prospect of continued passenger growth across its portfolio of Spanish airports. Ferrovial (+11%) saw robust 2018 passenger growth of +2.7% at Heathrow Airport, one of its flagship assets, driven by the adoption of larger (and fuller) aircrafts. The company plans to sell its global support services business, in order to focus on transport infrastructure.

The worst performing stock in the portfolio was US utility Dominion (-2%), which lowered earnings growth guidance to "the lower half" of its 2017 – 2020 guidance range of between 6% and 8% pa, owing to delays in the construction of its Atlantic Coast Pipeline and higher than expected pension costs. Other defensive North American utility holdings including Evergy (+1%) and Hydro One (+2%) delivered positive absolute returns but also lagged the broader market.

US utilities remain well positioned to derive stable earnings growth over long time frames from the build-out of renewables. NextEra Energy (+3%) announced a plan to install 30 million solar panels at their Florida regulated utility business by 2030. Customers stand to benefit from the increasing cost effectiveness of solar technology, and the move will reduce the company's carbon footprint as older, inefficient plants are replaced. New York's governor set new renewable energy goals during January, including plans to quadruple the state's offshore wind generation target to 9,000 megawatts by 2035. This could provide investment opportunities for utilities with the ability to bid into these auctions, such as portfolio holding Eversource Energy (+7%).

Defensive Japanese stocks lagged as confidence returned to the market. West Japan Railway (+2%) announced solid December quarter operating profit growth of 4%. Healthy passenger volumes indicate that the company has now recovered from the floods and earthquakes that affected its service area in mid-2018. East Japan Railway (+4%) announced December quarter operating profit growth of 2%, in line with consensus expectations, and appears on track to beat full year guidance.

Fund activity

Having already reduced the Fund's weighting in Californian utility company PG&E in late 2018, as estimated liabilities approached the size of its rate base, the Fund's remaining position in the company was sold during January. The stock faces years of extreme volatility as it works through bankruptcy and litigation proceedings, presenting a risk / return profile inconsistent with our clients' expectations.

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 have the potential to 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. We are attracted to their high operating margins, stable cash flows and effective barriers to entry. European operators are positioned to benefit from resilient traffic volumes over long time frames. Transurban's bid for WestConnex adds a substantial, high quality and long life asset to the listed infrastructure opportunity set. Peers in China and Latin America 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. The portfolio has built positions in several companies with unique and long life energy infrastructure networks at appealing valuation multiples. Sentiment towards the sector is improving, helped by simpler corporate structures and greater clarity for growth projects; while North American production growth is providing a favourable operating environment.

The Fund's largest underweight position is the Airports sector. The sector has faced headwinds in recent months, as the outlook for passenger volumes, aeronautical charges and retail spend have deteriorated following years of exceptional growth. However, in our view, many airport stocks still appear overvalued and we are content to remain underweight. A number of high quality US utilities also continue to trade at valuations that we find difficult to justify based on company fundamentals.

All stock and sector performance data expressed in local currency terms. Source: Bloomberg.

For further institutional enquiries contact institutionalenquiries@firststate.co.uk
For wholesale enquiries contact enquiries@firststate.co.uk