For professional clients only

First State Investments

FIRST STATE GLOBAL LISTED INFRASTRUCTURE FUND

Monthly Update

March 2019

Market review

Global Listed Infrastructure gained in March as buoyant financial markets shrugged off global growth concerns. The FTSE Global Core Infrastructure 50/50 index gained +4.7%, while the MSCI World index rose +3.4%^.

The best performing infrastructure sector was Towers (+11%) which climbed on indications that capital expenditure (capex) levels by large US mobile carriers will remain healthy throughout 2019, to the benefit of tower operators. The expected deployment of new spectrum bands for 5G represents an additional tailwind for the sector. Ports (+8%) increased as investors identified value in the sector, and the US and China remained engaged in trade talks. The worst performing sector was Airports (+1%), which continued to adjust to softening passenger growth rates. Mexican operators underperformed in the face of ongoing political and regulatory uncertainty.

The best performing region was Australia / New Zealand (+5%), where support was provided by lower US bond yields (the US 10 Year Treasury yield moved from 2.7% to 2.4% during the month) and an infrastructure-friendly state election result for New South Wales. The worst performing region was Latin America (-2%), as weakness in local indices weighed on infrastructure stocks.

Fund performance

The Fund returned +3.9% in March[1], 76bps behind its benchmark index.

Annual Performance (% in GBP) to 31 March 2019

Period	12 mths to 31/03/2019	12 mths to 31/03/2018	12 mths to 31/03/2017	12 mths to 31/03/2016	12 mths to 31/03/2015
First State Global Listed Infrastructure Fund B GBP Acc	20.59	-8.50	28.62	6.41	19.31
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	22.41	-6.75	26.46	4.72	19.17
MSCI World Net Total Return Index GBP	11.98	1.25	31.92	-0.28	19.07

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.

The best performing stock in the portfolio was American Tower (+12%). An upbeat presentation from the company highlighted healthy organic growth, driven by mobile carriers investing in their networks to keep pace with rapidly growing data usage; and the build-out of FirstNet – a nationwide broadband network for first responders. SBA Communications (+11%) and Crown Castle (+9%) also benefitted from the positive growth outlook.

North American pipelines continued their recent run of strong performance. Williams (+9%) established a Joint Venture with Canadian pension fund CPPIB in order to consolidate its Marcellus and Utica natural gas gathering and processing midstream assets. Under the terms of the joint venture, Williams will reduce its

[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.

capex requirements and receive US$600 million from CPPIB. This builds on work already done by the company to improve its asset quality and balance sheet profile. Kinder Morgan (+4%) and TransCanada (+3%) also gained as the need for additional energy infrastructure was highlighted by EIA statistics showing that US natural gas production reached a record high for the second consecutive year in 2018.

Italian toll road operator Atlantia (+8%) rose after starting to simplify its business by disposing of a third of its stake in German engineering firm Hochtief. The stake was acquired in 2018 to facilitate the acquisition of Spanish toll road Abertis. Waning support for the populist left wing Five Star Movement suggests that Italy's political risk is reducing. Australian peer Transurban (6%) finished the month strongly, helped by a victory for the Liberal Party in the New South Wales state election. The Liberals have pledged to continue to invest in infrastructure across the state, including new roads in Sydney that will complement Transurban's existing network.

Canadian-listed multi-utility Emera (+7%) also gained following the sale of its Maine regulated utility for a very attractive price. The transaction strengthens Emera's balance sheet, and will allow it to focus on its core regulated electric and gas utility businesses in Florida and Nova Scotia.

The worst performing holding in the portfolio was Brazil toll road operator CCR (-17%), which agreed a R$750 million (c. US$200 million) settlement payment with federal prosecutors relating to last year's corruption investigation. Although the agreement had been expected, the amount was larger than anticipated.

Defensive, cash generative Japanese gas utilities Osaka Gas (-3%) and Tokyo Gas (-1%) lagged as investors rotated towards higher beta assets. The portfolio's UK utility holdings also underperformed. National Grid (flat) gave up ground after plans by the opposition Labour Party to release a policy paper discussing its transfer to public ownership rekindled nationalisation concerns. Severn Trent (-2%) and SSE (flat) were also affected by the report. Political turmoil as the UK approached - and then passed - its Brexit deadline of 29 March presented an additional headwind.

Fund activity

No new holdings were added to the Fund in March, and positions in existing holdings were generally maintained at current levels.

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 the potential for 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. Emerging market 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 such as Kinder Morgan 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. Tower companies like American Tower and Crown Castle are profiting as telecom companies seek to improve their networks, driven by structural growth in demand for mobile data.

The portfolio largest underweight position is the Airports sector. The sector has faced a deteriorating outlook for passenger volumes, aeronautical charges and retail spend in recent months, following years of exceptional growth. Despite the resulting pullback 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