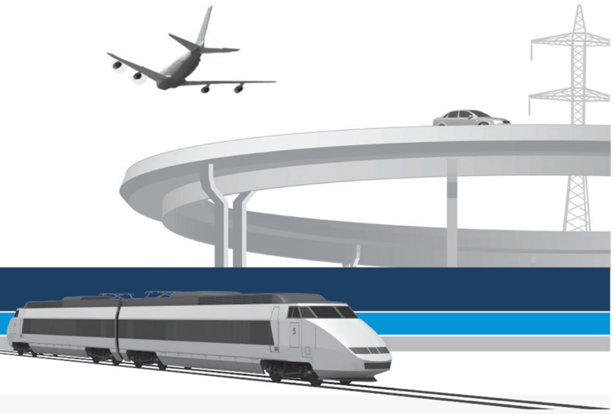
First State Investments
首域投資

First State
Global Listed Infrastructure Fund

Monthly Review and Outlook

May 2020



- The Fund invests primarily in global listed infrastructure and infrastructure-related equity and equity related securities worldwide. Investments in infrastructure projects may involve risks including projects not being completed on time and within budget, changes in environment laws and regulations.
- The Fund's investments may be concentrated in a single and limited/specialist sector or in fast growing economies which may have higher volatility or greater loss of capital than more diversified portfolios.
- Small/ mid-capitalisation securities may have lower liquidity and their prices are more volatile to adverse economic developments.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- For certain share classes, the Fund may at its discretion pay dividend out of capital or pay fees and expenses out of capital to increase distributable income and effectively a distribution out of capital. This amounts to a return or withdrawal of your original investment or from any capital gains attributable to that, and may result in an immediate decrease of NAV per share.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Market Review

Global Listed Infrastructure climbed in May as investors anticipated rising economic activity levels. March quarter earnings results were accompanied by generally positive outlook commentary. The FTSE Global Core Infrastructure 50/50 index gained +4.2% during the month, while the MSCI World Index^ rose +4.8%.

The best performing infrastructure sector was Towers (+8%) as investors remained enthusiastic about the long term structural growth drivers underpinning the sector. North American operators were buoyed by a broker upgrade that emphasized the key role these companies would play in the upcoming rollout of 5G networks. Railroads (+7%) also gained strongly. Freight rail stocks rallied as US states began to roll back travel and social distancing restrictions; while Japanese passenger rail gained as the country's state of emergency was lifted. The worst performing infrastructure sectors were Gas Utilities (+1%) and Multi-Utilities (+3%) as the market favoured higher beta assets.

The best performing infrastructure region was Latin America (+8%). Investors looked past rising coronavirus transmission rates to focus on the region's longer term growth prospects. Strong gains for towers, railroads and pipelines led the United States (+6%) higher. The worst performing infrastructure region was Asia ex-Japan (-2%) after China proposed a new national security law for Hong Kong, which triggered local protests and international condemnation. The United Kingdom (-1%) also lagged, reflecting muted returns from its defensive utilities sectors, having held up well earlier in the year.

Fund Performance

The portfolio returned +3.3%[1] in May, 93 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the portfolio was US-focused private jet airport operator Signature Aviation (+19%). The stock was supported by signs of recovering demand for private jet travel as several US states began to ease lockdown measures; and the view that demand for private jet travel may increase owing to passengers feeling safer travelling in smaller groups. Several activist and event-driven investors have built sizeable positions in the company in recent weeks, leading to speculation that the company could be subject to a takeover bid. Swiss airport operator Flughafen Zuerich (+11%) rose as European countries began to reopen closed borders ahead of the summer tourist season. Auckland International Airport (+7%) was supported by news of a proposed trans-Tasman "travel bubble" between Australia and New Zealand, two of the countries least affected by coronavirus to date.

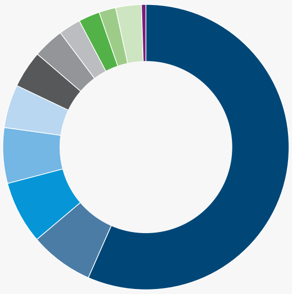
In the North American energy infrastructure space, investors welcomed solid March quarter earnings and a positive outlook from Magellan Midstream Partners (+13%). The company confirmed that it would maintain its 2020 distribution payment; and outlined expectations that lower refined product demand in the June quarter would be followed by a recovery later in the year. A healthy balance sheet and high quality assets (including the longest refined product pipeline network in the US) are expected to remain supportive of valuation multiples. Enterprise Products Partners (+9%) was buoyed by management team

All stock and sector performance data expressed in local currency terms. Source: Bloomberg. ^MSCI World Net Total Return Index, USD. [1] Source: First State Investments & Bloomberg, the First State Global Listed Infrastructure's cumulative return over one month, data as of 31 May 2020. Performance is based on First State Global Listed Infrastructure Fund Class I (USD – H Dist), net of fees, expressed in USD.

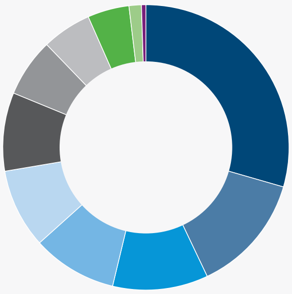
	Cumulative Performance in USD (%) [2]					
	3 mths	YTD	1yr	3yrs	5yrs	Since inception
Class I (USD - H Dist)	-4.7	-9.8	-1.1	5.2	23.5	75.0
Benchmark*	-4.9	-11.5	-2.2	10.9	29.1	76.7

	Calendar Year Performance in USD (%) [2]				
	2019	2018	2017	2016	2015
Class I (USD - H Dist)	24.3	-8.3	17.2	11.7	-5.7
Benchmark*	25.1	-4.0	18.4	11.3	-6.0

Asset Allocation (%) [2]



Country
- USA 56.6
- Australia 7.2
- France 7.1
- UK 6.3
- Japan 4.9
- China 4.2
- Canada 3.5
- Italy 2.5
- Mexico 2.4
- Switzerland 1.9
- Other 2.9
- Liquidity 0.5



Sector
- Electric Utilities 29.5
- Multi-Utilities 13.5
- Highways/Railtracks 10.8
- Oil/Gas Storage & Trans. 9.6
- Gas Utilities 9.0
- Specialised REITs 8.9
- Railroads 6.6
- Construction & Engineering 5.6
- Airport Services 4.7
- Water Utilities 1.4
- Liquidity 3.0

Top 10 holdings (%) [2]

Stock name	Sector	%
Nextera Energy Inc	(Electric Utilities)	6.4
Transurban	(Highways/Railtracks)	6.1
Dominion Energy Inc COM	(Multi-Utilities)	5.5
American Tower Corporation	(Specialised REITs)	3.9
Eversource Energy	(Electric Utilities)	3.8
American Electric Power Company, Inc.	(Electric Utilities)	3.6
SBA Communications Corp Class A	(Specialised REITs)	3.1
Enterprise Products Partners L.P.	(Oil/Gas Storage & Trans.)	3.0
Vinci SA	(Construction & Engineering)	2.5
Eiffage SA	(Construction & Engineering)	2.5

comments about the ability of their extensive and fully integrated energy infrastructure network to thrive during volatile commodity markets. Canada's Pembina Pipeline (+8%) outperformed after maintaining its 2020 earnings forecast, while improving its free cash flow by cutting capex and deferring several growth projects.

European toll road operators represented another area of strength for the portfolio. Vinci (+11%) and Eiffage (+10%) both rallied on the view that a preference for domestic rather than international travel this summer could underpin a robust recovery in volumes on their French toll road networks. Traffic levels on Vinci's roads have materially improved since mid-May, when travel restrictions within France were partially eased. Spanish peer Ferrovial (+9%) also rose on hopes that demand for its high quality road and airport assets would increase following the sharp downturn seen in March and April. Atlantia (-2%) gave back some of April's strong share price gains as negotiations with the government regarding its Italian motorway concession continued.

The worst performing stock in the portfolio was Hong Kong electric utility CLP Holdings (-8%). Despite the stable nature of its regulated core business, the stock gave up ground as residents protested against a proposed new national security law. Hong Kong's GDP contracted by almost 9% during the March quarter. China Gas Holdings (-5%) and Jiangsu Expressway (-1%) also underperformed against this tense backdrop.

US multi-utility Avista (-8%) lagged as investors looked past better than expected March quarter earnings to focus on a reduction in 2020 earnings guidance. The company cited delays in rate case filings due to coronavirus-related disruptions, and higher bad debt expenses. NiSource (-5%) also underperformed after April electricity demand fell 26%, and the company highlighted the potential for COVID-19 impacts to linger into 2021. More positive performance was achieved by NextEra Energy (+11%), which surged after part of a tax credit program for wind and solar projects was extended for an additional year; and Dominion Energy (+10%), which announced robust March quarter earnings and a positive outlook. The recent enactment of Virginia's Clean Economy Act will provide substantial opportunities to grow its rate base between 2020 and 2035 by investing in renewable energy

Fund Activity

During the month the Fund initiated a position in Hera, one of Italy's largest multi-utilities, which provides electricity, gas, water and waste management services to around 4.3 million customers. The company has a healthy balance sheet, and an impressive track record of steady earnings growth over many years. Market volatility presented an opportunity to invest in this quality, diversified company at a material discount to long term average valuation multiples.

The Fund bought shares in Mexican pipeline operator IENOVA, an energy transportation company with a diversified asset footprint that includes long haul natural gas pipelines, renewable generation, natural gas distribution assets and refined products storage. The company is well-positioned to benefit from investment opportunities in pipelines, renewables and storage terminals, driven by Mexico's energy requirements. IENOVA moved to a higher position within our investment process after the market (in our view) overreacted to new rules governing how electricity supply will be dispatched to Mexico's grid.

[2] Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 May 2020. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. Fund inception date: 27 June 2008. Performance is based on First State Global Listed Infrastructure Fund Class I (USD – H Dist). This is the semi-annually dividend distribution class of the Fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital.
* The benchmark displayed is UBS Global Infrastructure & Utilities 50-50 Index until 31 March 2015 and FTSE Global Core Infrastructure 50/50 Index from 1 April 2015 onwards. Gross of tax benchmark performance is shown before 1 July 2016 and net of tax benchmark performance is shown after the aforementioned date.

The Fund also invested in West Japan Railway, a substantial passenger rail business servicing the Kansai region (the cultural centre of Japan, containing major tourist destinations such as Osaka, Kobe and Kyoto). The company's network has the capacity to carry over 5 million passengers per day; while the development of its rail network and property corridor offers scope to grow earnings over the medium term. The company has materially underperformed peers and our broader opportunity set in recent months, creating a mispricing opportunity.

A position in US electric utility Avangrid was divested after the catalysts we had anticipated (meeting earnings guidance, improving operational performance) failed to materialise. Holdings in China-listed port operators China Merchants Ports and COSCO Shipping Ports were also sold as headwinds to global trade volumes mounted.

Market Outlook and Fund Positioning

The Fund invests in a range of global listed infrastructure assets including toll roads, airports, 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 portfolio remains positioned with toll roads as its largest sector overweight. Current valuations imply multi-year traffic declines and ignore the reality that interest rates will be lower going forward. There is a valid argument that increased flexibility to work-from-home may result in a permanent adjustment to traffic. There is a stronger argument, and mounting evidence from China, Europe and Australia, that people will prefer to travel by private car than by public transport in order to maintain social distancing.

The portfolio's overweight exposure to gas utilities consists of specialist US and European companies operating in niche market areas; a stable Japanese name with a strong balance sheet that can add stability to the portfolio; and Chinese gas utilities which are positioned to benefit from structural growth in a region that has so far coped well with the coronavirus outbreak

We have reduced our underweight exposure to the Airports sector but remain cautious. While this month has seen an optimistic share price reaction, any sustained recovery in airline passenger numbers may be slow due to traveller wariness. A staggered re-opening of airports may start with domestic or regional flights, which are less valuable than international flights.

A prudent approach has also been maintained towards North American freight rail stocks, which are relatively sensitive to the economy. Freight volumes are down 20-25%, a level that railroads will not be able to match with cost reductions. The resulting earnings downgrades have yet to be reflected in market expectations.

The Fund's long-standing underweight exposure to Multi/Electric utilities has moved to a small overweight. Many good quality utilities are trading at relatively appealing levels, having underperformed in recent rising markets. Regulated utility earnings should be materially more resilient than those of the broader market in the event of an extended economic slowdown or recession. Lower interest rates will be supportive of valuation multiples. Over the longer term, the structural growth drivers for this sector (build-out of renewables, replacement of aged networks) remain intact.

Source : Company data, First State Investments, as of end of May 2020.