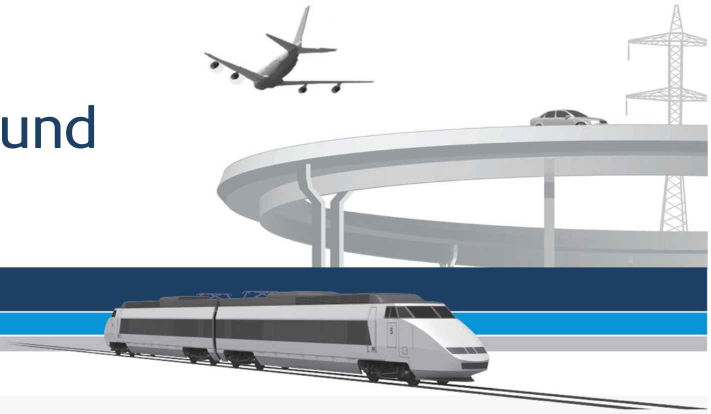
First State Investments
首域投資

First State
Global Listed Infrastructure Fund

Monthly Review and Outlook

July 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 resumed its upward trajectory in July, aided by better than expected earnings for much of the asset class. The FTSE Global Core Infrastructure 50/50 index gained +2.9% in July, while the MSCI World index ended the month +4.8% higher.

The best performing infrastructure sectors were Multi-, Water and Electric Utilities (+5% to +7%) as solid earnings results highlighted the ability of these companies to weather a slowing economic environment. US electric utilities led the gains, after the release of an updated climate plan sparked hopes that already-substantial measures to roll out renewables may be accelerated under a Biden presidency.

The worst performing infrastructure sector was Airports (-9%), as the complications of reopening international travel while coronavirus cases remain widespread became increasingly apparent. Toll Roads (-3%) also lagged, despite steady traffic recovery in those cities that are successfully navigating coronavirus impacts.

The best performing infrastructure region was USA (+6%), reflecting strong demand for its substantial utilities sector. The worst performing infrastructure region was Japan (-13%) where a deteriorating coronavirus situation weighed on the country's passenger rail and airport stocks.

Fund Performance

The portfolio returned +3.6%[1] in July, 71 basis points ahead of the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the portfolio was NextEra Energy (+17%), which operates a regulated utility in Florida, and is also the largest developer and operator of wind, solar and battery plants in North America. Better than expected earnings numbers (11% Earnings Per Share growth compared to the same period a year earlier) and a surge of enthusiasm for the substantial investment opportunities presented by the buildout of renewable generation across the US propelled its share price higher.

Other utilities with a growing renewables focus also performed well. Alliant Energy (+13%) announced plans to eliminate all coal-powered generation by 2040 – a decade earlier than the company's previous target – and announced a Net Zero by 2050 target. Positive weather conditions, better than expected sales and a disciplined cost approach enabled Xcel Energy (+10%) to achieve June quarter EPS growth of 18%. The company has identified US$3 billion-worth of solar, wind and energy efficiency-focused projects that it could roll out across its Minnesota service territory. In contrast, Dominion Energy (flat) lagged after selling its natural gas transmission business to US conglomerate Berkshire Hathaway for a lower than expected price; cancelling the Atlantic Coast Pipeline project, and reducing its dividend. The moves mark a material shift towards cleaner energy, giving scope for Dominion's valuation multiples to match its renewables-focused peers over time.

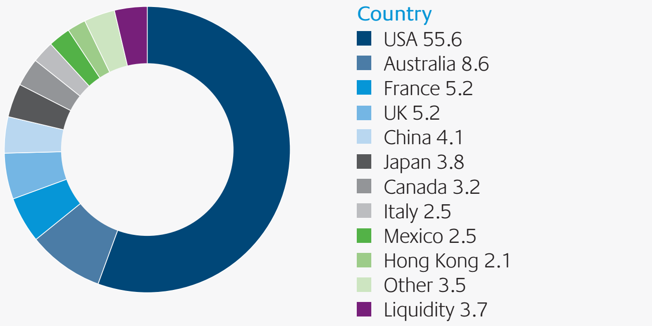
North American east coast freight rail operator Norfolk Southern (+9%) announced June quarter earnings that exceeded the market's (bearish) expectations, accompanied by optimistic outlook comments. Quarterly earnings for Union Pacific (+3%) were in line with market expectations, with a disciplined

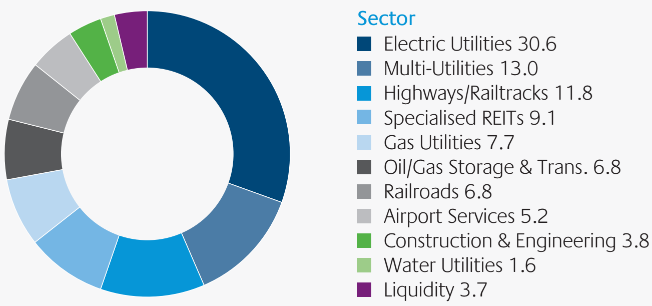
All stock and sector performance data expressed in local currency terms. Source: Bloomberg. ^MSCI World Net Total Return Index, USD. [1] Source: First State Investments & Bloomberg, the First State Global Listed Infrastructure's cumulative return over one month, data as of 31 July 2020. Performance is 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	-8.5	-3.9	5.5	29.3	77.4
Benchmark*	5.0	-10.8	-5.0	9.2	32.6	78.1

	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]





Top 10 holdings (%) [2]

Stock name	Sector	%
Transurban	(Highways/Railtracks)	7.1
Nextera Energy Inc	(Electric Utilities)	6.6
Dominion Energy Inc COM	(Multi-Utilities)	5.3
Eversource Energy	(Electric Utilities)	4.2
American Tower Corporation	(Specialised REITs)	3.7
SBA Communications Corp Class A	(Specialised REITs)	3.7
American Electric Power Company, Inc.	(Electric Utilities)	2.9
Xcel Energy Inc.	(Electric Utilities)	2.7
NiSource Inc.	(Multi-Utilities)	2.6
Emera Inc	(Electric Utilities)	2.3

approach to costs offsetting softer pricing. While freight volumes have fallen sharply and the outlook for haulage volumes remains uncertain, both companies have the potential to improve operating efficiency as they continue to implement Precision Scheduled Railroading across their networks – a process that their peers have already benefitted from.

The worst performing stocks in the portfolio were West Japan Railway (-25%) and East Japan Railway (-19%). Coronavirus cases in Japan continued to increase, stalling passenger recovery. A substantial Y1.35trillion (US$12.5bn) government subsidy for domestic tourism did little to improve sentiment. June quarter earnings numbers for both companies were disappointing, and neither provided full year earnings guidance. East Japan Railway fared slightly better, reflecting its higher conventional railway lines vs longer haul, high speed shinkansen routes.

Toll road operators also underperformed. Vinci (-11%) reported steep volume declines at its French motorways concessions business and global airports network for the first half of 2020, and announced that it will not pay an interim dividend this year. The company expects activity levels to improve at both business segments during the second half of 2020. Traffic forecasts for Eiffage (-9%) also look set to improve in the second half of the year, after reduced volumes in the June quarter. Both companies' share prices recovered ground in early August. Australia's Transurban (-2%) held up better after announcing the opening of the M8 project early in the month – the second major underground stage of Sydney's WestConnex motorway network.

Fund Activity

No new stocks were added to the portfolio during the month, and positions in existing holdings were generally maintained at existing levels.

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. Valuation multiples still imply multi-year traffic declines, in contrast to the improvements that toll road companies referenced in recent quarterly earnings updates. While increased flexibility to work-from-home may result in adjustments to traffic, we see mounting evidence that people prefer to travel by private car than by public transport in order to maintain social distancing.

We remain cautious on the Airports sector. A sustained recovery in airline passenger numbers appears a remote prospect, given to traveller wariness and resurgent coronavirus case numbers in many regions. 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. We admire these high quality, well managed infrastructure businesses, but remain conscious of

[2] Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 July 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.

their sensitivity to the economy. Despite a clouded outlook for freight volumes, they continue to trade at historic high multiples. Earnings forecasts reflect expectations of a sharp recovery, which our analysis suggests is an overly optimistic scenario.

The Fund has a small overweight exposure to Multi/Electric utilities. 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. Share price gains this month appeared to reflect renewed investor recognition of the longer term structural growth drivers (build-out of renewables, replacement of aged networks) for this sector.

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