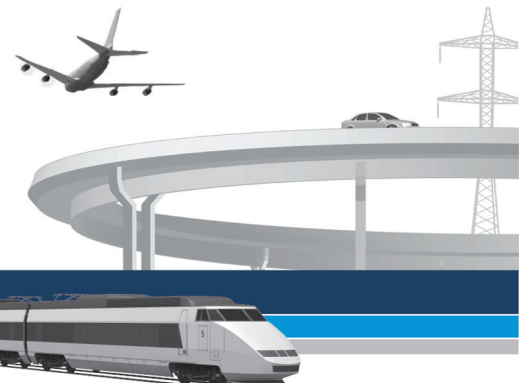


First State Global Listed Infrastructure Fund

Monthly Review and Outlook

October 2019



- 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 delivered mixed returns in October as an uncertain economic backdrop was balanced by signs of progress for Brexit and US/China trade talks. The FTSE Global Core Infrastructure 50/50 index gained +0.8%, while the MSCI World index[^] ended the month +2.5% higher.

The best performing infrastructure sector was Airports (+3%) which announced positive earnings numbers, underpinned by healthy passenger volumes. The worst performing sector was Pipelines (-1%), on softer production forecasts and the prospect of excess takeaway capacity in some regions. Electric / multi-utilities (flat) paused after strong recent gains, despite a (widely expected) 25 basis point interest rate cut from the US Federal Reserve.

The best performing infrastructure region was Australia / NZ (+3%), where airports, toll roads and utilities were buoyed by a healthy economic backdrop and a 25 basis point interest rate cut by the Reserve Bank of Australia. Asia ex-Japan (+2%) rallied on positive earnings numbers and a more optimistic outlook for US/China trade talks. The worst performing regions were the United States (-1%) and Canada (-1%), reflecting their relatively high number of electric / multi-utility and pipeline stocks.

Fund Performance

The portfolio returned +0.1%¹ in October, 73 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

The best performing stock in the portfolio was Chinese gas utility ENN Energy (+11%) which rallied as investors warmed to the company's strong growth trajectory. China's ongoing shift from coal-fired power generation to cleaner natural gas

provides this sector with a structural tailwind; while access to its parent company's Liquefied Natural Gas (LNG) import terminal in Zhoushan, off China's east coast, gives ENN Energy a procurement advantage over peers. Chinese toll road Jiangsu Expressway (+5%) achieved healthy traffic volumes on its road networks, including an 8% increase in traffic volumes on its core Shanghai-Nanjing Expressway for the September quarter. Shenzhen Expressway (+3%) announced robust 14% traffic growth in September. The replacement of toll booths with electronic toll collection devices gives both companies scope to improve efficiency and reduce labour costs. Urbanisation and higher rates of car ownership within China are likely to underpin further traffic growth over the medium term.

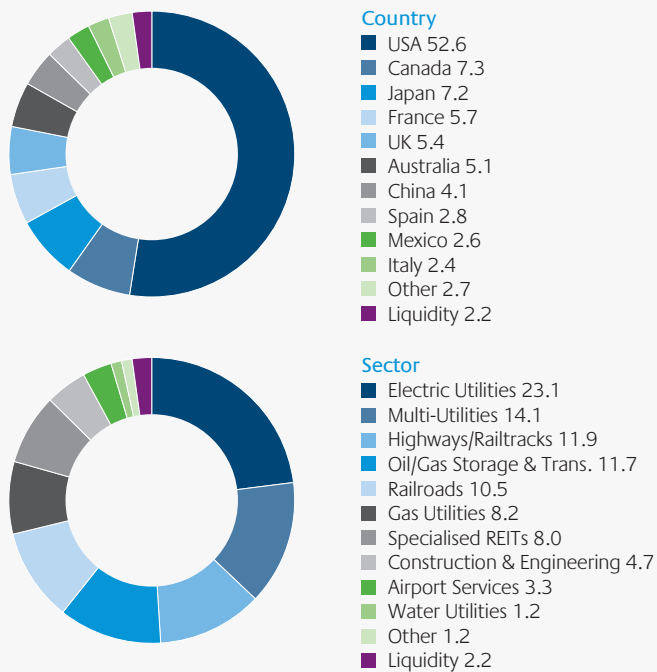
UK utility stocks Severn Trent (+4%), SSE (+3%) and National Grid (+2%) also increased. Investors took the view that the UK's general election, scheduled for 12th December, was likely to be won by the Conservative Party - who would then bring about an orderly departure from the European Union. Such a scenario would reduce the risk of utility nationalisation by the opposition Labour Party; as well as avoiding the possibility of a disorderly "hard" Brexit. During the month the European Commission determined that the UK capacity market (a mechanism to ensure electricity supply in periods of peak demand) met EU state aid rules. The decision improves certainty for UK utilities with power generation assets, including SSE.

Mexican energy infrastructure company IEnova (+8%) outperformed as investors focused on the company's appealing valuation multiples and future growth potential as Mexico's energy needs increase. Cancun-focused airport operator ASUR (+5%) rallied after reporting a 6% increase in commercial revenue per passenger in the September quarter; and on indications that passenger growth rates could accelerate from

	Cumulative Performance in USD (%) ²					
	3 mths	YTD	1yr	3yrs	5yrs	Since inception
Class I (USD - H Dist)	2.5	21.3	17.7	29.4	37.3	89.2
Benchmark*	3.6	21.6	20.7	35.8	45.4	94.1

	Calendar Year Performance in USD (%) ²				
	2018	2017	2016	2015	2014
Class I (USD - H Dist)	-8.3	17.2	11.7	-5.7	12.3
Benchmark*	-4.0	18.4	11.3	-6.0	13.6

Asset Allocation (%)²



Top 10 holdings (%)²

Stock name	Sector	%
Dominion Energy Inc COM	(Multi-Utilities)	5.4
Nextera Energy Inc	(Electric Utilities)	5.3
Transurban	(Highways/Railtracks)	5.1
Williams Companies, Inc.	(Oil/Gas Storage & Trans.)	4.0
American Electric Power Company, Inc.	(Electric Utilities)	3.5
Union Pacific Corporation	(Railroads)	3.4
Crown Castle International Corp	(Specialised REITs)	3.2
East Japan Railway Co	(Railroads)	3.2
CenterPoint Energy, Inc.	(Multi-Utilities)	3.1
TC Energy Corp COM	(Oil/Gas Storage & Trans.)	2.7

their current pace. Mexican toll road operator Pinfra (+1%) gained after a majority stake in its peer, RCO, was acquired by Italy's Atlantia (flat) for an implied EV/EBITDA multiple of between 13x and 15x. The transaction provides a positive data point for Pinfra, which is currently trading on an EV/EBITDA multiple of around 9x.

The worst performing stock in the portfolio was Enterprise Products Partners (-7%). Although September quarter earnings beat guidance for an eighth consecutive time, investors were underwhelmed by the company's emphasis on investing in growth projects, rather than returning additional capital to shareholders. Peers Williams (-7%) and Magellan Midstream Partners (-6%) also lagged as lower commodity prices, softening upstream production forecasts and a proposal by several Democratic presidential candidates to ban fracking, clouded the pipeline sector's growth outlook. After taking action over the past two years to divest non-core assets, cut distributions, simplify corporate structures and curtail capital projects, we believe the sector should prove resilient in a more challenging operating environment. At current levels, listed pipeline company valuations appear compelling when compared to the prices being paid by private equity for equivalent assets.

In the US utilities space, NiSource (-6%) fell after a gas leak was detected in late September in the same pipeline system that suffered an explosion in 2018. The company is working to verify the service lines that were abandoned as part of last year's restoration efforts, and to rebuild trust with the community, regulator and investors. Evergy (-4%) underperformed following a decision by its regulator that it may not be entitled to the savings associated with the recent shut-down of the Sibley coal-fired power station in western Missouri. The closure is part of Evergy's strategy to move away from coal towards cleaner, cheaper sources of energy. More positively, NextEra Energy (+2%) maintained its upward trajectory after announcing healthy September quarter earnings. Key drivers of earnings growth include rate base growth through the planned rollout of 30 million new solar panels by 2030 at Florida Power & Light; the conversion of coal fired power stations to natural gas at its recently acquired northern Florida utility business Gulf Power; and a growing backlog of future projects for NextEra Energy Resources, its world-leading, large-scale renewable development business.

Fund Activity

The Fund sold its position in Japanese passenger rail operator West Japan Railway. An increasing market recognition of the company's healthy balance sheet and potential to benefit from growing inbound tourism numbers to Japan's Kansai region drove share price outperformance, causing the stock to move lower within the quality / value rankings of our investment process.

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 strong capital growth over the medium-term.

² Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 October 2019. 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 outlook for global listed infrastructure is positive. The asset class consists of stable, long life assets, and continues to deliver a reliable yield of between 3% and 5% per annum. Many infrastructure assets are insulated from inflation by regulation, concession terms or contracts that are explicitly linked to the inflation rate. Infrastructure growth drivers are often structural rather than cyclical in nature, such as urbanisation (Toll Roads) and the increasing mobility of communication (Towers).

Global listed infrastructure has performed well, aided by lower interest rates. However that in itself does not make the asset

class expensive. Listed infrastructure companies are delivering strong earnings growth which, when combined with lower discount rates (from falling interest rates), means that intrinsic asset values have also increased meaningfully. Despite delivering double digit returns for the last decade, dividend yields for global listed infrastructure have remained in the 3%-4% range and remain underpinned by reasonable payout ratios (~70%) and robust company balance sheets. In addition, we continue to observe valuation discrepancies between and within sectors and regions, providing scope for active managers to add value.

Important Information

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