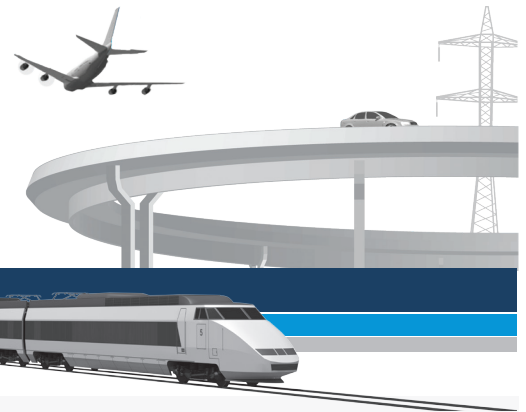


First State Global Infrastructure

Monthly Review and Outlook

May 2018



Market Review

Global Listed Infrastructure shrugged off a backdrop of political and trade uncertainty and maintained its upward path in May.

The best performing infrastructure sector was Railroads (+5%). North American Class I freight rail stocks gained on consistently improving operational performance and positive volume trends. Satellites (+5%) enjoyed a second consecutive month of positive returns, despite the structural headwinds facing the sector. The worst performing sector was Ports (-2%), which came under pressure from geopolitical tensions and resurgent global trade concerns. Electric Utilities (-2%) also underperformed. European and Emerging Market names sold off as political turmoil in Italy spread to financial markets.

The best performing region was Australia / NZ (+2%). The region's ports, airports and toll roads gained against a positive economic backdrop, while its utilities were helped by lower US Treasury yields. The worst performing region was Latin American (-9%), where infrastructure stocks were caught up in a broader EM sell-off.

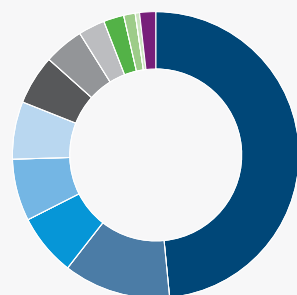
Performance Review

The Fund ended the month +0.2% higher¹, 7 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

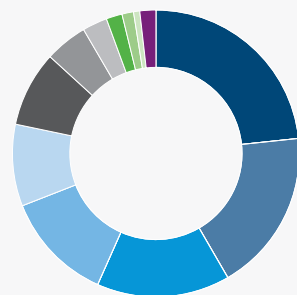
	Annualised Performance in SGD (%) ¹				
	1yr	3yrs	5yrs	10yrs	Since inception
Fund (Ex initial charges)	-5.7	4.3	8.6	3.5	3.9
Fund (Inc initial charges)	-10.4	2.6	7.5	3.0	3.4
Benchmark*	-1.9	5.6	9.8	3.8	4.0

	Cumulative Performance in SGD (%) ¹				
	3 mths	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	3.1	-5.7	13.6	50.8	47.7
Fund (Inc initial charges)	-2.0	-10.4	7.9	43.3	40.3
Benchmark*	3.3	-1.9	17.9	59.6	49.9

Asset Allocation (%)¹



Country	%
USA	48.5
Canada	12.1
Japan	7.0
UK	7.0
Australia	6.5
China	5.6
Italy	4.5
Brazil	3.0
France	2.3
Spain	1.3
Other	0.5
Liquidity	1.8



Sector	%
Electric Utilities	23.3
Highways/Railtracks	18.3
Oil/Gas Storage & Trans.	15.0
Multi-Utilities	12.4
Railroads	9.2
Specialised REITs	8.5
Gas Utilities	4.8
Marine Ports & Services	2.8
Construction & Engineering	1.8
Water Utilities	1.3
Other	0.7
Liquidity	1.8

Top 10 holdings (%)¹

Stock name	Sector	%
Dominion Energy Inc COM	(Multi-Utilities)	6.7
Transurban Group Stapled Deferred	(Highways/Railtracks)	6.5
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	5.6
American Tower Corporation	(Specialised REITs)	5.5
NextEra Energy, Inc.	(Electric Utilities)	5.1
Southern Company	(Electric Utilities)	5.0
East Japan Railway Co	(Railroads)	4.7
Great Plains Energy Inc	(Electric Utilities)	4.5
Atlantia S.p.A	(Highways/Railtracks)	4.5
TransCanada Corporation	(Oil/Gas Storage & Trans.)	4.4

The best performing stock in the portfolio was China-listed COSCO Shipping Ports, the world's largest container port operator. The company announced strong March quarter earnings numbers, helped by robust volumes from its shipping line parent company. Chinese toll road operator Jiangsu Expressway, whose toll road concessions link major

¹ Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 30 May 2018. Fund since inception date: 3 March 2008. *Inception - 31 May 2008; S&P Global Infrastructure Index. 1 June 2008 - 31 March 2015: UBS Global Infrastructure and Utilities 50-50 Index. From 1 April 2015: FTSE Global Core Infrastructure 50/50 Index.

cities in China's prosperous east-central coastal region, also outperformed. Ongoing export demand is expected to underpin truck volumes, while structural trends of traffic growth and rising vehicle ownership rates should support longer-term growth.

The portfolio's North American Class I freight rail stocks CSX and Norfolk Southern continued to rally. Improving operating margins, combined with substantial share buy-back programs, look set to deliver robust EPS growth for both companies. CSX continues to implement its Schedule Precision Railroading strategy and has little need to increase headcount, enabling it to maintain a disciplined approach to costs. Peer Canadian Pacific, gained on news that an agreement had been reached with the railroad workers' union on working conditions, bringing (short-lived) strike action to an end.

Energy pipelines were buoyed by favourable sentiment and positive stock-specific developments. Canada's Enbridge Inc announced the C\$3.2 billion sale of non-core North American and German assets to pension fund and private equity investors, as part of its debt reduction strategy. US operator Kinder Morgan gained on news that it had agreed to sell its controversial Trans Mountain pipeline and project in British Columbia to the Canadian government for a better-than-expected US\$3.5 billion, removing a long-standing overhang from the stock.

The worst performing stock in the portfolio this month was Brazil toll road operator CCR. Its share price was affected by a nation-wide truck strike, followed by the government's decision to exempt trucks with lifted axles from the need to pay tolls. Political turbulence weighed on May's other underperformers. Atlantia gave up April's gains as Italy's newly-elected government clashed with Italy's President over its choice of finance minister, causing the Italian market to sell off sharply. Mexico City-focussed toll road firm Pinfra lagged on NAFTA uncertainty, and as populist left wing candidate "AMLO" gained a significant polling lead in the run-up to Mexico's presidential election on 1 July.

The Fund initiated a position in Spanish-listed Ferrovial, a globally diversified infrastructure concession, construction and services company. Its flagship infrastructure assets include holdings in London's Heathrow Airport and Toronto's 407 ETR toll road concession. Earnings disappointments in its construction and services business segments have overshadowed the firm's exceptional infrastructure assets and material growth optionality, causing the company to trade at a material discount to intrinsic value.

The Fund initiated a position in Severn Trent, one of the UK's largest water utilities. Severn Trent is a stable, defensive business which pays a ~4% dividend yield and earns regulated returns linked to UK RPI. Over the past year, concerns about the opposition Labour Party's re-nationalisation plans have weighed on the stock. We expect improving regulatory clarity and receding re-nationalisation concerns to support share price outperformance. Portland General Electric, a single state, fully regulated electric utility, was also added to the portfolio in May. Its Oregon service area, which includes Portland (the state's

largest city), is an economically dynamic region with healthy population growth. The company is run by a well-regarded management team, enjoys favourable customer satisfaction ratings, and has a healthy balance sheet.

The Fund trimmed its exposure to Japan in May, selling Japan Airport Terminal after pleasing full year earnings numbers pushed its share price sharply higher; and divesting Central Japan Railway following a period of material outperformance compared to its peer (and current portfolio holding) East Japan Railway. The Fund's remaining shares in Hong Kong-listed electric utility Power Assets Holdings were also sold following the recent payment of its latest special dividend, and in the absence of clear earnings growth catalysts.

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 mobile 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.

Our 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 4% per annum. Many infrastructure assets are insulated from inflation by regulation, concession terms or contracts that are explicitly linked to the inflation rate. Several sectors are benefitting from structural growth drivers such as urbanisation (Tollroads) and the increasing mobility of communication (Towers).

As well as sound fundamentals, we expect a number of additional factors to be supportive of returns from Global Listed Infrastructure. Firstly, we are seeing encouraging signs of business de-risking and simplification. Pipeline companies are selling non-core assets, reducing leverage, lowering commodity sensitivity, and simplifying their corporate structures. As business quality improves, valuation multiples should expand.

Secondly, the listed infrastructure investment universe continues to broaden, which is likely to stimulate further interest in the asset class. This month China Tower, which operates the towers of China's three state-backed telecoms providers, announced plans to list in what could be a US\$10 billion IPO. Tollroad operators Ferrovial and Transurban are pursuing their Express Lane strategies in the US - a politically palatable way to involve private sector capital in US highway infrastructure. We anticipate that both companies will be major players in this space over the next three to five years, further diversifying and improving our opportunity set.

Finally, the ongoing asset allocation shift by large pension and sovereign wealth funds into real assets in general, and into infrastructure specifically, should provide a tailwind for asset class valuations. This could happen directly, through allocations to Listed Infrastructure funds; or indirectly, through takeovers of listed companies by Direct Infrastructure funds.

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