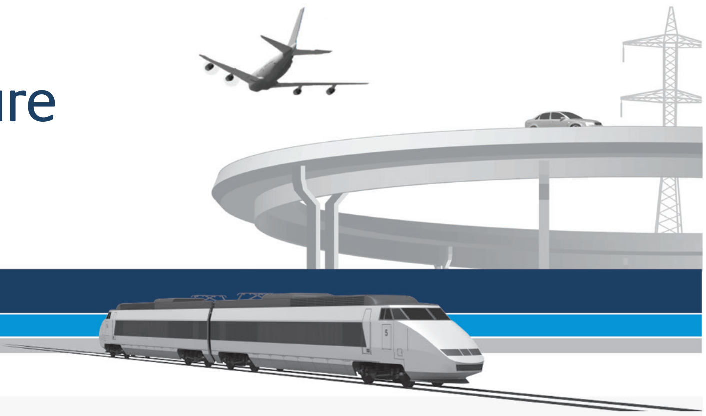
First State Investments



First State Global Infrastructure

Monthly Review and Outlook

June 2020

Market Review

Global Listed Infrastructure gave up ground in June as the partial reopening of the global economy and brightening macroeconomic data saw investors rotate away from defensive assets. The best performing infrastructure sector was Water / Waste (flat), which delivered stable returns as general equities rose. Toll Roads (flat) also fared relatively well as traffic volumes for European, Chinese and Australian roads maintained upward trends.

The worst performing infrastructure sector was Electric Utilities (-5%), owing to a lack of appetite for lower beta assets, and concerns that bad debts may weigh on cash flow. Pipelines (-4%) gave up some of the previous month's strong returns, as a result of their still-clouded growth outlook.

The best performing infrastructure region was the United Kingdom (+6%), as its utilities announced resilient earnings numbers and the market welcomed the prospect of widespread relaxations of the country's lockdown from July 4th. The worst performing infrastructure region was Japan (-6%), where the general population's cautious attitude to coronavirus - despite the country's relatively low caseload to date – translated to muted passenger traffic volumes and a worse-than-expected reading for business confidence in the June quarter.

Fund Performance

The Fund fell -3.1% after fees in June[1], 17 basis points ahead of the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

The best performing stock in the portfolio was ASUR (+12%), which operates tourism-focused airports in Mexico. Although passenger volumes have fallen sharply since the spread of coronavirus began, investors took the view that the company's low leverage and constructive regulatory framework should enable it to thrive again once normalised conditions return.

UK electric utility SSE (+10%) reiterated its commitment to increase dividend payments by the rate of inflation each year between now and 2023. The company is increasingly focused on the build-out of renewables, particularly offshore wind, as the UK moves towards a target of Net Zero carbon emissions by 2050. Multi-utility National Grid (+7%) gained after reporting quarterly earnings broadly in line with consensus, and increasing its 2020 dividend in line with inflation.

US energy infrastructure company Cheniere (+9%) rose strongly after securing borrowing facilities that will enable it to repay higher interest convertible notes. On a call with investors the company noted that it was the only energy company in the US to have reiterated 2020 earnings guidance, reflecting the favourable terms of its long term LNG export contracts.

Chinese toll road operator Jiangsu Expressway (+5%) reported increases of between 8% and 10% in traffic numbers for May, even though its toll free period ended on May 6th. Company assets include the 275km Shanghai–Nanjing Expressway, one of China's busiest expressways. French toll road operator Vinci (flat) also held up well. While this year's earnings have been significantly impacted by France's lockdown, the company is now seeing improving trends in traffic levels on its highways, with French economic stimulus measures expected to support its construction business segment. A traffic update from Australian peer Transurban (flat) showed that its roads with a heavy vehicle focus are now seeing close to normal volumes. Routes with airport traffic, and North American Express Lanes (which rely on higher congestion), are taking longer to recover. The company also announced a dividend of 47c per share for 2020, higher than the 44-45c expected by the market.

The worst performing stocks in the portfolio included passenger rail operators West Japan Railway (-13%) and East Japan Railway (-12%). As fixed cost businesses with relatively slim margins, these companies are proving sensitive to lower volumes. Demand has begun to return for their conventional railway lines. However passenger numbers on their longer haul, high speed shinkansen routes (which provide a similar function to local airline routes) are taking longer to recover, reflecting lingering concerns of coronavirus risks.

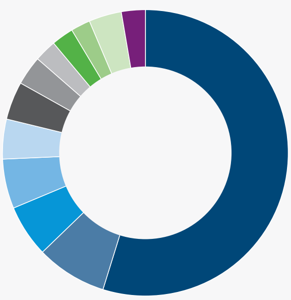
US utilities also underperformed in June, despite strong fundamentals – the vast majority of major US utilities have reaffirmed full-year earnings guidance for 2020. However the sector was overshadowed by concerns that the recent spike in US unemployment could make it more difficult for some customers to pay their bills. Smaller operators such as Portland General Electric (-10%) and Avista (-7%) were amongst the hardest hit, but large-cap peers American Electric Power (-7%) and NextEra Energy (-6%) also slipped. Reminders of the sector's longer term structural growth drivers were provided by Dominion Energy (-3%) which successfully installed its Coastal Virginia Offshore Wind pilot project in June; and Xcel Energy

All stock and sector performance data expressed in local currency terms. Source: Bloomberg. [1] The First State Global Infrastructure's cumulative return over one month. The performance of the fund is based on the Singapore unit trust, net of fees, expressed in SGD terms.

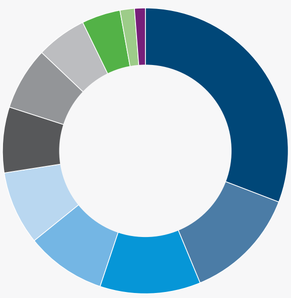
	Annualised Performance in SGD (%) [2]				
	1yr	3yrs	5yrs	10yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	-3.9	1.8	5.5	7.9	4.0
Class A (SGD - H Dist) (Inc initial charges)	-8.7	0.1	4.4	7.3	3.6
Benchmark*	-4.4	4.2	7.1	9.0	4.5

	Cumulative Performance in SGD (%) [2]				
	3 mths	1yr	3yrs	5yrs	Since inception
Class A (SGD - H Dist) (Ex initial charges)	7.1	-3.9	5.5	30.5	62.0
Class A (SGD - H Dist) (Inc initial charges)	1.7	-8.7	0.3	24.0	53.9
Benchmark*	8.3	-4.4	13.3	40.8	71.6

Asset Allocation (%) [2]



Country
- USA 54.8
- Australia 8.0
- France 5.9
- UK 5.6
- Japan 4.5
- China 4.3
- Canada 3.3
- Mexico 2.5
- Italy 2.5
- Hong Kong 2.2
- Other 3.7
- Liquidity 2.7



Sector
- Electric Utilities 30.3
- Multi-Utilities 12.7
- Highways/Railtracks 11.2
- Specialised REITs 8.9
- Gas Utilities 8.2
- Oil/Gas Storage & Trans. 7.3
- Railroads 7.0
- Airport Services 5.6
- Construction & Engineering 4.3
- Water Utilities 1.6
- Liquidity 2.7

Top 10 holdings (%) [2]

Stock name	Sector	%
Transurban	(Highways/Railtracks)	6.5
Nextera Energy Inc	(Electric Utilities)	6.0
Dominion Energy Inc COM	(Multi-Utilities)	4.9
American Electric Power Company, Inc.	(Electric Utilities)	4.0
Eversource Energy	(Electric Utilities)	4.0
American Tower Corporation	(Specialised REITs)	3.7
SBA Communications Corp Class A	(Specialised REITs)	3.4
NiSource Inc.	(Multi-Utilities)	2.6
Xcel Energy Inc.	(Electric Utilities)	2.5
Emera Inc	(Electric Utilities)	2.3

(-3%) which identified US$3 billion-worth of accelerated or additional capex opportunities in its Minnesota service territory, including wind, solar and electric vehicle infrastructure.

Fund Activity

During the month the Fund initiated a position in AENA, which operates a portfolio of Spanish airports, notably Madrid-Barajas and Barcelona. Persistent concerns for passenger volumes have seen its share price recover slowly from March lows. Given Spain's attractiveness as a holiday destination, the company's airports are now positioned to benefit from rising volumes as European transport restrictions are lifted for the continent's summer holiday season.

The Fund sold its position in Ferrovial, a Spanish-listed global infrastructure concession and construction company. Strong share price gains since its mid-March low point – as investors anticipated volume recovery on its globally diversified transport infrastructure assets – moved the stock to a lower position within our Value/Quality ranking process. Holdings in Central Japan Railway were also sold during June. The company derives a much higher proportion of its earnings from shinkansen routes than peers East Japan Railway and West Japan Railway, making Central more vulnerable to the sluggish pace of these assets' volume recovery.

Market Outlook and Portfolio 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.

While the macroeconomic outlook remains hard to predict and will depend largely on coronavirus developments / progress, the sharp recovery seen in financial markets during the June quarter appears to be implying an imminent V-shaped recovery. While conceivable, we remain alert to the risk of second waves, prolonged recessions and slow recoveries.

Against a more challenging backdrop, cyclical growth would become less valuable than the long term structural earnings growth drivers offered by many infrastructure assets. Examples include the build-out of renewable energy; increasing data mobility / connectivity needs being met by mobile towers and data centres; the electrification of transportation; the reduction of urban congestion; and the ongoing replacement of aged infrastructure assets.

Further, infrastructure could be the target of near term economic stimulus measures. Investment in infrastructure remains highly popular across society, and on both sides of the political divide. Private sector infrastructure investment could provide a useful way for politicians to boost anaemic economic growth rates and reduce high unemployment levels.

[2] Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 30 June 2020. Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%. The First State Global Infrastructure inception date: 3 March 2008. * From inception - 31 May 08 : S&P Global Infrastructure Index; From 1 Jun 08 – 31 Mar 15 : UBS Global Infrastructure and Utilities 50-50 Index; From 1 Apr 15 : FTSE Global Core Infrastructure 50/50 Index

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