For professional clients only

Equities

GLOBAL LISTED INFRASTRUCTURE

Steady capital growth and inflation protected income.

RISK FACTORS

This is a financial promotion for The First State Global Listed Infrastructure Strategy. This information is for professional clients only in the UK and EEA and elsewhere where lawful. Investing involves certain risks including:

The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.

- **Currency risk:** Changes in exchange rates will affect the value of assets which are denominated in other currencies.
- **Single sector risk:** Investing in a single sector may be riskier than investing in a number of different sectors. Investing in a larger number of sectors helps spread risk.
- **Charges to capital risk:** The fees and expenses may be charged against the capital property. Deducting expenses from capital reduces the potential for capital growth.
- **Listed infrastructure risk:** Investments in infrastructure may be vulnerable to factors that particularly affect the infrastructure sector, for example natural disasters, operational disruption and national and local environmental laws.

For details of the firms issuing this information and any funds referred to, please see Terms and Conditions and Important Information.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for each Fund.

If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

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Worldwide, billions of people rely on infrastructure to live and do business. The airports we travel through, toll roads we drive on and the water we drink are essential and valuable assets to any economy.

First State Investments (FSI) Global Listed Infrastructure strategy is managed by a team of experienced infrastructure specialists, who have an in-depth understanding of infrastructure assets and the investment opportunities they offer.

The team uses proprietary research and a rigorous investment process to construct high conviction portfolios, which aim to capture mispricing through active management.

Characteristics of infrastructure

High entry barriers

In most cases, infrastructure assets are government legislated or natural monopoly providers of essential services. For example, electricity and gas distribution networks, toll roads with non-compete clauses or city airports with restricted flight paths.

Pricing power

Infrastructure assets tend to have the ability to consistently increase the price of their services over time. This can be due to several factors including tolls linked to inflation, real regulated returns and assets with high barriers to entry making competition difficult.

Predictable cash flows

Infrastructure assets have an ability to generate cash flows that can be highly predictable, although this cannot be guaranteed. This predictability is underpinned by infrastructure's essential service nature, regulated returns, long-term contracts, limited cyclicality and lack of commodity price exposure.

Sustainable growth

Infrastructure assets generally have a growth profile supported by long-term economic and demographic trends. They historically tend to be relatively immune to economic cycles and exhibit defensive qualities in falling markets.

What are the structural drivers?

Globalisation

Infrastructure assets such as airports, railways and ports can/tend to benefit from strong volume growth, driven largely by globalisation.

Urban congestion

Globally, governments have failed to keep road growth in line with growing motor vehicle usage, resulting in urban congestion. Toll roads and railways have benefited from this lack of government planning and investment.

Government underinvestment

Developed nations have reduced spending on infrastructure as a proportion of Gross Domestic Product ('GDP') over the past 40 years, with the realisation now that services are falling into disrepair. This underinvestment is now seeing a large replacement investment cycle looming.

Changing economic environment

Developed nation governments are increasingly looking to the private sector for financing infrastructure. They face rising health and welfare costs as baby boomers move into retirement, reducing their ability to spend on infrastructure. Government privatisation of infrastructure assets has been accelerated by the Global Financial Crisis and subsequent worsening of government fiscal positions.

Energy security concerns

Altering supply and demand patterns in the global energy market and an increasing focus on energy security is creating large scale investment opportunities in oil and gas pipelines and storage.

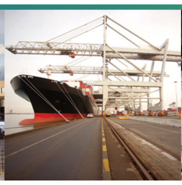
Emerging market growth

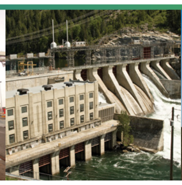
Economic development and urbanisation of emerging markets requires large scale infrastructure build-out to support unprecedented growth.


Toll roads


Railroads


Airports


Ports


Water and waste utilities


Electric and gas utilities


Pipelines


Mobile towers and satellites

The investment case for global listed infrastructure

There are many benefits from investing in a portfolio of global listed infrastructure companies including:

Attractive risk-adjusted returns

Over the past 15 years global listed infrastructure has delivered higher returns than global equities with a lower level of risk[1]. These positive risk-adjusted returns have been underpinned by assets with high barriers to entry, strong pricing power, predictable cash flows and sustainable growth.

Inflation protected income

The nature of infrastructure assets means they are typically able to increase prices in line with inflation, providing a stable and growing distribution yield over time.

Diversification and low correlation with other asset classes

Global listed infrastructure has relatively low correlations with other asset classes and provides diversification benefits within an investment portfolio. The Fund itself is well diversified across eight different sectors and over 10 countries, reducing exposure to event, regulatory and political risks.

Growth potential of asset class

Privatisation of government infrastructure assets, larger private sector involvement in new projects and a significant replacement cycle present the potential for high growth in the global listed infrastructure asset class over the coming decade, although this cannot be guaranteed.

Liquid and transparent

The size of the listed infrastructure market is more than US$2,000 billion, giving investors the ability to buy and sell in a liquid market under normal market conditions. Listed funds provide daily pricing so investors know exactly what their portfolio is worth. Listed companies are typically more highly scrutinised by regulators, governments, unions and the media.

Risks

Regulatory and political risks

The strategy may invest in assets that are subject to industry specific regulation. There is a risk that changes to these regulations may have an adverse effect on the assets and affect the return of the strategy. There is also the risk that general changes in government/political decisions, existing laws or the introduction of new legislation may have a negative impact on the assets. We seek to minimise regulatory and political risks by favouring regions with stable regulatory environments, established legal processes and democratic political systems.

Interest rate risks

Owing to the stable nature of cash flows, many infrastructure assets are able to be relatively highly geared. Consequently, they may be exposed to movements in interest rates and to contractual repayment obligations with financiers. Movements in interest rates may also affect the discount rates used in the valuation of these long duration assets. We seek to minimise interest rate risk by identifying assets with strong market positions, sustainable growth opportunities, inflation protected income and relatively low or hedged debt levels.

Exogenous risks

Infrastructure assets may be impacted by exogenous events. For example, the essential nature of infrastructure assets may increase the risk of terrorist attacks while the high cost of replacing assets may increase the risk stemming from natural disasters. While these events are difficult to predict, we seek to minimise exogenous risks through portfolio diversification.

Operating risk

Specialist skills are required in running an infrastructure business such as an airport or power station. An operating failure may adversely affect the profitability of the business and therefore the return of the Fund. We seek to minimise the operating risks through portfolio diversification, regular meetings with management and detailed fundamental analysis to understand industry drivers, company financials and company strategy and execution.

Key differentiators

Six main points differentiate our investment style and set us apart from our competitors:

1. Specialists

We are a dedicated team of specialists investing in listed infrastructure. Team members have complementary skills and experience in both infrastructure and equities markets. This experience is enhanced by over 500 company visits each year. We have been investing directly in infrastructure for more than 15 years.

2. Quality

We define our investment universe, using our experience to identify infrastructure assets which exhibit barriers to entry, structural growth and pricing power. Our quality criteria extends beyond the assets to consider key stock issues including management alignment, board independence, gearing[2] levels, political interference and sustainability.

3. Disciplined

We seek to earn excess returns by integrating a rigorous stock selection process with strict portfolio management risk controls. The investment process combines company visits with proprietary research, a consistent valuation framework, a comprehensive 25-point quality assessment and consideration of macro risks. This structured process reduces bias and aims to achieve repeatable outperformance against the benchmark.

4. Active

We are active managers of our clients' capital. We conduct thorough due diligence backed by direct contact with companies and regulators. We construct high conviction portfolios based on proprietary research with in our view realistic macro overlays based on current market conditions. We take a long-term perspective to identify mispricing from short-term market sentiment.

5. Aligned

Our investment team is structured to provide managers and analysts with a strong sense of portfolio ownership by way of long term team focused incentives'. We believe this promotes commitment and intellectual engagement, aligning our interests and success with those of our clients over the long term.

6. Environmental, Social and Governance (ESG)

We are a global leader in its approach to integrating ESG across all investment processes. We believe ESG issues impact infrastructure stock performance and should be fully integrated into an investment process. Companies are rated on ESG using historical track records, management key performance indicators and external surveys.

[1] Comparing MSCI World Index Net TR (USD) with the FTSE Global Core Infrastructure 50-50 Net TR Index (USD) to Dec 2005, and prior to that the Macquarie Global Infrastructure Index 100 Local TR (USD), over 15 years to 28 February 2019. [2] Gearing refers to the level of a company's debt related to its equity capital, usually expressed in percentage form.

Investment process

1. Screening

Securities that have poor infrastructure characteristics, low yield and growth are screened out in the first step of the process.

2. Fundamental research

Valuable insights are sought into the firm's management, asset quality, financial position, strategic direction, as well as the regulatory environment and overall competitive landscape. This includes a consideration of environmental, social and governance issues for the firm.

3. Valuation ranking

The third step in the process is to rank stocks on consistent valuation measures. Our primary valuation tool is a Discounted Cash Flow (DCF) valuation, given the long duration nature of infrastructure assets. A broad range of other valuation measures are also considered.

4. Quality ranking

Each company is evaluated on 25 criteria that we believe influence performance, including infrastructure characteristics, management, financial position, regulation, sustainability and equity flows.

5. Security selection

Valuation and quality ranking results are combined with fundamental analysis to determine a rating on each security ranging from Sell, Buy, Strong Buy to Best Idea.

6. Macro risk management

Various geopolitical and macroeconomic scenarios are debated and their potential impact on the companies is considered in order to better manage the potential risks in an overall portfolio.

7. Portfolio construction

The portfolio is based on the team's ratings. The weighting of the security in the portfolio reflects the expected returns, the degree of the team's conviction and the correlation with other securities in the portfolio. The team seeks diversification across countries and sectors to manage regulatory and event risk.

Global Listed Infrastructure team

The Global Listed Infrastructure team, led by Peter Meany and Andrew Greenup, has more than 15 years' average investment experience. Its members have a diverse range of skills and backgrounds which provide depth and breadth to the investment process.

Peter Meany (23)
Head of Listed Infrastructure

Andrew Greenup (22)
Deputy Head of Listed Infrastructure
Coverage: Tollroads, Ports , Utilities

Rebecca Sherlock (17)
Portfolio Manager
Utilities

Trent Koch (20)
Portfolio Manager
Railroads, Utilities

Edmund Leung (13)
Portfolio Manager
Towers; Satellites; Utilities

Jessica Johnson (9)
Senior Analyst
Railroads; Utilities

Pablo Kohen (16)
Senior Analyst
Pipelines

James Lewandowski (8)
Analyst
Airports; Utilities

George Thornely (19)
Investment Manager

Figures in brackets indicate number of years of industry experience to February 2019.

For further institutional enquiries contact institutionalenquiries@firststate.co.uk

For wholesale enquiries contact enquiries@firststate.co.uk

Important Information

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