

**SHINING A LIGHT ON THE.....
First State Global Listed Infrastructure Fund**

AT A GLANCE

Investment Objective	
The Fund invests in a diversified portfolio of listed infrastructure and infrastructure related securities from around the world.	

Inception Date	8 th November 2007
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000000L25

Management	
Manager Name	Start Date
Peter Meany and Andrew Greenup	8 th October 2007

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	14.09%
Large	68.10%
Medium	17.10%
Small	0.69%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	37	
Assets in Top 10 Holdings	52.67	
Name	Sector	% of Assets
Dominion Energy Inc	Utilities	6.73%
Transurban Group	Industrials	6.52%
Kinder Morgan Inc P	Energy	5.57%
American Tower Corp	Communication Services	5.55%
NextEra Energy Inc	Utilities	5.10%
Southern Co	Utilities	5.05%
East Japan Railway Co	Industrials	4.75%
Great Plains Energy Inc	Utilities	4.53%
Atlantia SpA	Industrials	4.50%
TransCanada Corp	Energy	4.36%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.10%
3-Yr Mean Return (average)	14.97%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2013 to 31st August 2018:

	2013	2014	2015	2016	2017	2018
First State Global Listed Infrastructure Fund	16.42%	19.93%	0.50%	36.09%	8.19%	1.07%
iShares Global Infrastructure ETF	10.15%	22.63%	-9.32%	33.39%	4.58%	5.66%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
First State Global Listed Infrastructure Fund	-3.50%	52.55%	85.24%	180.56%
iShares Global Infrastructure ETF	2.03%	46.25%	63.91%	81.81%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

The discussion with the management team was primarily centred on the launch of a sustainable strategy to sit alongside the core fund. There will be a 65 / 75% overlap of holdings, and the biggest difference in terms of benchmark holdings is oil, which is unlikely to feature in the sustainable fund.

The team have run the core strategy for over ten years and since launch it has significantly outperformed the benchmark. The sustainable strategy was launched in December 2017 and uses the same team and process. The fund is not a target return fund, but the aim is to deliver between 8% and 10% p.a. (including dividends) over a five to ten-year period. The aim is to have lower volatility than global equities delivering around 80% of the upside, but about 50% of the downside.

Effectively it acts a defensive strategy within a portfolio. We discussed interest rate sensitivity and how rising rates could impact returns moving forward. The team explained that about half of the strategy is in interest rate sensitive stocks, for example utilities whereas the balance is on volume sensitive stocks. For example, ports, airports, toll roads etc. With ports as an example these tend to be difficult to challenge and people need space so whether interest rates are rising is irrelevant. Likewise toll roads tend to have a fixed income yield.

Currently the fund is underweight interest rate sensitive stocks (for example, utilities) but as they explained the biggest risk is political risk. For example, when Corbyn indicated that he would privatise everything, National Grid saw their shares fall and the fund added to their position. Privatisation is tricky especially in the UK because many of the companies being threatened are in foreign ownership and therefore to take this back would likely see foreign investment in the UK fall significantly.

But this is a global fund and the UK position is about 7% of the total holdings. They tend to invest in developed economies as political and legal risks are more likely to hit emerging markets. They have

LWM Consultants Ltd

around 3% in developing economies including Mexico, Brazil and China and this in the main is toll roads which follow the same models as are seen in Europe.

The fund is managed in Australia and all the team are based there. It is a stable team and there are currently nine members. The process is embedded into the team and remains disciplined. This is a pure infrastructure and there are about 120 stocks they can invest in. They do around 500 company visits a year and knowing the potential risk of each holding is important. They will get things wrong and often political risk is the biggest challenge, but the key is understanding the potential risk before investing. The key aims are to avoid capital loss, keep volatility in check and grow assets for clients.

In terms of holdings the core fund has around 45 holdings, and the sustainable fund 37 holdings. In terms of the sustainable fund there are no real competitors in the market which makes this a unique offering.

In conclusion, this is a pure infrastructure with a long-term track record of outperformance. It has a stable management team and might be a consideration as an alternative asset class to reduce volatility in a portfolio. It is worth comparing to other infrastructure funds, but the sustainable tilt is unique, and this may appeal to those looking to invest in infrastructure but not assets like oil, coal etc.

The source of information in this note has been provided by First State and is correct as at September 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.