

Adviser Investment Series Global Listed Infrastructure Securities Fund

September 2019

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What is infrastructure?

Infrastructure describes the physical assets that provide essential services to society. Billions of people around the world rely on infrastructure to live and do business. From airports we travel through to toll roads we drive on and even the water we drink – infrastructure assets are the backbone of any economy.

The main infrastructure sectors are: toll roads, airports, ports, rail, energy infrastructure, communications infrastructure and utilities (electricity, gas and water).

What are the structural drivers?

Globalisation

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

Urban congestion

Globally, governments have struggled to expand road networks 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 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

Governments of developed nations are increasingly looking to the private sector as 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

Changing 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 the unprecedented growth.

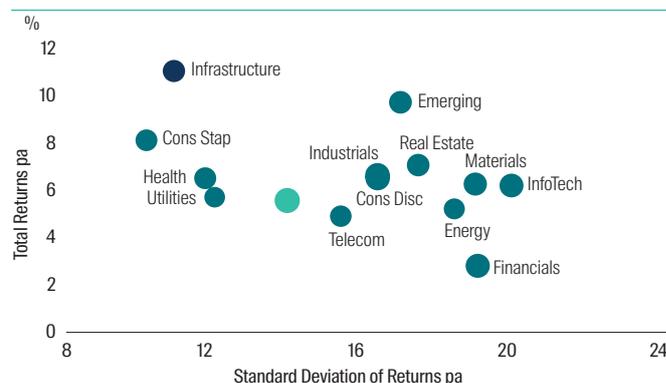
The benefits of global listed infrastructure

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

Attractive risk-adjusted returns over the past 15 years

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

Global Listed Infrastructure Relative Risk/Return



*FTSE Global Core Infrastructure 50/50 Net Total Return Index AUD Hedged

**MSCI World Net TR Local

Monthly data for 15 years to March 2017

Source: Bloomberg and First Sentier Investors.

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

Global listed infrastructure has relatively low correlations to other asset classes and provides diversification benefits within an investment portfolio. The Colonial First State Global Listed Infrastructure Securities Fund – Class A (the Fund) itself is well diversified across eight different sectors and over 15 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 presents the potential for high growth in the global listed infrastructure asset class over the coming decade.

Liquid and transparent

Listed funds provide daily pricing and daily liquidity. There is generally more transparency as listed companies are typically more highly scrutinised by regulators, governments, unions and the media.

Why invest in the Fund?

Specialists

First Sentier Investors engage a dedicated team of specialists investing in listed infrastructure. Team members have complementary skills and experience in both infrastructure and equities markets. This experience has been enhanced by over 500 company visits each year. The team have been investing directly in infrastructure for more than 20 years.

Quality

The team define their investment universe using their experience to identify infrastructure assets which exhibit barriers to entry, structural growth and pricing power. Their quality criteria extends beyond the assets to consider key stock issues including management alignment, board independence, gearing levels, political interference and sustainability.

Disciplined

The team seek to earn excess returns by integrating a rigorous stock selection process with strict portfolio management risk controls. The investment process combines direct contact with proprietary research, a consistent valuation framework, a comprehensive 25-point quality assessment and consideration of macro risks. This structured process reduces bias and supports repeatable outperformance.

Active

The team are active managers and conduct thorough due diligence backed by direct contact with companies and regulators. They construct high conviction portfolios based on proprietary research with sensible macro overlays. The team take a long-term perspective to identify mispricing from short-term market sentiment.

Aligned

The investment team is structured to provide managers and analysts with a strong sense of portfolio ownership by way of team focused incentives. They believe this promotes commitment and intellectual engagement, aligning their interests and success with those of their clients.

Environmental, Social and Governance (ESG)

First Sentier Investors are a global leader in their approach to integrating ESG across all investment processes. They 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.

Global Listed Infrastructure team

The Global Listed Infrastructure team comprise of eight dedicated investment professionals led by Head of Listed Infrastructure – Peter Meany and Deputy Head - Andrew Greenup, both of whom established the fund in 2007 and have more than 20 years of investment experience.

Objective

To deliver capital growth and inflation-protected income by investing in a globally diversified portfolio of infrastructure securities. The fund aims to outperform the FTSE Global Core Infrastructure 50-50 Index hedged to Australian dollars over rolling three-year periods before fees and taxes.

Minimum suggested timeframe

At least 7 years

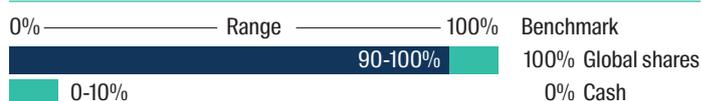
Risk



Strategy

The fund invests in shares of infrastructure companies around the world. The infrastructure sector includes operating assets from the transport, utilities, energy and communications sectors. The assets held by these companies typically offer high barriers to entry, pricing power, and structural growth. The strategy is based on active, bottom-up security selection which seeks to identify mispricing. The fund seeks to minimise risk through on-the-ground research, focus on quality and sensible portfolio construction. This fund aims to hedge its currency exposure.

Asset Allocations



Portfolio Managers



Peter Meany

Head of Global Infrastructure Securities

Peter Meany is the Head of Listed Infrastructure at First Sentier Investors. Peter is responsible for managing infrastructure securities on behalf of institutional and wholesale clients in Asia-Pacific, Europe, the Middle East and North America. Since establishing the strategy in 2007, he has built a high quality team of investment specialists.

Peter has more than 20 years' experience in the infrastructure industry. Prior to his time at First Sentier Investors, Peter was responsible for research coverage of the Infrastructure & Utilities sectors at Credit Suisse (Australia). He also gained experience at Credit Suisse as an analyst in the telecoms and energy sectors. Peter started his career as an analyst at Macquarie Equities when the infrastructure sector was in its infancy.



Andrew Greenup

Deputy Head of Global Infrastructure Securities

Andrew co-founded the Global Listed Infrastructure Securities Fund in 2007. Today he is the Deputy Head of Global Listed Infrastructure Securities, Senior Portfolio Manager and responsible for research coverage of toll roads and railroads. He brings to this role more than 20 years' investment experience. In 2005 he joined First Sentier Investors as a senior analyst in the Australian Equities – Core team.

Prior to his time at First Sentier Investors, Andrew worked at Allianz Global Investors as a senior analyst in Australian equities. Before funds management, Andrew worked at Credit Suisse First Boston as an equities analyst for eight years. During his time in financial markets, Andrew has researched a broad cross section of industries including Infrastructure, Utilities, Transportation, Developers & Contractors, Retailing, Food & Beverages, Gaming, Media, Insurance and Diversified Financials.

NSW

Chris King

Head Of Investment Sales
and Key Accounts

M 0413 984 600

Angela Vincent

Key Account Manager

M 0477 347 260

Paul Sleiman

Key Account Manager

M 0422 511 231

Justin Sultana

Business Development
Manager

M 0436 809 033

VIC

Nick Everitt

Key Account Manager

M 0499 454 206

Jack Heinz

Business Development
Manager

M 0436 810 683

QLD

Quin Smith

Key Account Manager

M 0455 095 505

SA & WA

Nathan Robinson

Key Account Manager

M 0403 272 440

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