

Client: John Laing Coverage
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GLOBAL OEIC

FIRST STATE GLOBAL LISTED INFRASTRUCTURE FUND

Tap into global infrastructure

Bull points

- Capital growth
- Inflation-protected income
- Global equity exposure

Bear points

- High TER
- Managers' limited experience

Infrastructure is fast emerging as a separate and distinct asset class within the alternatives space, and within the investment company arena investors are somewhat spoilt for choice: funds such as HSBC Infrastructure, Gravis Infrastructure Investments, International Public Partnerships (IPP), John Laing Infrastructure and 3i Infrastructure all compete for attention.

All invest in social infrastructure such as schools, hospitals and prisons, and with the exception of IPP and 3i Infrastructure, which we tipped earlier this year, tend to be focused on infrastructure opportunities in the UK.

Few would dispute that the UK's infrastructure needs investment. But many also argue that infrastructure should be seen as a global investment story. In the US, President Obama has put together an extensive infrastructure plan, while infrastructure investment is fundamental to growth in emerging countries such as China and Brazil.

Given the global appeal of the asset class, we prefer a fund with a more diversified approach to infrastructure investing, and here the open-ended First State Global Listed Infrastructure Fund dominates.

Managed out of Sydney, the fund's team comprises two portfolio managers, Peter Meany and Andrew Greenup, and three analysts. The fund can invest up to 20 per cent of its assets within global emerging markets, although it rarely makes full use of this given its focus on defensive exposure and low political risk.

For example, S&P reports that, after analysing India in detail, the fund's managers concluded that infrastructure investments there are of low quality given weak conces-

sion agreements, barriers to entry and corporate governance issues. They are steering clear of the region for now, preferring instead to focus on high-quality Chinese businesses with attractive valuations.

The fund aims to offer defensive global equity income exposure by investing in infrastructure and utility securities that control assets with monopolistic characteristics, high barriers to entry, strong pricing power and predictable cash generation. The main themes within the portfolio are toll roads, integrated utilities and regulated utilities.

Unlike many other funds, it does not invest directly into infrastructure projects, but it still provides some of the attractive characteristics of the asset class, such as inflation-protected income and asset backing.

Falling within the IMA's global sector, the fund is one of only three open-ended funds focused on infrastructure investments. Over the long term it has outperformed its two competitors, CF Macquarie Global Infrastructure Securities Fund and JPM Emerging Markets Infrastructure. It has also consistently outperformed its benchmark, the UBS Global Infrastructure & Utilities 50-50 Index, posting top-quartile performance since its launch in October 2007.

The fund's yield has dropped back from its 4-5 per cent range to below 3 per cent. According to Mr Meany, the fund could comfortably produce a dividend yield of 4-5 per cent but this would affect the fund's total return. He does not want to sacrifice capital growth by chasing yield given the fund's goal of providing investors with a mix of strong capital growth and inflation-protected income.

While Mr Meany and Mr Greenup have relatively limited portfolio management experience (four and five years, respectively) S&P reports that they have grown in confidence since the fund's launch and the fund comfortably retains an S&P A rating.

The fund is likely to benefit from



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First State's extensive emerging market experience and wide resources. It offers capital growth via diversified global equity exposure, with the added bonus of inflation-protected income. Buy.

IC TIP RATING

Tip style: GROWTH
Risk rating: HIGH
Timescale: LONG TERM

First State Global Listed Infrastructure Fund A ACC NAV (CFGLIA)

Price: 125.25p	3-year performance: 30.43%
Sharpe ratio: 0.23	Total expense ratio: 1.65%*
Size of fund: £263m	Beta: 0.49
No of holdings: 40	Yield: 2.84%
Set-up date: 8 October 2007	Volatility: 1.53
Manager start date: 8 October 2007	Minimum investment: £1,000 lump sum, £50 per month
Performance to date: 6.50%	Tracking error: 1.56
1-year performance: 23.50%	More details: firststate.co.uk

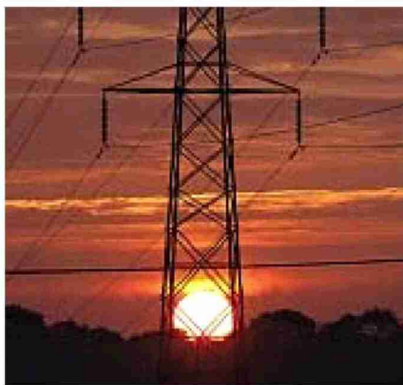
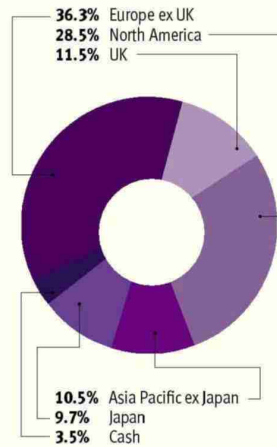
Source: Investors Chronicle Funds Data, First State, *Morningstar

Top 10 holdings

Vinci	6.6%	GDF Suez	3.9%
Vopak	4.4%	Central Japan Railway	3.7%
Atlantia	4.2%	Abertis Infraestructuras	3.5%
National Grid	4.1%	American Tower	3.0%
PPL Corp Com	3.9%	Ses Global	3.0%

As at 31 May 2011

Geographic breakdown



First State Global Listed Infrastructure has a 4.1 per cent holding in National Grid