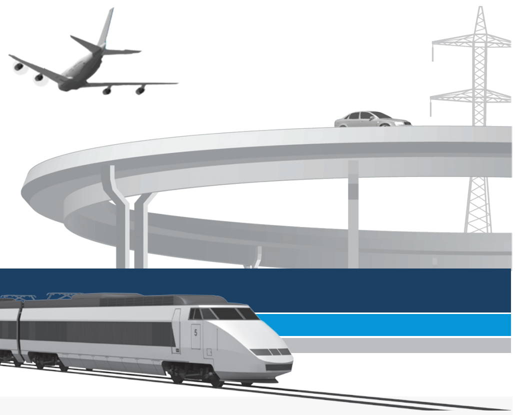
First State Global Listed Infrastructure Fund

Monthly Review and Outlook

January 2018



- The Fund invests primarily in equity and equity related securities of larger capitalisation companies established or having significant operations in the Asia Pacific excluding Japan
- The Fund's investments may be concentrated in a single sector, country, specific region or small numbers of countries/companies which may have higher volatility or greater loss of capital than more diversified portfolios.
- The Fund invests in emerging markets which may have increased risks than developed markets including liquidity risk, currency risk/control, political and economic uncertainties, high degree of volatility, settlement risk and custody risk.
- The Fund may expose to China market risk including repatriation risk, uncertainties to taxation policies and risk associated with StockConnects. The Fund may also expose to RMB currency and conversion risk.
- The Fund may use FDIs for hedging and efficient portfolio management purposes, which may subject the Fund to additional liquidity, valuation, counterparty and over the counter transaction risks.
- It is possible that a part or entire value of your investment could be lost. You should not base your investment decision solely on this document. Please read the offering document including risk factors for details.

Market Review

Global Listed Infrastructure delivered muted returns in January as healthy economic data drew investors towards higher risk asset classes. The FTSE Global Core Infrastructure 50/50 index gained +0.2% during the month, while global equities returned +5.3%.

Two of the better performing infrastructure sectors were Ports and Airports, whose robust volumes reflected the strengthening global economy. Towers gained on the expectation that telecom companies would invest additional capital expenditure into their mobile networks during 2018.

The worst performing sectors included Water Utilities and Multi-Utilities, which lagged as US 10-year Treasury yields approached their highest levels since 2014. Satellites underperformed after broadcaster Sky introduced a set-top box with no need for a satellite dish.

The best performing regions were Asia ex-Japan (+3%) and Europe ex-UK (+2%), which rallied on buoyant economic data points and upbeat consumer and business sentiment. The worst performing region was the UK (-7%) owing to an increasingly dysfunctional political backdrop and its high proportion of utility stocks.

Performance Review

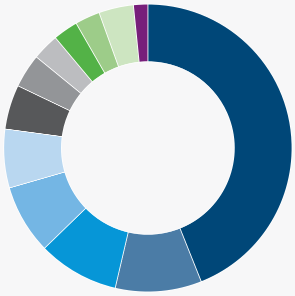
The Fund ended the month -0.2% lower[1], 31 basis points behind the FTSE Global Core Infrastructure 50/50 Index (USD, Net TR).

Cumulative Performance in USD (%) [1]	3 mths	YTD	1yr	3yrs	5yrs	Since inception
Class I (USD - H Dist)	-0.2	-0.2	16.2	21.4	57.4	70.0
Benchmark*	0.5	0.2	16.5	21.8	61.5	66.4

Calendar Year Performance in USD (%) [1]	2017	2016	2015	2014	2013
Class I (USD - H Dist)	17.2	11.7	-5.7	12.3	17.3
Benchmark*	18.4	11.3	-6.0	13.6	17.9

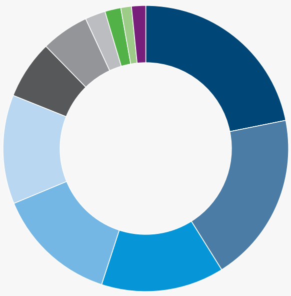
[1] Source: Lipper & First State Investments, Nav-Nav (USD total return) as at 31 January 2018. Since inception date: 27 June 2008. Performance is based on First State Global Listed Infrastructure Fund Class I (USD – H-Dist). This is the semi-annually dividend distribution class of the fund. The performance quoted are based on USD total return (with dividend reinvested). Dividends are not guaranteed and may be paid out of capital. *The benchmark displayed is the FTSE Global Core Infrastructure 50/50 Index.

Asset Allocation (%) [2]



Country

- USA 44.0
- UK 9.7
- Japan 9.1
- Canada 7.8
- Australia 6.6
- China 5.5
- Italy 3.8
- Brazil 3.0
- France 2.8
- Hong Kong 2.8
- Other 3.9
- Liquidity 1.6



Sector

- Electric Utilities 21.8
- Highways/Railtracks 19.2
- Multi-Utilities 13.9
- Oil/Gas Storage & Trans. 13.7
- Railroads 12.3
- Specialised REITs 6.6
- Gas Utilities 5.4
- Marine Ports & Services 2.3
- Airport Services 1.8
- Construction & Engineering 1.2
- Liquidity 1.6

Top 10 holdings (%) [2]

Stock name	Sector	%
National Grid plc	(Multi-Utilities)	7.9
Transurban Group Stapled Deferred	(Highways/Railtracks)	6.6
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	5.6
American Tower Corporation	(Specialised REITs)	5.3
Dominion Energy Inc COM	(Multi-Utilities)	5.0
East Japan Railway Co	(Railroads)	4.6
NextEra Energy, Inc.	(Electric Utilities)	4.6
Enbridge Inc.	(Oil/Gas Storage & Trans.)	4.3
Southern Company	(Electric Utilities)	4.0
Atlantia S.p.A	(Highways/Railtracks)	3.8

The best performing stock in the portfolio was Enterprise Products Partners, a leading US midstream operator whose assets include a 51,000-mile energy pipeline network and 200 million barrels of storage capacity, covering the main US energy markets. The stock rallied ahead of its December quarter earnings release as Natural Gas Liquid (NGL) prices recovered, leading to hopes of robust volumes and earnings growth for the company's well diversified NGL Pipelines & Services business segment.

Well-received earnings numbers enabled European transport infrastructure to build on recent gains. Channel Tunnel operator Getlink achieved a 4% increase in revenues for 2017. Its car and truck shuttle service demonstrated strong pricing power; while key customer Eurostar transported a record 10.3 million passengers. Spanish airport operator AENA announced passenger growth of +9% for the month of December, taking its growth rate to +8% for the 2017 calendar year. Abertis (+5%) and Atlantia (+1%) gained as the potential merger between these two companies took another step forward; the Spanish government agreed to approve the transfer of Abertis shares to Atlantia, in the event of a successful takeover bid.

A vigorous US economy and the implementation of Trump's corporate tax reform pushed US railroads' share prices forward. Norfolk Southern achieved revenue growth for 2017 of 7%, as volume growth combined with firm pricing. The company also announced a better than expected 11% dividend increase, enabled by recent US tax cuts; and optimistic 2018 outlook comments. CSX rose as investors welcomed December quarter earnings that were in-line with consensus expectations (after several one-off adjustments). However December quarter results from Union Pacific (flat) were met with a lacklustre response as growth in core pricing unexpectedly slowed from 2.0% to 1.8% and adverse weather conditions affected operational performance. Canadian Pacific gave up ground despite robust December quarter earnings, as investors focused on the company's softer-than-expected 2018 earnings guidance.

The portfolio's worst performing stock was Canadian pipeline operator Enbridge Inc, which fell along with peers after the Bank of Canada raised interest rates by 25 basis points. A weaker USD represented an additional headwind; over half of the company's earnings are derived from the US.

The main area of weakness in the portfolio came from the utilities sector. US names including American Electric Power, Southern Company, Alliant Energy and PG&E sold off on concerns over higher bond yields. Virginia-based Dominion Energy announced plans to acquire South Carolina utility Scana (not held) for US$7.9 billion. The deal would allow Dominion to increase its EPS growth rate, but it still faces significant regulatory hurdles, causing Dominion to perform in line with its peers over the month. NextEra Energy bucked the downward trend thanks to consistent demand for its high quality portfolios of US solar and wind assets.

Holdings in Japanese port operator Kamigumi were sold in January. Investor enthusiasm for the Ports sector had pushed the company's share price sharply higher, moving it to a lower ranking within the team's investment process.

Market Outlook and Fund Positioning

The Fund invests in a range of global listed infrastructure assets including toll roads, airports, ports, railroads, utilities, pipelines and mobile 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.

Toll Roads remain the Fund's largest overweight sector exposure. These are high quality companies with stable cash flows, high operating margins and effective barriers to entry. European toll roads are currently going through an earnings upgrade cycle, as improving economic conditions support consistent volume growth in France, Spain and Italy. Emerging Markets operators such as CCR (Brazil) and Jiangsu Expressway (China) operate high growth toll roads with well-established concession agreements, providing an essential service to some of the world's most densely populated areas.

[2] Source: First State Investments as at 31 January 2018.

The Fund is also overweight Railroads. Japanese passenger rail companies such as East Japan Railway and Central Japan Railway have been somewhat overlooked as investors have focused on higher beta areas of the market; and are now trading on appealing valuation multiples. The Fund also holds several North American freight rail companies, which continue to deliver improvements in operational efficiency. A strengthening US economy is expected to translate into stronger volume growth and support pricing over the coming quarters.

On a more cautious note, global listed infrastructure has delivered pleasing absolute returns to investors over several years. We would be cautious extrapolating previous years' performance numbers into the future. Some sectors, particularly airports and some US utilities, traded up to valuations that we find difficult to justify on fundamentals.