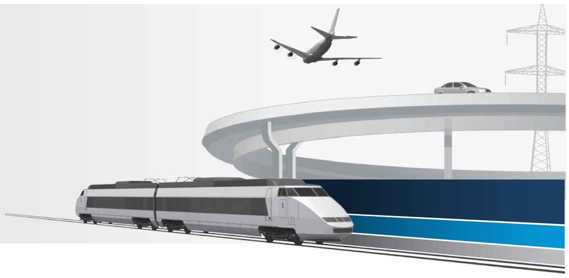
For professional clients only

Quarterly update

Global Listed Infrastructure

First State Sustainable Listed Infrastructure Fund



Q1 2018

RISK FACTORS

This document is a financial promotion for the First State Sustainable Listed Infrastructure Fund for professional clients only in the EEA or 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.
- **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.
- **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.
- **Listed infrastructure risk: i**nvestments 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.

Reference to specific securities or companies (if any) are included to explain the investment strategy and should not be construed as investment advice, or a recommendation to invest in any of those companies.

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

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

Market insights

Listed infrastructure gave up ground during the March quarter. Rising geopolitical tension, regulatory headwinds and higher bond yields weighed on most infrastructure sectors. President Trump's 2018 State of the Union address included proposals to support additional infrastructure spending, although a lack of detail left observers underwhelmed.

Sector and region performance

Gas and Electric Utilities were among the best performing infrastructure sectors for the period, helped by demand for regulated earnings profiles and stable business models. Towers gained as US operators' structural growth and domestically focused businesses offered a haven from geopolitical uncertainty. Railroads held up well, as recent tax cuts were reflected in higher profits for US freight rail operators.

However, reduced investor risk appetite and rising concerns for global trade weighed on the Ports sector. Plans by the US Federal Energy Regulatory Commission to adjust the way that regulated tariffs for some interstate pipelines are calculated affected Pipelines. Satellites dropped as structural headwinds continued to weigh on the sector.

Investors' risk-off mood made Japan the best performing infrastructure region. Australia/New Zealand infrastructure stocks lagged.

Portfolio activity

During the quarter, the Fund bought shares in Mexico City-focused toll road operator Pinfra, a stable, conservatively run business with a strong balance sheet. The value of the company's long (32 years) average concession length has, in our view, been underestimated by the market. Pinfra is set to benefit from demand growth as a rising population and increasing car ownership rates place public roads in Mexico City – already one of the world's most congested cities – under increasing pressure.

Market outlook

The Fund invests in a range of sustainable listed infrastructure assets including toll roads, airports, ports, railroads (both passenger and freight), 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 the potential for strong capital growth over the medium-term. A focus on sustainability can help deliver positive risk adjusted returns. It can create opportunities for positive performance; generating ideas as well as lowering the overall risk profile of a portfolio through a better understanding of ESG[1] related risks (although please remember that this cannot be guaranteed).

Toll Roads are the Fund's largest sector overweight. 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. Peers in China and Brazil operate high growth toll roads with well-established concession agreements, providing an essential service to some of the world's most densely populated areas.

The Fund is also overweight Railroads. Japanese passenger rail companies such as East Japan Railway run large-scale rail networks with stable customer volumes. This company was somewhat overlooked as investors focused on higher beta areas of the market in 2017. It is now trading at attractive levels, while a healthy economic backdrop offers the potential for earnings upgrades. The Fund also holds several North American freight rail companies, which continue to deliver improvements in operational efficiency.

On a more cautious note, the Fund remains underweight airports and some US utilities, which continue to trade at valuations that we find difficult to justify based on company fundamentals.

[1] Environmental, social, governance

For institutional enquiries contact institutionalenquiries@firststate.co.uk

For wholesale enquiries contact enquiries@firststate.co.uk

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