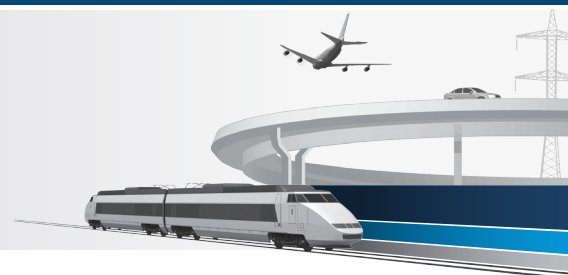


First State Global Listed Infrastructure Fund

May 2018



RISK FACTORS

This document is a financial promotion for First State Global Listed Infrastructure Fund for professional clients only in the EEA and 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.
- **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.
- **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.
- **Listed infrastructure risk:** investments 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 review

Global Listed Infrastructure shrugged off a backdrop of political and trade uncertainty and maintained its upward path in May. The Fund's benchmark, the FTSE Global Core Infrastructure 50/50 index ended the month +2.7% higher, while global equities¹ gained +4.2%.

The best performing infrastructure sector was Railroads (+5%). North American Class I freight rail stocks gained on consistently improving operational performance and positive volume trends. Satellites (+5%) enjoyed a second consecutive month of positive returns, despite the structural headwinds facing the sector. The worst performing sector was Ports (-2%), which came under pressure from geopolitical tensions and resurgent global trade concerns. Electric Utilities (-2%) also underperformed. European and Emerging Market (EM) names sold off as political turmoil in Italy spread to financial markets.

The best performing region was Australia / New Zealand (+2%). The region's ports, airports and toll roads gained against a positive economic backdrop, while its utilities were helped by lower US Treasury yields. The worst performing region was Latin American (-9%), where infrastructure stocks were caught up in a broader EM sell-off.

Fund performance and activity

The Fund rose +2.8% in May², 16bps ahead of its benchmark index.

Annual Performance (% in GBP) to 31 May 2018

Period	12 mths to 31/05/18	12 mths to 31/05/17	12 mths to 31/05/16	12 mths to 31/05/15	12 mths to 31/05/14
First State Global Listed Infrastructure Fund B GBP Acc	-4.3	33.2	7.0	15.1	10.6
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	-2.3	30.1	4.8	13.5	9.5
MSCI World Net Total Return Index	8.2	31.3	0.7	16.2	7.5

These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than the share class currency, the return may increase or decrease as a result of currency fluctuations.

Performance figures have been calculated since the launch date. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management and administration fee) and other costs charged to the fund (e.g. transaction and custody costs), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source: Lipper IM / First State Investments (UK) Limited. *The benchmark changed from the UBS Global Infrastructure & Utilities 50-50 Index on 01/04/2015.

¹ MSCI World Net Total Return Index, GBP.

² Performance is based on OEIC B share class, net of fees, expressed in GBP.

All stock and sector performance data expressed in local currency terms. Source: Bloomberg

The best performing stock in the portfolio was China-listed COSCO Shipping Ports (+11%), the world's largest container port operator. The company announced strong March quarter earnings numbers, helped by robust volumes from its shipping line parent company. Chinese toll road operator Jiangsu Expressway (+10%), whose toll road concessions link major cities in China's prosperous east-central coastal region, also outperformed. Ongoing export demand is expected to underpin truck volumes, while structural trends of traffic growth and rising vehicle ownership rates should support longer-term growth.

The portfolio's North American Class I freight rail stocks CSX (+9%) and Norfolk Southern (+6%) continued to rally. Improving operating margins, combined with substantial share buy-back programs, look set to deliver robust earnings per share growth for both companies. CSX continues to implement its Schedule Precision Railroad strategy and has little need to increase headcount, enabling it to maintain a disciplined approach to costs. Peer Canadian Pacific (+7%), gained on news that an agreement had been reached with the railroad workers' union on working conditions, bringing (short-lived) strike action to an end.

Energy pipelines were buoyed by favourable sentiment and positive stock-specific developments. Canada's Enbridge Inc (+5%) announced the C\$3.2 billion sale of non-core North American and German assets to pension fund and private equity investors, as part of its debt reduction strategy. US operator Kinder Morgan (+5%) gained on news that it had agreed to sell its controversial Trans Mountain pipeline and project in British Columbia to the Canadian government for a better-than-expected US\$3.5 billion, removing a long-standing overhang from the stock.

The worst performing stock in the portfolio this month was Brazil toll road operator CCR (-14%). Its share price was affected by a nationwide truck strike, followed by the government's decision to exempt trucks with lifted axles from the need to pay tolls. Political turbulence weighed on May's other underperformers. Atlantia (-8%) gave up April's gains as Italy's newly-elected government clashed with Italy's President over its choice of finance minister, causing the Italian market to sell off sharply. Mexico City-focussed toll road firm Pinfra (-6%) lagged on North American Free Trade Agreement (NAFTA) uncertainty, and as populist left wing candidate "AMLO" gained a significant polling lead in the run-up to Mexico's presidential election on 1 July.

The Fund initiated a position in Spanish-listed Ferrovial, a globally diversified infrastructure concession, construction and services company. Its flagship infrastructure assets include holdings in London's Heathrow Airport and Toronto's 407 ETR toll road concession. Earnings disappointments in its construction and services business segments have overshadowed the firm's exceptional infrastructure assets and material growth optionality, causing the company to trade at a material discount to intrinsic value.

The Fund initiated a position in Severn Trent, one of the UK's largest water utilities. Severn Trent is a stable, defensive business which pays a ~4% dividend yield and earns regulated returns linked to UK RPI. Over the past year, concerns about the opposition Labour Party's re-nationalisation plans have weighed on the stock. We expect improving regulatory clarity and receding re-nationalisation concerns to support share price outperformance.

Portland General Electric, a single state, fully regulated electric utility, was also added to the portfolio in May. Its Oregon service area, which includes Portland (the state's largest city), is an economically dynamic region with healthy population growth. The company is run by a well-regarded management team, enjoys favourable customer satisfaction ratings, and has a healthy balance sheet.

The Fund trimmed its exposure to Japan in May, selling Japan Airport Terminal after pleasing full year earnings numbers pushed its share price sharply higher; and divesting Central Japan Railway following a period of material outperformance compared to its peer (and current portfolio holding) East Japan Railway. The Fund's remaining shares in Hong Kong-listed electric utility Power Assets Holdings were also sold following the recent payment of its latest special dividend, and in the absence of clear earnings growth catalysts.

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 the opportunity for strong capital growth over the medium-term.

Our outlook for Global Listed Infrastructure is positive. The asset class consists of stable, long life assets, and continues to deliver a reliable yield of between 3% and 4% per annum, although this cannot be guaranteed. Many infrastructure assets are insulated from inflation by regulation, concession terms or contracts that are explicitly linked to the inflation rate. Several sectors are benefitting from structural growth drivers such as urbanisation (Tollroads) and the increasing mobility of communication (Towers).

As well as sound fundamentals, we believe a number of additional factors to be supportive of returns from Global Listed Infrastructure. Firstly, we are seeing encouraging signs of business de-risking and simplification. Pipeline companies are selling non-core assets, reducing leverage, lowering commodity sensitivity, and simplifying their corporate structures. As business quality improves, we believe valuation multiples should expand.

Secondly, the listed infrastructure investment universe continues to broaden, which in our opinion, is likely to stimulate further interest in the asset class. This month China Tower, which operates the towers of China's three state-backed telecoms providers, announced plans to list in what could be a US\$10 billion IPO. Tollroad operators Ferrovial and Transurban are pursuing their Express Lane strategies in the US - a politically palatable way to involve private sector capital in US highway infrastructure. We anticipate that both companies will be major players in this space over the next three to five years, further diversifying and improving our opportunity set.

Finally, we believe the ongoing asset allocation shift by large pension and sovereign wealth funds into real assets in general, and into infrastructure specifically, should provide a tailwind for asset class valuations. This could happen directly, through allocations to Listed Infrastructure funds; or indirectly, through takeovers of listed companies by Direct Infrastructure funds.

The best/worst performing stocks are referred to solely to illustrate the investment process (and should not be construed as a recommendation to buy or sell any of these companies), are not representative of the performance of the Fund as a whole and should not be taken into account in any decision as to whether to invest in the Fund. Furthermore, these figures refer to the past and past performance is not a reliable indicator of future results.

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