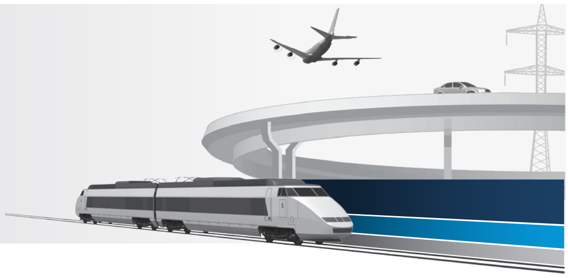
Quarterly update

Global Listed Infrastructure

First State Global Listed Infrastructure Strategy



2Q 2018

Market insights

Global listed infrastructure rallied in the June quarter as concerns for global trade and rising geopolitical uncertainty drew investors towards defensive assets. Leading pipeline companies announced plans to simplify corporate structures, after US tax reform reduced the appeal of widely used master limited partnership (MLP) vehicles.

The strategy gained +3.0% over this period, compared to a return of +2.7% by its benchmark index**. All figures quoted are gross.

Performance (% in USD) as of June 30, 2018

Performance (% before fees and expenses)	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
Composite*	3.0	1.7	8.7	10.1	8.8	6.9	5.5
Benchmark**	2.7	2.8	7.1	8.3	7.6	4.2	2.6
Active performance	0.3	-1.1	1.6	1.8	1.2	2.7	2.9

Returns are in USD to June 30, 2018. Composite returns are gross of fees. Composite inception date: November 1, 2007.

* First State Investments Global Listed Infrastructure – Global Unhedged Composite ^MSCI World USD (Net TR)

** Benchmark from inception was the S&P Global Infrastructure Index , from 01-Jun-2008 the UBS Global Infrastructure & Utilities 50-50 Net Index, from 01-Apr-2015 the FTSEGlobal Core Infrastructure 50-50 Net Index. Composite performance figures do not reflect the deduction of investment advisory fees. A client's return will be reduced by the investment fees. If a client placed $100,000 under management and a hypothetical gross return of 10% were achieved, the investment assets before fees would have grown to $259,374 in 10 years. However, if an advisory fee of 1% were charged, investment assets would have grown to $234,573, or an annual compounded rate of 8.9%.

Source: First State Investments. Past performance is not an indication of future performance.

Sector and region performance

Pipelines outperformed on greater clarity on future projects, the prospect of simpler corporate structures, and undemanding valuation multiples. Surging production growth provided a favorable operating environment. North American Railroads announced pleasing earnings numbers, underpinned by healthy volume trends and strong operational performance. Utilities delivered positive returns on renewed demand for stable, income generative assets.

However, Ports lagged on concerns that US-China trade tensions may cause volume growth to slow from the healthy levels achieved in 2017 and at the start of 2018. Airports delivered mixed returns on concerns that strong volume growth of recent years may be levelling off. Beijing Airport dropped sharply after the Chinese government revoked a refund mechanism used to compensate the airport for construction costs.

Portfolio activity

The strategy initiated a position in a Spanish-listed company, which is diversified in infrastructure concession, construction and services. 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 strategy bought shares in one of the UK's largest water utilities. The company 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-nationalization plans have weighed on the stock. We expect improving regulatory clarity and receding re-nationalization concerns to support share price outperformance.

Market outlook[1]

The strategy 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.

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. 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 urbanization (Tollroads) and the increasing mobility of communication (Towers).

As well as sound fundamentals, we expect 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, valuation multiples should expand.

Secondly, the listed infrastructure investment universe continues to broaden, which is likely to stimulate further interest in the asset class. The operator of China's three state-backed telecoms providers, recently announced plans to list in what could be a US$10 billion IPO. Two of the strategy's tollroad operators 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 these companies will be major players in this space over the next three to five years, further diversifying and improving our opportunity set.

[1] Certain statements, estimates, and projections in this document may be forward-looking statements. These forward-looking statements are based upon First State Investments' current assumptions and beliefs, in light of currently available information, but involve known and unknown risks and uncertainties. Actual actions or results may differ materially from those discussed. Readers are cautioned not to place undue reliance on these forward-looking statements. There is no certainty that current conditions will last, and First State Investments undertakes no obligation to publicly update any forward-looking statement.