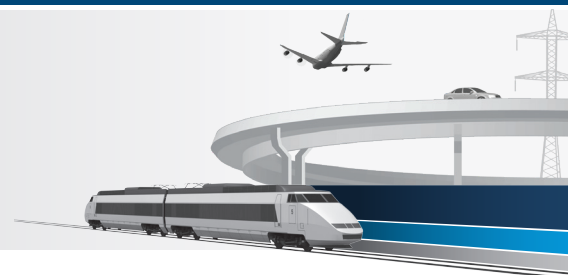


First State Global Listed Infrastructure

September 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.
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- **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 declined in September as a combination of rising interest rates, political interference and equity issuance dampened returns.

The best performing infrastructure sector was Railroads (+4%) after Union Pacific announced a change in operating model to improve efficiency of its US freight operations after years of lagging performance. Japan passenger railroads also performed well as the market started to value their defensive qualities.

The worst performing sector was Ports (-6%) as the market feared an escalating trade war between the US and China would impact global trade. Pipelines (-3%) lagged on delayed projects and an overhang from equity issuance.

The best performing region was Japan (+8%) as investors searched for defensive exposure outside the expensive US market. The worst performing region was Australia NZ (-3%) reflecting higher-than-normal political and regulatory uncertainty and some indigestion from the large Transurban equity raising.

Fund performance and activity

Annual Performance (% in GBP) to 30 September 2018

Period	12 mths to 30/09/18	12 mths to 30/09/17	12 mths to 30/09/16	12 mths to 30/09/15	12 mths to 30/09/14
First State Global Listed Infrastructure Fund B GBP Acc	-2.2%	10.7%	40.0%	2.6%	12.7%
FTSE Global Core Infrastructure 50/50 Index Net TR GBP*	3.2%	8.6%	33.9%	2.9%	13.0%

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.

The Fund fell -2.90% in September before fees, 210bps behind its benchmark index, the FTSE Global Core Infrastructure 50/50 Index. The worst performing stock in the portfolio was Brazilian tollroad CCR (-10%) as economic and political turmoil and an investigation into corruption continued to weigh on the stock. While these concerns should not be dismissed, at current levels of 8x price-to earnings (PE) and 8% yield the market is heavily discounting the existing concessions and attributing no value to the company beyond. Passing of the election and a negotiated settlement could shift investor attention back to its fundamental value. In Australia, a consortium led by Transurban (-6%) bid A\$9.3 billion for a 51% stake in Sydney's WestConnex motorway network. While a full price was paid, key construction risks remain with the government and the operating synergies and debt structures were better than expected. The deal also cements the company's presence in the Sydney market and enhances the optionality from future connecting tollroad projects. Similar to the 2015 acquisitions in Brisbane, we expect the stock to recover once the large rights issue is digested and further details on WestConnex come to light.

In the UK, the prospect of a "no-deal Brexit" weighed on the local market. Threats to return regulated utilities to public control were repeated by the opposition Labour leader, impacting Severn Trent (-8%) and National Grid (-2%). Severn Trent now trades at a 10% premium to regulatory capital value, a small premium given its material outperformance of allowed recoveries on operating and capital costs. Meanwhile SSE (-9%) warned of lower than expected profits for the year, as poor wind conditions and high gas prices worked against their hedging positions. While a disappointing outcome from a usually conservative management team, this activity will be curtailed with the planned demerger of its retail business.

Pipelines including TransCanada (-5%) and Williams (-7%) were impacted by rising interest rates and project delays. Recent equity issuance in the sector may have created some short-term overhangs, but the resulting simplifications are a long-term positive.

On a more positive note, a number of stocks bucked the negative trend. Gibson Energy (+7%) continued to execute the sale of non-core assets with proceeds likely to be at the high end of prior guidance. Hydro One (+3%) recovered after the Ontario utility confirmed the appointment of a new chair and the extension of their merger with US utility Avista. Norfolk Southern (+4%) continued to rise with US freight rail volumes up nearly 5% in the third quarter, the 8th consecutive quarter of growth for the sector.

Japan was the standout performer with Osaka Gas (+8%), West Japan Railway (+7%) and East Japan Railway (+6%) delivering positive outcomes. Investors are searching for defensive names beyond the increasingly expensive US market. The railways trade at appealing valuation multiples and offer exposure to steady growth in shinkansen business passengers supported by an increasing share of international tourists.

Market outlook and Fund positioning

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

Tollroads represent the Fund's largest sector overweight. Tollroad operators provide an essential service in congested corridors. Traffic volumes tend to be resilient and inelastic to price increases. Transurban has a dominant market position within Australia's largest cities and significant optionality to further enhance its networks. Peers in Europe, China and Latin America face greater political and economic challenges, but these risks are fully discounted in current valuations.

Energy pipelines offer exposure to regulated or contracted assets. Sentiment towards the sector is improving as companies have taken steps to sell non-core assets, reduce leverage and simplify corporate structures. The sector is well positioned to benefit from structural growth in North American energy exports.

The Fund remains underweight airports and some US utilities. Despite strong growth prospects and high quality assets, many companies in these sectors are trading at valuations that we find difficult to justify based on company fundamentals.

Overall, recent performance has been impacted by rising interest rates and political interference. With these key risks now discounted into valuations, we are cautiously optimistic that market sentiment will become more positive although this is not guaranteed.

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