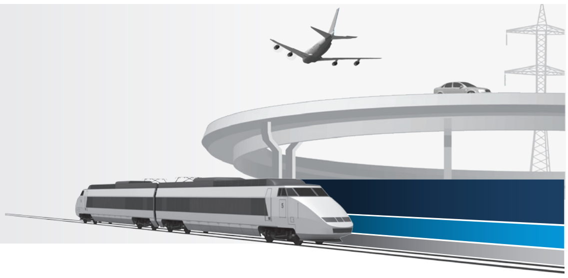
For qualified investors only

First State Investments

Quarterly update

Global Listed Infrastructure

First State Global Listed Infrastructure Strategy



3Q 2018

Market insights

Global Listed Infrastructure declined in the September quarter as a combination of rising interest rates, political interference and equity issuance dampened returns.

The Strategy fell -1.5% over this period, compared to a return of +0.5% by its benchmark index**. All figures quoted are gross.

Performance (% in USD) as of September 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*	-1.5	-3.5	9.6	8.1	10.2	8.7	5.2
Benchmark**	0.5	0.3	8.9	7.0	9.1	6.4	2.6
Active performance	-2.0	-3.8	0.7	1.1	1.1	2.3	2.6

Returns are in USD to September 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

Tollroads fell as the tragic collapse of a bridge in Genoa led the Italian government to call for the revocation of the motorway concession controlled by Atlantia[1]. In Australia, Transurban paid a full price to acquire a network of tollroads from the government and cement its dominance in Sydney. Pipelines lagged on delayed projects and an overhang from equity issued to simplify corporate structures. Ports fell on concerns for an escalating trade war between the US and China. In contrast, Railroads delivered strong returns for the quarter. US freight volumes were up nearly 5%, the 8th consecutive quarter of growth. Price increases, operating efficiencies and share buybacks continue to drive double-digit earnings growth.

Japan performed well as investors searched for value, relative to an expensive US market. Latin America recovered, particularly Mexican airports and tollroads post the election. UK infrastructure was impacted by the prospect of a "no-deal Brexit" and repeated threats from the opposition Labour leader to bring utilities back under public control.

[1] For illustrative purposes only. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies. Companies mentioned herein may or may not form part of the holdings of First State Investments.

Portfolio activity

The Strategy initiated a position in an energy infrastructure company with core assets in strategic locations. The sale of non-core assets has enabled the company to repair its balance sheet, reduce commodity exposure and lower operational risk. The company made positive changes to its Board and management team, and moved to simplify its corporate structure. It can now focus on connecting rising natural gas production in Texas and the Northeast US with growing demand from eastern US population centers and Liquefied Natural Gas export facilities.

The Strategy bought shares in a high quality portfolio of wireless towers with long-term visibility from contracted revenues. Structural growth is driven by demand for wireless data, price escalators and share buybacks. The company offers a focused strategy from a management team with strong execution and clear alignment. Recent underperformance means our concerns on their exposure to Latin America are now discounted in valuations, providing an attractive entry point.

The Strategy also bought shares in a Canadian-listed electric and gas utility company deriving most of its earnings from business-friendly jurisdictions in the United States. A period of significant underperformance, reflecting concerns for its stretched balance sheet from the US$10 billion acquisition of a Florida-based utility, presented an appealing entry point. The company's refocus on organic rate base growth, along with the expected sale of non-core assets, should enable the company to re-rate to valuation multiples that better reflect the quality of its underlying regulated business.

Market outlook[2]

The Strategy 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 strong capital growth over the medium-term.

Tollroads represent the Strategy's largest sector overweight. Tollroad operators provide an essential service in congested corridors. Traffic volumes tend to be resilient and inelastic to price increases. We have 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 Strategy 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, there should be greater confidence in future returns.

[2] 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.