

Colonial First State Global Asset Management

Wholesale Global Listed Infrastructure Securities Fund

Fund profile

The objective of the Wholesale Global Listed Infrastructure Securities Fund (the ‘Fund’) is to deliver strong capital growth and inflation protected income by investing in a globally diversified portfolio of listed infrastructure and infrastructure-related securities.

Investment philosophy

The Listed Infrastructure team’s investment philosophy is based on security selection which aims to balance value and quality. Three principles characterise our philosophy:

1. Pragmatic

Every security has a fair value – a good infrastructure asset does not always make a good investment. The team employs a pragmatic approach to investing that seeks to exploit market inefficiencies by combining attractive value with superior quality characteristics.

2. Absolute

Investment options are assessed in absolute terms; best investment ideas should create a portfolio, not a benchmark. This approach results in the development of a focus list of around 100 infrastructure companies, and is driven by four criteria – sustainable growth, barriers to entry, pricing power and predictable cash flow.

3. Specialised

Specialised knowledge of the infrastructure asset class, combined with a globally consistent and disciplined investment process will add value over the long-term.

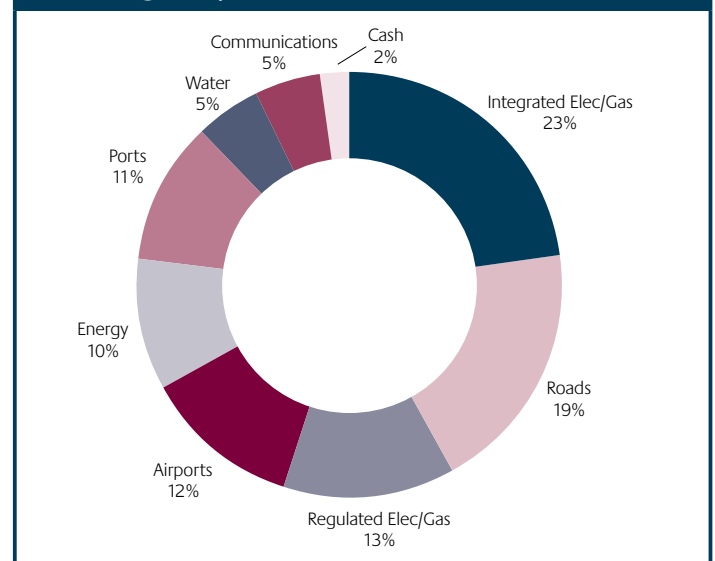
Investment style

The fund employs an active, bottom-up security selection process that aims to exploit market inefficiencies. Securities are targeted where the market underestimates the level and quality of sustainable free cash flows. Through this, the fund seeks to earn excess returns by integrating a rigorous stock selection process – leading to high conviction stock positions – with strict portfolio management risk controls.

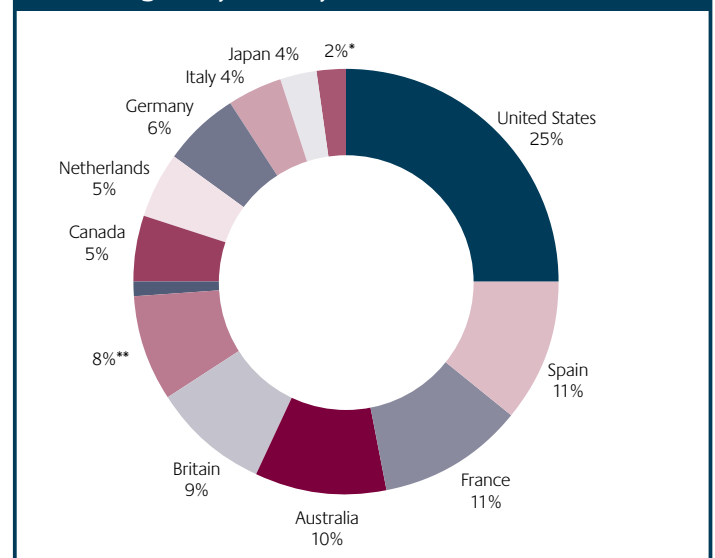
The fund invests in infrastructure and utility companies which control assets with monopolistic characteristics. The assets should have sustainable growth, high barriers to entry, strong pricing power and predictable cash flow. The companies should have robust business models and strong management execution.

Fund specifications (as at 30 April 2008)

Fund weights by sector



Fund weights by country



* Cash.

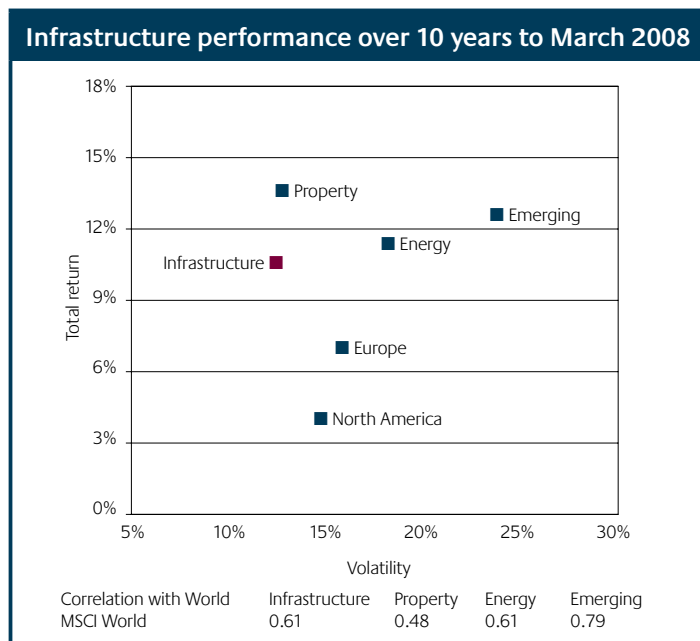
** Portugal, Austria, New Zealand, Switzerland.

The essential nature of infrastructure

Infrastructure describes the physical assets that provide essential services to society. Around the world billions of people rely on infrastructure to live and do business. From airports we travel through, toll roads we drive on and the water we drink – infrastructure assets are the backbone of any economy.

Risk and return

Over the last decade, global infrastructure securities have delivered total returns of between 10 and 12% per annum, including a 4% distribution yield. Risk has been in line with global property and below global equities. Importantly, the correlation with global equities has been relatively low, reinforcing the value of infrastructure in an overall portfolio.



MSCI Index except UBS for property and infrastructure. Total Return Gross USD. Source: Bloomberg.

Sub-sectors

Under the broad asset class of infrastructure sits several sub-sectors which exhibit slightly different characteristics. The main areas of infrastructure we invest in are toll roads, airports, ports, water, gas and electric utilities, energy pipelines storage and communications infrastructure.

The Fund does not invest in pure merchant power generators, shipping companies, hospitals, schools, airlines, construction or mining companies that are sometimes classed as ‘infrastructure’. These companies do not have the key characteristics that the Listed Infrastructure team believes define infrastructure.

The following provides a brief description of the main infrastructure sub-sectors.

Toll roads

Private toll roads are built and operated under long-term concession agreements from governments. The toll road operator charges to use the road with price increases usually linked to inflation. Toll roads have historically exhibited strong volume growth and low price elasticity.

Airports

Private airports are generally operated under long-term leases and subject to some form of pricing regulation. Revenue from privately owned airports is typically well diversified with income from aeronautical, retailing and property services. This income diversity can help cushion volatility arising from adverse external events affecting travel patterns.

Ports

A port is comprised of all the physical assets for the handling of containers and bulk cargo to and from commercial vessels. Facilities include berths, container gantry cranes, storage facilities and rail transport to the port. These assets are usually operated under long-term leases from port authorities and are generally local monopolies or duopolies.

Energy infrastructure

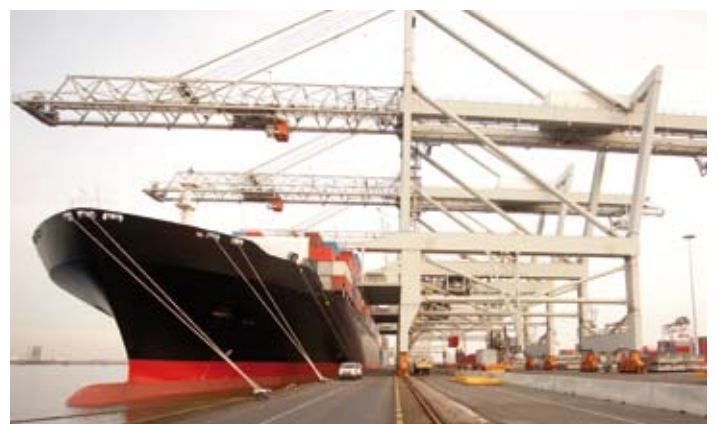
Oil and gas storage / pipelines are generally owned by the private sector with returns regulated to varying degrees. These assets are typically underpinned by long-term, capacity based contracts which have no (or very limited) volume or commodity price risk.

Communications infrastructure

A communications network refers to the physical assets, such as wireless towers and satellites that are capable of carrying communications. These assets typically have long-term customer contracts with built in price escalations.

Utilities – electricity, gas and water

The utility value chain can include electricity generation and gas production, transmission and distribution networks, storage and retailing. Most networks are natural regional monopolies so prices are regulated to allow a reasonable return on equity. While generation, production and retailing are often competitive markets, underlying demand is stable and commodity risks can be managed through vertical integration.



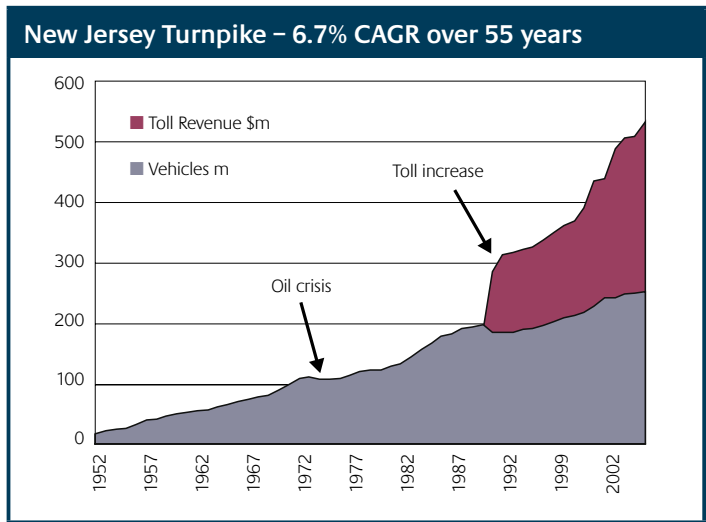
Marine ports.

Infrastructure characteristics

The Fund seeks to invest in infrastructure securities with the following characteristics:

Sustainable growth

The key attraction of infrastructure as an asset class is its sustainable growth profile which is relatively immune to economic cycles. In addition to being able to sustain growth through economic cycles, many infrastructure assets have delivered growth well above nominal GDP over a number of decades, for example the New Jersey Turnpike.



Source: Company reports.

High barriers to entry

In most cases infrastructure assets are government legislated or natural monopoly providers of certain essential services. For example, electricity and gas distribution networks, toll road concessions with non-compete clauses or city airports with restricted flight paths.

Pricing power

Infrastructure assets tend to have the ability to consistently increase the price of their services over time. This can be due to several factors including tolls linked to inflation, real regulated returns and assets with monopolistic characteristics.

Predictable cash flows

The essential nature of most infrastructure assets means that demand for the product is highly predictable and relatively immune to economic cycles. While capital expenditure requirements can be lumpy, regulation often provides investors with a certain return on investment. Some operators outline 10-year capex plans and provide 5-year earnings guidance. The predictable nature of these cash flows also allows operators to place significant financial leverage against these assets in order to optimise returns to equity holders.

Infrastructure risks

Interest rate risk

Movements in interest rates may adversely impact infrastructure securities given the long duration nature of the assets and the relatively high levels of financial gearing of some securities.

Regulatory and political risk

Changes in regulation or government policy may adversely impact the operating environment and consequently the value of infrastructure securities.

Exogenous events

Infrastructure assets may be impacted by exogenous events. For example, the essential nature of infrastructure assets may increase the risk of terrorist attacks while their capital intensity may increase the risk stemming from natural disasters.

Operating risk

The fund will be exposed to the operating risk of the underlying infrastructure businesses. An operating failure may adversely affect the profitability of the business and therefore the value of the security.

The above mentioned risks are minimised through portfolio diversification and detailed fundamental analysis. As a general rule, the Fund invests in companies which are relatively under geared, operate in constructive regulatory and political environments and have robust business models which reduce operating risk. The Fund seeks to understand and assess company strategy and execution, including reviews of environmental, social and governance issues.

Investment guidelines

The fund has the following investment guidelines:

Number of securities	30 to 50
Maximum single security holding	10% of the fund
Cash holding	0 to 10%
Unlisted holdings	0 to 10%
Emerging markets exposure	0 to 20%



Energy infrastructure – oil storage tanks.

Investment process

The fund has a six step investment process as illustrated by the diagram below.

Screening

Filter out securities with poor infrastructure characteristics, low liquidity or free float, low yield and growth.

Fundamental research

Gain an in-depth understanding of a company, the industry in which it operates and the company's position within that industry. We seek to gain valuable insights into the firm's management, asset quality, financial position, strategic direction, regulatory environment and overall competitive landscape.

Valuation ranking model

Rank securities on a consistent discounted cash flow valuation. Our valuations are calculated using local currency cash flows and bond rates, but globally consistent equity risk premiums and asset betas.

Qualitative ranking model

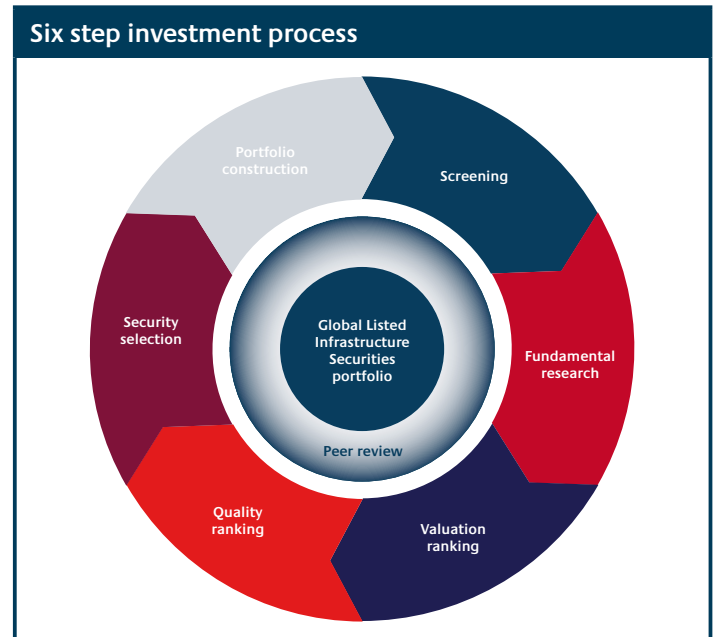
Evaluate each company on 20 criteria that we believe influence performance; infrastructure characteristics, management, financial, regulation, sustainability and equity flows.

Security selection

Valuation and quality ranking results are combined with fundamental analysis to determine a rating on each security ranging from 0 for sell recommendations, to 3 for high conviction buy recommendations.

Portfolio construction

The portfolio is based on the rating given to each security. The weighting of the security in the portfolio reflects the expected returns, the degree of the team's conviction, and the correlation with other securities in the portfolio. These ratings clearly link the security selection process with the construction of the portfolio to ensure the portfolio contains the team's high-conviction ideas. While the portfolio is constructed from the bottom-up, region and sector risks are carefully monitored by the portfolio manager as a risk management overlay.



Electricity transmission.

Investment management capability

Peter Meany

Head of Global Listed Infrastructure Securities

Peter joined Colonial First State Global Asset Management in January 2007 as Head of Global Listed Infrastructure Securities. Peter brings over 10 years experience in the infrastructure and utilities sectors. At Credit Suisse Equities (Australia), Peter was responsible for research coverage in these sectors. He received top rankings in a number of industry surveys and was involved in a number of company defining corporate transactions. Prior to Credit Suisse, Peter was an analyst at Macquarie Equities when the infrastructure sector was in its infancy. Peter holds a Bachelor of Economics (Finance) from Macquarie University.

Andrew Greenup

Portfolio Manager, Global Listed Infrastructure Securities

Andrew joined Global Listed Infrastructure Securities in April 2007 as Portfolio Manager. Prior to this, Andrew was a senior analyst in the Australian Equities team, Core. Before joining Colonial First State Global Asset Management in 2005, Andrew worked at Allianz Global Investors as a senior analyst in Australian equities. In addition to his funds management experience, Andrew worked at Credit Suisse First Boston as a Vice President in equities research.

Andrew has a Bachelor of Business (First Class Honours) from QUT and was awarded the University Medal. He has also completed the Graduate Diploma in Applied Finance and Investment with the Financial Securities Institute of Australasia.

Rebecca Sherlock

Senior Analyst, Global Listed Infrastructure Securities

Rebecca joined Colonial First State Global Asset Management in April 2008 as the Senior Analyst in the Global Listed Infrastructure Securities team. Rebecca's primary focus is conducting detailed stock analysis, including financial modelling, qualitative reviews, report writing and presentation of stock ideas.

Prior to joining Colonial First State Global Asset Management, Rebecca worked for Ernst & Young Transaction Advisory Services. She was responsible for financial modelling, business case preparation, valuation analysis and bid price advice.

Previous to Ernst & Young, Rebecca worked at Grant Thornton (UK), where her responsibilities included detailed value for money, risk and affordability analysis, financial modelling and the preparation of Outline Business Cases. Rebecca began her career at PricewaterhouseCoopers within the Audit and Assurance function.

Rebecca holds a Bachelor of Science in Mathematics – First Class from Sheffield University and is also a Chartered Accountant with the Institute of Chartered Accountants in United Kingdom and Wales.

In addition, the team will utilise the input and expertise from investment teams within Colonial First State Global Asset Management, including Unlisted Infrastructure, Global Property Securities, Global Resources and Global Equities.

For further information

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