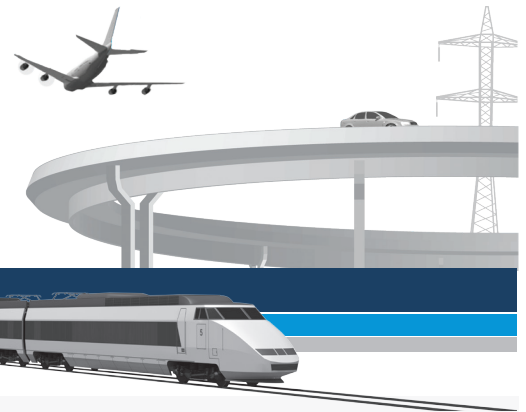


First State Global Infrastructure

Monthly Review and Outlook

February 2018



Market Review

Global Listed Infrastructure fell during February against a backdrop of market volatility triggered by rising bond yields.

The best performing infrastructure sector was Satellites (+2%), whose December quarter earnings numbers came in ahead of investors' low expectations.

All other infrastructure sectors ended the month lower. Utilities continued their recent run of underperformance as rising bond yields weighed on the valuations of income-generative assets. The worst performing sector was Pipelines (-6%), where persistent uncertainty over future earnings growth and the pace of balance sheet de-leveraging outweighed good operational performance and a strong oil price.

Every region finished the month lower. The best performing region was Japan (-2%), whose electric utilities outperformed on reports that some nuclear reactors may soon be restarted. The worst performing region was Latin America (-5%), as hoped-for Brazilian pension reform was shelved and toll road operator CCR was drawn into Brazil's anti-corruption investigations.

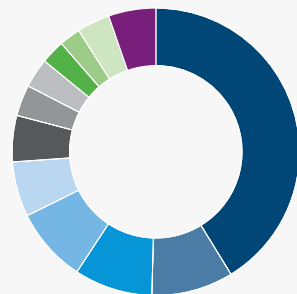
Performance Review

The Fund fell by -5.5% in February¹, 115 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

	Annualised Performance in SGD (%) ¹			
	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	-1.4	3.3	9.0	3.7
Fund (Inc initial charges)	-6.4	1.5	7.9	3.1
Benchmark*	1.2	4.1	10.4	3.8

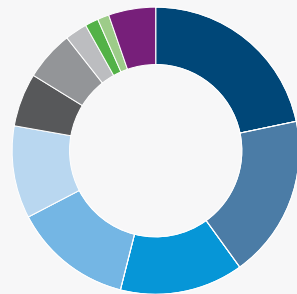
	Cumulative Performance in SGD (%) ¹				
	3 mths	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	-8.3	-1.4	10.2	54.0	43.2
Fund (Inc initial charges)	-12.9	-6.4	4.7	46.3	36.0
Benchmark*	-8.0	1.2	12.9	64.1	45.2

Asset Allocation (%)¹



Country

USA	41.2
UK	9.2
Japan	8.8
Canada	8.4
Australia	6.2
China	5.2
Italy	3.5
Hong Kong	3.3
Brazil	2.7
Spain	2.4
Other	3.7
Liquidity	5.3



Sector

Electric Utilities	21.7
Highways/Railtracks	18.3
Oil/Gas Storage & Trans.	13.9
Multi-Utilities	13.4
Railroads	10.4
Specialised REITs	6.0
Gas Utilities	5.6
Marine Ports & Services	2.5
Airport Services	1.5
Construction & Engineering	1.3
Liquidity	5.3

Top 10 holdings (%)¹

Stock name	Sector	%
National Grid plc	(Multi-Utilities)	7.5
Transurban Group Stapled Deferred	(Highways/Railtracks)	6.2
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	5.3
American Tower Corporation	(Specialised REITs)	5.2
Dominion Energy Inc COM	(Multi-Utilities)	4.9
NextEra Energy Inc	(Electric Utilities)	4.4
East Japan Railway Co	(Railroads)	4.4
Southern Company	(Electric Utilities)	3.9
Enbridge Inc.	(Oil/Gas Storage & Trans.)	3.7
Atlantia S.p.A	(Highways/Railtracks)	3.5

The best performing stock in the portfolio was Vopak, the world's largest independent bulk liquid storage company. The market reacted positively to better than expected December quarter earnings, helped by an uptick in occupancy rates at its Rotterdam oil storage facilities. Bullish 2019 outlook

comments, when additional capacity is scheduled to come onstream across its strategically located global storage network, provided further impetus to its share price.

Houston-based pipeline operator Plains All American Pipeline gained after healthy volumes in the December quarter for its high quality Permian Basin gathering and transportation assets translated to better than expected growth in distributable cash flow. Investors also welcomed a reduction in net debt to EBITDA - a key metric for pipeline sector - to less than 5x. However Kinder Morgan fell as its attractive valuation multiple and scheduled 60% dividend increase in 2018 were overshadowed by a lack of visibility over future earnings growth, given troubles with the Trans Mountain pipeline project.

Jiangsu Expressway, which operates toll road concessions in China's most densely populated province, increased on continued structural growth in Chinese traffic volume, underpinned by the country's growing middle class. Spain's Abertis (flat) also held up during the month. The company is the subject of a takeover bid from construction firm ACS, and may yet receive a higher bid from rival bidder Atlanta. French-listed Getlink and Vinci succumbed to the broader market sell off. The worst performing stock in the portfolio was Brazil's CCR as media reports emerged that the firm had been cited in a plea bargain from an anti-corruption probe regarding overpriced sponsorship contracts. CCR, which denies the allegations, has established an independent committee to conduct a "thorough and meticulous" investigation into the issue.

UK utilities National Grid and SSE underperformed on persistent investor concerns about plans by the opposition Labour Party to re-nationalise a range of UK assets, including utilities. Comments from the Bank of England that UK monetary policy may need to be tightened earlier "and by a somewhat greater extent" than previously expected served as a further headwind. The portfolio's US utility holdings including Great Plains Energy, NiSource, NextEra Energy and Dominion Energy were affected by rising bond yields. PG&E made up some ground towards the end of the month, as the California State Assembly's Committee on Utilities and Energy clearly acknowledged the uncertainty faced by utilities under current Californian law.

During the month, the Fund increased its exposure to the Pipelines sector via TransCanada and Gibson Energy. TransCanada operates one of North America's largest energy infrastructure portfolios and forecasts its distributions to grow at a compound annual growth rate of 8-10% per annum through to 2020. The pipeline sector remains out of favour, despite improving fundamentals, presenting an opportunity to gain exposure to these assets at an appealing entry price.

Gibson Energy owns valuable and strategically-located energy storage and transportation facilities in the Western Canadian

energy hubs of Hardisty and Edmonton. Recent management changes have led to the planned disposal of non-core assets and a renewed focus on the development of core energy infrastructure, suggesting scope for the company's valuation multiples to re-rate from current levels.

Holdings in US freight rail operator Union Pacific were sold after 2017's buoyant US economy and corporate tax cuts pushed its share price up to optimistic valuation multiples. A position in Mexican airport operator, GAP, was also sold after rapid volume growth across its portfolio of Mexican airports underpinned substantial outperformance during the Fund's holding period.

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 strong capital growth over the medium-term.

While we are long term investors, we acknowledge the need to provide some context to recent performance. Since the Fund's inception we have consistently said that its two key risks are (1) a sharp rise in interest rates, and (2) political and regulatory interference. The sharp rise in US Treasury yields (the yield on the 10-year has risen from around 2.4% at the start of the year to over 2.8% by the end of February) resulted in a clear sector rotation from defensives to cyclicals.

While we anticipated the rise in rates and were positioned in with overweight exposure to growth infrastructure, around 40% of the Fund is invested in utilities. Though this period has been challenging for utilities, they offer strong defensive characteristics through a full cycle and are a good source of income. They serve an important purpose in enabling the Fund to provide a sensibly diversified exposure to the infrastructure asset class.

Other sectors such as Towers and Tollroads, which also have strong longer term growth characteristics, were affected as growth potential was overshadowed by the interest-rate sensitivity. Political and regulatory headwinds played a part, contributing to this month's underperformance of UK Utilities and North American Pipelines.

Listed infrastructure is a listed equity and is not immune to short term market movements. However we remain confident that infrastructure's essential volumes, inflation-linked pricing and strong cash flows will continue to benefit investors over longer time frames.

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