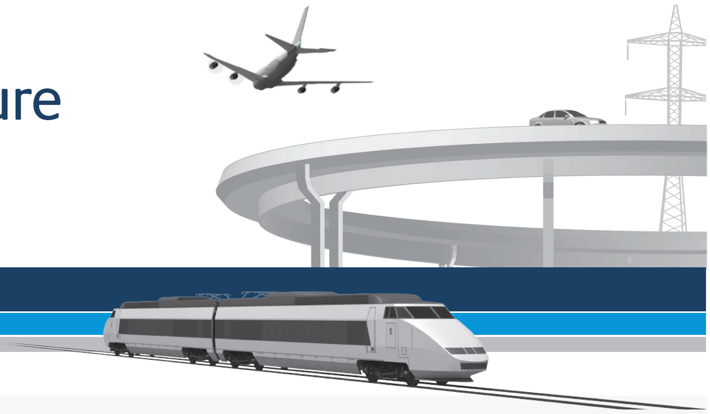
First State Investments



First State Global Infrastructure

Monthly Review and Outlook

June 2018

Market Review

Global Listed Infrastructure rallied in June as geopolitical uncertainty drew investors towards defensive assets.

The best performing infrastructure sector was Satellites (+14%). UK operator Inmarsat (+47%, not owned) jumped after receiving (and rebuffing) a takeover approach from US operator EchoStar (-6%, not held). Pipelines (+7%) were also supported by M&A activity. Growing demand for midstream assets was illustrated by CK Infrastructure launching a A$13 billion bid for Australia's APA Group (+16%, not held); and Global Infrastructure Partners making a US$1.8 billion investment in West Texas midstream operator Medallion Gathering & Processing.

The worst performing sector was Ports (-4%), which fell as US-China trade tensions ratcheted upward. Railroads (flat) also underperformed following robust ytd gains from North American freight rail stocks.

The best performing region was the United Kingdom (+5%), whose utilities gained on demand for defensive stocks. The worst performing region was Asia ex-Japan (-3%), as its infrastructure stocks were drawn into the broader Emerging Markets sell-off.

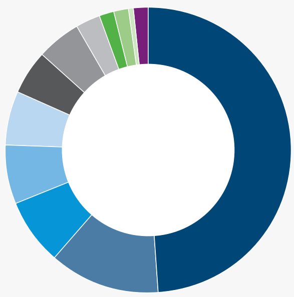
Performance Review

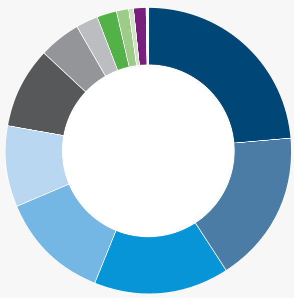
The Fund ended the month +2.6% higher[1], 103 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

	Annualised Performance in SGD (%) [1]				
	1yr	3yrs	5yrs	10yrs	Since inception
Fund (Ex initial charges)	-1.3	6.9	9.4	4.8	4.1
Fund (Inc initial charges)	-6.2	5.1	8.3	4.3	3.6
Benchmark*	2.6	8.4	10.7	5.1	4.4

	Cumulative Performance in SGD (%) [1]				
	3 mths	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	7.0	-1.3	22.1	56.8	51.5
Fund (Inc initial charges)	1.7	-6.2	16.0	49.0	44.0
Benchmark*	7.1	2.6	27.5	66.5	55.4

Asset Allocation (%) [1]





Top 10 holdings (%) [1]

Stock name	Sector	%
Dominion Energy Inc COM	(Multi-Utilities)	7.2
Transurban Group Stapled Deferred	(Highways/Railtracks)	5.9
Atlantia S.p.A	(Highways/Railtracks)	5.2
American Tower Corporation	(Specialised REITs)	5.1
NextEra Energy, Inc.	(Electric Utilities)	5.0
Southern Company	(Electric Utilities)	5.0
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	4.9
TransCanada Corporation	(Oil/Gas Storage & Trans.)	4.6
Evergy Inc Com	(Electric Utilities)	4.6
East Japan Railway Co	(Railroads)	4.6

The best performing stock in the portfolio was Canadian energy pipeline company Enbridge Inc (+17%), which rallied after Minnesota regulators approved its US$7.0 billion Line 3 Replacement Project and largely endorsed the company's preferred route. The project will upgrade an existing pipeline connecting Alberta's oil fields to US refineries. Its go-ahead will

[1] Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 30 June 2018. Fund since inception date: 3 March 2008. *Inception - 31 May 2008: S&P Global Infrastructure Index. 1 June 2008 – 31 March 2015: UBS Global Infrastructure and Utilities 50-50 Index. From 1 April 2015: FTSE Global Core Infrastructure 50/50 Index.

provide much-needed energy pipeline capacity out of Canada, as well as adding certainty to Enbridge's future earnings growth profile. TransCanada (+6%) and Kinder Morgan (+6%) also rose as investors focused on their undemanding valuation multiples, ~5% dividend yields and a less pessimistic growth outlook for the sector.

US multi-utility Dominion Energy (+6%) climbed on the view that it could represent a target for activist investors. Elliott Management (one of the world's largest activist hedge funds) announced in June that it had built a stake in Californian utility Sempra Energy (+10%, not held), and outlined ways for the company to better realise investor value. Dominion's corporate structure displays several of the attributes that Elliott is focusing on; notably a high quality, regulated utility business alongside valuable gas transmission pipelines, an LNG facility and some unregulated generation assets. Other North American utilities including Hydro One (+4%), NiSource (+4%), UGI Corp (+4%) and Southern Co (+3%) delivered positive returns as geopolitical uncertainty drove demand for predictable earnings.

Tower operators American Tower (+5%) and Crown Castle (+5%) outperformed as structural growth in demand for mobile data continued to underpin earnings growth. The two companies are also pursuing additional, and contrasting, growth strategies. American Tower is building out macro tower portfolios in EM regions including India and Latin America, where low 4G penetration rates imply abundant scope for mobile data demand to increase from current levels. Crown Castle has maintained a focus on the US, where it is developing fibre and small cell networks in preparation for the upcoming rollout of 5G technology.

The worst performing stock in the portfolio was Chinese tollroad operator Jiangsu Expressway (-17%). Indications of slower traffic growth and a broader EM sell-off overshadowed the stock's attractive valuation multiples and cash generative characteristics. Other transport infrastructure stocks also lagged. COSCO Shipping Ports (-13%) and China Merchants Ports (-8%) fell on concerns that the escalating trade dispute between the US and China could cause volume growth to slow from the healthy levels achieved in 2017 and at the start of 2018.

AENA (-5%), which operates 46 Spanish airports and has benefitted from strong inbound tourism to the country, also underperformed. The election of a new left-of-centre government sparked concerns that the company's proposed strategic plan could be revoked, potentially reversing a recent increase in its dividend payout ratio to 80% and unwinding plans to further develop Madrid and Barcelona airports.

The portfolio's LatAm toll roads delivered mixed returns. Brazil's CCR (-2%) declined along with a weak Brazil equity market, and on reports that three of its main shareholders were considering the sale of their stakes in the company. Pinfra (+2%), which operates a strategically located network of tollroads in Mexico City, fared better as a larger-than-expected share buyback provided a reminder of the company's strong cashflows and robust balance sheet.

The Fund initiated a position in West Japan Railway, a substantial passenger rail business with a network that carries over 5 million passengers per day. It is trading on appealing valuation multiples relative to peers and to our wider opportunity set. The company's service area includes the Kansai region (the cultural centre of Japan, containing major tourist destinations such as Osaka, Kobe and Kyoto). It is well-positioned to benefit from increased inbound tourist volumes ahead of the 2019 Rugby World Cup and 2020 Summer Olympics. The ongoing development of their rail network and property corridor offers additional scope to boost earnings.

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.

Tollroads remain the Fund's largest sector overweight, owing to the appeal of their stable cash flows, high operating margins and effective barriers to entry. European operators continue to benefit from consistent volume growth across French, Italian and Spanish road networks. Peers in China and Latin America operate high growth tollroads with well-established concession agreements, providing an essential service to some of the most densely populated regions in the world.

Energy pipelines are the portfolio's second largest sector overweight. Investor concerns about earnings growth presented the Fund with opportunities to build positions in several companies with unique and long life energy infrastructure networks, at appealing valuation multiples. Sentiment towards the sector has begun to improve recently, helped by simpler corporate structures and clarity for substantial growth projects; while surging North American production growth is providing a favourable operating environment.

On a more cautious note, the Fund remains underweight airports and some US utilities. Despite strong growth prospects and high quality assets, these sectors continue to trade at valuations that we find difficult to justify based on company fundamentals.