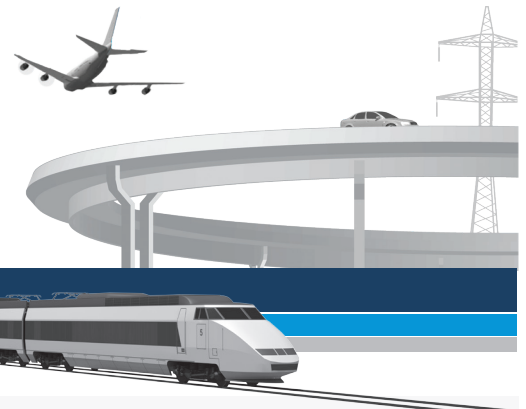


First State Global Infrastructure

Monthly Review and Outlook

December 2017



Market Review

Global Listed Infrastructure gave up ground in December as positive sentiment and buoyant economic conditions saw higher beta areas of the market outperform.

The best performing infrastructure sector was Airports, which rallied on robust passenger volumes; capacity additions by European carriers including Lufthansa and Ryanair; and an upbeat macroeconomic backdrop. Pipelines regained ground following underperformance earlier in 2017 on improving fundamentals for the sector, while rising oil prices lent further support.

Electric, Multi and Gas Utilities faced several headwinds including the US Federal Reserve's 25bps interest rate rise (the third for 2017) and muted investor appetite for defensive assets.

The best performing regions were Latin America and Asia ex-Japan, on keen investor demand for stocks with sensitivity to the improving global economy. The worst performing region was North America, where Pipeline and Railroad gains were offset by Utility softness.

Performance Review

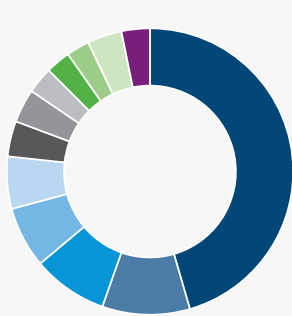
The Fund declined by -1.3% in December¹, 75 basis points ahead of the FTSE Global Core Infrastructure 50/50 TR Index (SGD).

| | Annualised Performance in SGD (%) ¹ | | | |
|-----------------------------------|--|------|------|-----------------|
| | 1yr | 3yrs | 5yrs | Since inception |
| Fund (Ex initial charges) | 7.9 | 7.4 | 11.6 | 4.5 |
| Fund (Inc initial charges) | 2.5 | 5.6 | 10.5 | 4.0 |
| Benchmark* | 10.4 | 8.1 | 12.9 | 4.5 |

| | Cumulative Performance in SGD (%) ¹ | | | | |
|-----------------------------------|--|------|------|------|-----------------|
| | 3 mths | 1yr | 3yrs | 5yrs | Since inception |
| Fund (Ex initial charges) | -1.4 | 7.9 | 23.9 | 73.4 | 54.2 |
| Fund (Inc initial charges) | -6.3 | 2.5 | 17.7 | 64.8 | 46.4 |
| Benchmark* | 0.3 | 10.4 | 26.4 | 83.7 | 54.7 |

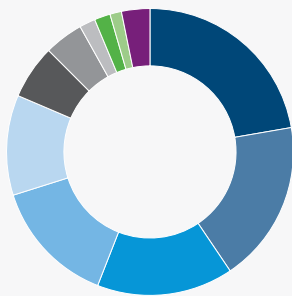
¹ Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 31 December 2017. Fund since inception date: 3 March 2008. *Inception - 31 May 2008; S&P Global Infrastructure Index. 1 June 2008 - 31 March 2015: UBS Global Infrastructure and Utilities 50-50 Index. From 1 April 2015: FTSE Global Core Infrastructure 50/50 Index.

Asset Allocation (%) ²



Country

- USA 45.5
- UK 9.9
- Japan 8.5
- Canada 6.9
- Australia 5.9
- China 4.0
- Italy 3.8
- France 3.0
- Brazil 2.8
- Hong Kong 2.6
- Other 3.9
- Liquidity 3.2



Sector

- Electric Utilities 22.3
- Highways/Railroads 18.3
- Oil/Gas Storage & Trans. 15.4
- Multi-Utilities 14.2
- Railroads 11.3
- Specialised REITs 6.1
- Gas Utilities 4.4
- Marine Ports & Services 1.8
- Airport Services 1.8
- Construction & Engineering 1.3
- Liquidity 3.2

Top 10 holdings (%) ²

| Stock name | Sector | % |
|-----------------------------------|----------------------------|-----|
| National Grid plc | (Multi-Utilities) | 8.2 |
| Kinder Morgan Inc Class P | (Oil/Gas Storage & Trans.) | 6.1 |
| Transurban Group Stapled Deferred | (Highways/Railroads) | 5.9 |
| Dominion Energy Inc COM | (Multi-Utilities) | 4.9 |
| American Tower Corporation | (Specialised REITs) | 4.8 |
| NextEra Energy, Inc. | (Electric Utilities) | 4.3 |
| Enbridge Inc. | (Oil/Gas Storage & Trans.) | 4.1 |
| East Japan Railway Co | (Railroads) | 4.1 |
| Atlantia S.p.A | (Highways/Railroads) | 3.8 |
| Southern Company | (Electric Utilities) | 3.7 |

The Fund's other EM holdings also performed well. Mexican airport operator GAP climbed on consistently strong passenger volume growth, driven by a structural shift from bus to plane travel within the Mexican market. COSCO Shipping Ports gained on the view that vigorous global demand will underpin volume growth at ports servicing European and US routes; while CCR rose as Brazil's toll road traffic recorded a 3.3% increase for November.

The Fund's US pipeline holdings Enterprise Products Partners, Plains All American Pipeline, and Kinder Morgan rallied. Concerns about balance sheet repair and potential delays to growth projects gave way to a growing acknowledgement of the sensible and realistic strategies being pursued across the sector, including less reliance on equity funding and a focus on growing Distributable Cash Flow per unit.

US freight rail also delivered pleasing returns over the course of the month. Firm volume growth; the potential for higher freight haulage rates in 2018; and the promise of US tax cuts buoyed Union Pacific and Norfolk Southern. CSX was the exception after the company's widely respected CEO, Hunter Harrison, died in December.

The worst performing stock in the portfolio was Californian utility, PG&E, which suspended its dividend citing uncertainty over its potential liability for recent wildfires in its Northern California service territory. Other US utilities including NiSource, Southern Company, Great Plains Energy and Alliant Energy also lagged as investors cycled into higher growth segments of the market.

Other underperformers included Italian toll road company Atlantia and Channel Tunnel operator Getlink, which ended the month lower - despite the favourable macroeconomic environment - following strong ytd returns. Australia's Transurban held up better following a positive market reaction to the terms of its West Gate Tunnel Project in Melbourne in partnership with the state government, and a strong take-up for the associated A\$1.9 billion rights issue.

No new stocks were added to the Fund in December, and weightings in existing holdings were generally maintained.

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.

The Fund offers a high conviction portfolio of quality infrastructure companies. Our team takes a long-term view and focuses on fundamental mispricing with sector and regional exposures that tend to be an outcome of bottom-up stock calls, and are often contrarian in style.

Financial markets enter 2018 highly optimistic with global economic growth looking robust and US tax cuts boosting corporate earnings. We would caution that political developments may lead to volatility with general elections scheduled in Italy (March), Mexico (July) and Brazil (October); along with ongoing instability in the UK and Germany; and an unpredictable Trump-led US.

With the gradual reduction in central bank stimulus and potential for higher inflation (tighter labour markets and higher energy prices), we would expect to see interest rates rise through the year, which may act as a headwind for investment returns across all asset classes.

Within the global listed infrastructure asset class; earnings growth remains solid, balance sheets look robust, and dividends should grow faster than earnings. Global listed infrastructure remains well positioned to protect and grow capital through economic cycles owing to its defensive earnings growth and inflation pass-through characteristics.

²Source: First State Investments. Data as at 31 December 2017.

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