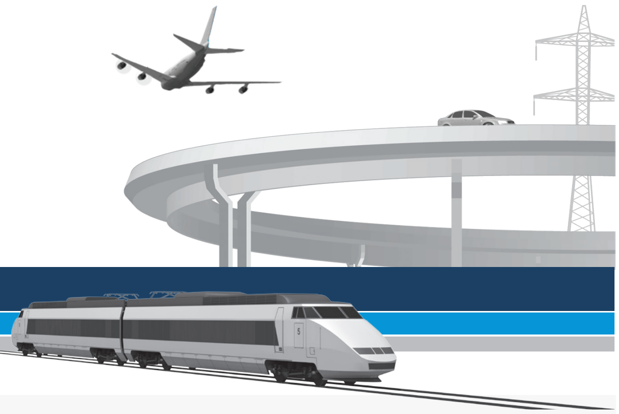
First State Investments



First State Global Infrastructure

Monthly Review and Outlook

October 2017

Market Review

Global listed infrastructure gained in October against a backdrop of solid earnings numbers and upbeat economic data.

The best performing infrastructure sectors were Towers and Toll Roads. Towers announced strong quarterly earnings, while the breakdown of merger talks between cellphone companies Sprint and T-Mobile removed a perceived headwind to US towers' growth rates. Toll Roads continued to climb on volume growth, positive earnings and a new takeover bid for Abertis.

The worst performing sector was Satellites, as disappointing earnings announcements re-emphasised structural weakness in the sector's pricing power. Pipelines also underperformed. Concerns about project delays and the effect that Hurricane Harvey may have had on the sector's September quarter earnings numbers weighed on sentiment.

The best performing region was Japan, where a decisive general election win for the incumbent Liberal Democratic Party implied a continuation of its stimulative monetary and fiscal policies; and offered political clarity. The worst performing region was United Kingdom, whose utilities were buffeted by persistent political and regulatory uncertainty; and by mounting expectations that the Bank of England was preparing to raise interest rates for the first time in over a decade.

Performance Review

The Fund returned +0.8% in October[1], 90 basis points behind the FTSE Global Core Infrastructure 50/50 TR Index (SGD). The best performing stock in the portfolio was Spanish toll road operator Abertis. Already the subject of a €16 billion bid from Italian peer Atlantia, Abertis shares were pushed higher by a €17 billion counterbid from a consortium led by Spanish conglomerate ACS.

	Annualised Performance in SGD (%) [1]			
	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	14.0	10.0	12.1	4.8
Fund (Inc initial charges)	8.3	8.2	11.0	4.3
Benchmark*	14.3	9.9	13.5	4.8

	Cumulative Performance in SGD (%) [1]				
	3 mths	1yr	3yrs	5yrs	Since inception
Fund (Ex initial charges)	1.6	14.0	33.2	77.4	57.7
Fund (Inc initial charges)	-3.4	8.3	26.5	68.5	49.8
Benchmark*	2.1	14.3	32.8	88.2	56.8

[1] Source: Lipper & First State Investments. Single pricing basis with net income reinvested. Data as at 31 October 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.

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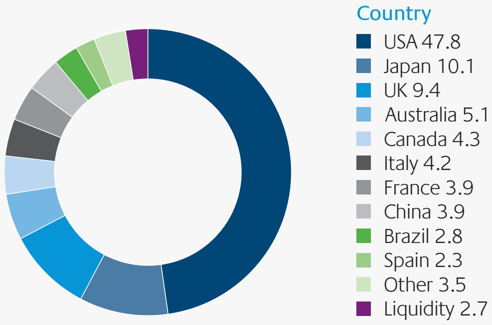
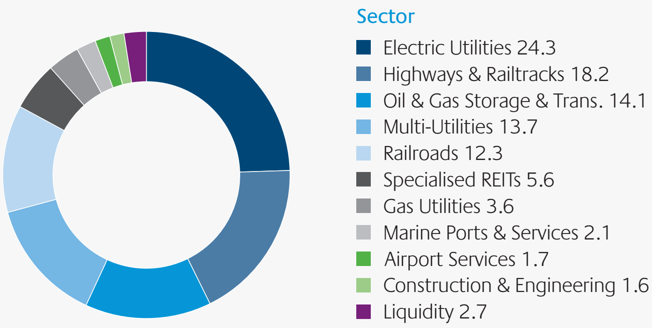
Asset Allocation (%) [1]





Top 10 holdings (%) [2]

Stock name	Sector	%
National Grid plc	(Multi-Utilities)	7.9
Kinder Morgan Inc Class P	(Oil/Gas Storage & Trans.)	6.2
Transurban Group Ltd.	(Highways & Railtracks)	5.1
Dominion Resources, Inc.	(Multi-Utilities)	4.7
East Japan Railway Co	(Railroads)	4.7
Atlantia S.p.A	(Highways & Railtracks)	4.2
NextEra Energy, Inc.	(Electric Utilities)	4.2
American Tower Corporation	(Specialised REITs)	4.1
PG&E Corporation	(Electric Utilities)	3.8
Southern Company	(Electric Utilities)	3.7

The portfolio's other toll road and railtrack holdings also outperformed on healthy traffic volumes, pleasing quarterly earnings and the increasing value being ascribed to these cash-generative assets. Eurotunnel announced a 3% increase in revenue for the September quarter, while traffic data for the month of September showed accelerating year-over-year (yoy) growth for both truck and passenger vehicle numbers. CCR climbed as data from the Association of Brazilian Road Concessionaires showing positive volume momentum on Brazil's toll roads (3.3% yoy traffic growth in August, followed by 5.7% in September).

Mobile tower company, SBA Communications, built on ytd gains as healthy site leasing growth both in the US and internationally translated to favourable earnings numbers. The company raised 2017 earnings guidance; and provided confident outlook commentary for 2018. Crown Castle announced well-received September quarter earnings numbers and an 11% dividend increase. American Tower also rallied after September quarter earnings increased by 11%. The company noted that the widespread adoption of unlimited data plans in the US is likely to underpin further rapid growth in mobile data consumption.

The worst performing stock was PG&E, which fell after an outbreak of devastating wildfires in their Northern California service territory. Media reports citing downed power lines and sparking transformers led to accusations that the company could have caused the wildfires, and may have acted negligently in terms of vegetation management. The cause of the 22 wildfires is still under investigation and remains a source of speculation at this stage.

The portfolio's pipeline holdings also lagged. Kinder Morgan declined despite announcing better-than-expected September quarter earnings driven by higher natural gas transportation volumes, as investors focused on construction delays at the expansion of its existing Trans Mountain pipeline in Canada. Enbridge Inc fell after ratings agency Moody's downgraded its subsidiary, the Enbridge Income Fund, citing execution risk for pipeline projects, and leverage concerns. Enterprise Products Partners LP also fell after lowering its distribution growth rate.

The fund sold its holdings in Italian mobile tower company Inwit. Anticipation that investment into Italy's mobile phone network will support robust future earnings growth led to substantial share price gains, and reduced mispricing.

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.

Portfolio positioning remained broadly consistent during October. Toll roads are the largest sector overweight, owing to their robust cash flow generation, high barriers to entry, and reasonable valuation multiples. The portfolio's second largest sector overweight is Railroads. Japanese passenger rail stocks are low risk assets with solid management teams, trading on low valuation multiples. The portfolio also holds several US freight rail companies. A strengthening US economy is expected to translate into stronger volume growth and improved pricing over the coming quarters.

The Fund has an underweight exposure to utilities, where share price gains over the past year have made it more difficult to find clearly mispriced stocks. The Fund's utility exposure is focussed on companies such as NextEra Energy and Dominion Energy, which are deriving steady earnings growth by investing in renewables and transmission network enhancements.

The Fund's largest underweight exposure remains the airport sector, which continues to trade at valuation multiples that we find difficult to justify on fundamentals. The Fund has retained selective exposure to European, Japanese and Mexican airports, where valuations are more reasonable.

[2] Source: First State Investments. Data as at 31 October 2017.