First State Asian Property Securities Fund (UK OEIC)

Quarterly Investment Report

30 September 2019

Contents

Risk Factors

This document is a financial promotion for the First State Asian Property Securities Fund in the EEA and elsewhere where lawful. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back substantially less than the original amount invested.**
- **Emerging market risk:** emerging markets may not provide the same level of investor protection as a developed market; they may involve a higher risk than investing in developed markets.
- **Property securities risk:** the Fund invests in the shares of companies that are involved in property (like real estate investment trusts) rather than property itself. The value of these investments may fluctuate more than actual property.
- **Single sector risk:** investing in a single sector may be riskier than investing in a number of different sectors. Investing in a larger number of sectors helps spread risk.
- **Currency risk:** The Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund.

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document.

If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

If you are unsure of the terminology used in this report, please seek independent financial advice.

First State Asian Property Securities Fund
Portfolio Overview
30 September 2019

Investment objective and policy

The Fund aims to provide income and grow your investment.

The Fund invests in shares of companies that are involved in property in Asia including Australia and New Zealand.

The Fund does not invest directly in property.

The Fund may use derivatives to reduce risk or to manage the Fund more efficiently.

Fund Information

Fund Launch Date	12 September 2006
Fund Size (£m)	15.5
UK's Investment Association Sector	Property Other
Benchmark	FTSE EPRA/NAREIT Developed Asia Index*
Number Of Holdings	32
Fund Manager(s)	Stephen Hayes
Fund Yield	2.7%

* The benchmark changed from the UBS Global Asia Index to the above on 01/04/2015. The benchmark of the Fund changed from FTSE EPRA/NAREIT Developed Asia Gross to FTSE EPRA/NAREIT Developed Asia Net with effect from 1 July 2016. This change has been reflected in the calculation of the benchmark performance. The benchmark and IA sector for this Fund have been identified as a means by which investors can compare the performance of the Fund and have been chosen because their constituents most closely represent the scope of the investable assets. The benchmark and sector are not used to limit or constrain how the portfolio is constructed nor are they part of a target set for Fund performance.

Available Share Classes

ISIN	Sedol	Share Class
GB00B1F76G03	B1F76G0	First State Asian Property Securities Fund GBP Class A (Accumulation)
GB00B1F76H10	B1F76H1	First State Asian Property Securities Fund GBP Class A (Income)
GB00B1F76J34	B1F76J3	First State Asian Property Securities Fund GBP Class B (Accumulation)
GB00B1F76K49	B1F76K4	First State Asian Property Securities Fund GBP Class B (Income)
GB00B2PDSS18	B2PDSS1	First State Asian Property Securities Fund EUR Class A (Accumulation)
GB00B2PDT993	B2PDT99	First State Asian Property Securities Fund EUR Class A (Income)

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Performance

30 September 2019

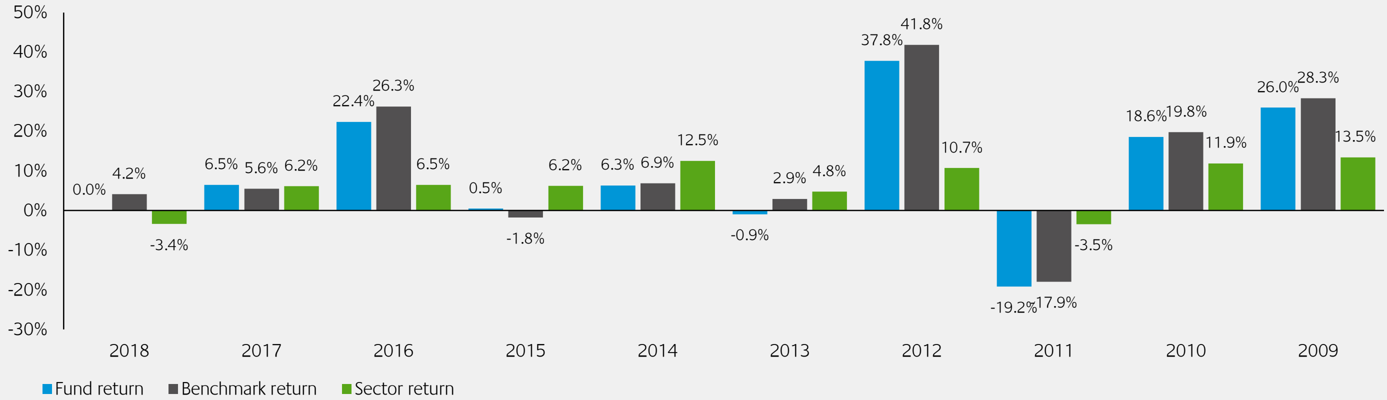
Annual Performance (% in GBP) to 30 September 2019

	12 mths to 30/09/19	12 mths to 30/09/18	12 mths to 30/09/17	12 mths to 30/09/16	12 mths to 30/09/15
First State Asian Property Securities Fund	17.7	4.7	-1.2	32.9	1.6
FTSE EPRA/NAREIT Developed Asia Index	20.0	7.4	-2.0	37.1	-1.0
Sector return	11.8	3.8	4.0	9.5	7.3

Cumulative Performance (% in GBP) to 30 September 2019

	Since Inception	10 yrs	5 yrs	3 yrs	1 yr	YTD	6 mths	3 mths
First State Asian Property Securities Fund	114.3	119.9	64.4	21.7	17.7	18.2	5.9	2.2
FTSE EPRA/NAREIT Developed Asia Index	164.0	148.4	71.4	26.3	20.0	18.3	5.8	2.7
Sector return	103.6	135.0	54.8	19.9	11.8	16.8	6.9	5.4

Calendar Year Performance (% in GBP) to 30 September 2019



These figures refer to the past. Past performance is not a reliable indicator of future results. For investors based in countries with currencies other than GBP, the return may increase or decrease as a result of currency fluctuations. Since inception performance figures have been calculated from 12 September 2006. All performance data for the First State Asian Property Securities Fund Class A (Accumulation) GBP as at 30 September 2019. Source for fund - Lipper IM / First State Investments (UK) Limited. Performance data is calculated on a net basis by deducting fees incurred at fund level (e.g. the management and administration fee) and other costs charged to the fund (e.g. transaction and custody costs), save that it does not take account of initial charges or switching fees (if any). Income reinvested is included on a net of tax basis. Source for benchmark - FTSE, income reinvested net of tax.

Sector returns calculated by Lipper and denote the arithmetic mean performance of funds in the relevant UK's Investment Association Sector.

Commentary
30 September 2019

Market Review

The FTSE EPRA/NAREIT Developed Asia Index (in GBP terms) returned 2.7% in the September quarter, underperforming the broader equities market by 1.3% (MSCI World Index in GBP terms). All following index returns are expressed in local currency.

During the quarter, lower bond yields continued to support REIT valuations, as US 10 year treasury yields fell another 34 basis points to close the quarter at 1.66% (even after yields jumped 17 basis points in September), driven by rising concerns over slowing global growth. Political influences also continued to drive Asian listed property markets, including - but not limited to - the ongoing US/China trade war, and the persistent turmoil in Hong Kong.

Japan (+10.7%) was comfortably the best performing market in the Asia-Pacific region. Both JREITs (+13.4%) and Japanese developers (+7.9%) posted strong gains for the quarter. The Japanese market continues to be supported by low (negative) interest rates, with 10 year Japanese Government Bond yields trading at -0.22% at quarter end, while the domestic economy is showing moderate growth, although very weak imports and exports reflect the slowing Chinese economy. Inflation remains muted and softened marginally from last month. The Tokyo office market continued to display steady rental growth, with rents at the end of August up 0.6% MoM and 7.4% YoY, while office vacancies remain incredibly tight at 1.7% across Tokyo.

Hong Kong (-13.6%) was by far the worst performing listed property market in the region for the quarter. The region continued to be significantly impacted by the ongoing US/China trade war and the persisting demonstrations in Hong Kong, which continue to impact tourist arrivals and local consumers spending patterns, and is therefore having knock-on effects throughout the domestic economy.

Fund Activity

During the quarter we up-weighted our exposure to Dexus, primarily due to expectations that operating metrics will remain strong in the Sydney and Melbourne office markets.

We also established a position in CapitaLand, one of Asia's largest diversified real estate groups. CapitaLand has just completed the S$5 billion acquisition of Ascendas, and is expected to be very active in the next 12 months in divesting assets into its REIT portfolio, and therefore, realising embedded capital gains.

In the quarter we also introduced Frasers Commercial Trust into the Fund, which has a portfolio of offices and business parks in Singapore, the UK and Australia. The stock has lagged the SREIT sector historically, offers a 6% distribution yield and is trading around its intrinsic (real estate) value.

We down-weighted our exposure to Vicinity Centres to an underweight position during the quarter. The near-term outlook for retail sales remains challenged, which is likely to impact leasing spreads across the REITs specialty tenant portfolio. There are also no material near-term price catalysts now that Vicinity has indefinitely deferred further asset sales.

We also reduced the size of our position in GPT, after its recent pricing strength, which followed its $800 million equity raising, and resulted in the stock trading at a less compelling relative valuation. This justified the partial sale of our holdings to fund other opportunities.

During the quarter we also exited from our position in Scentre Group. The retail landlord released its interim results in August, which highlighted soft operating metrics, including leasing spreads of -4.8%. Given the ongoing structural and cyclical headwinds that are challenging the stock, we took the opportunity to exit from our position in the name.

Commentary
30 September 2019

Outlook

Our overall strategy in Asia is to have a balanced portfolio with a focus on quality defensive names, and some with strong growth potential in the region.

In Japan, we continue to hold exposure to Logistics REITs, B grade offices and Hotels. Japanese Logistics REITs are continuing to see strong demand from e-commerce and third party logistics (3PL) tenants. B grade offices continue to experience very strong rental growth, and good supply dynamics. With market rents having risen for 69 sequential months now, there is embedded earnings growth from in place rents lagging the market. Hotels will continue to benefit from very strong growth in tourism arrivals, as we head towards the 2020 Olympics. We also continue to hold exposure to Japanese developers, particularly Mitsui Fudosan, which has a strong office portfolio and is seeing earnings growth from its development pipeline and asset sales.

The Singaporean economy has started to come under pressure, given its role in Asian trade, which is being materially impacted by the ongoing US/China trade war. Office market rents have been growing since 1Q17 and are expected to flatten into 2020. We are watching the co-working spaces for signs of stress, given that it has been around 50% of net absorption in recent years. However, in the long term, we expect the sub-sector to remain supported on the margins by tenants preferring Singapore to Hong Kong for their expansion plans. Business parks continue to operate well, reflecting government policy support, and the desire from tech firms for campus style facilities. Retail rents remain steady. We continue to invest in selected developers and SREITs with a bias to office/business park exposures.

In Hong Kong, escalating trade tensions continue to be the major risk to the local economy and equity market. In addition, the socio-political unrest in Hong Kong has also been persisting longer than expected. The conflict is having a significant impact on inbound visitation and Hong Kong retail sales. We are forecasting double-digit declines in retail sales well into November, with the likelihood of a bleak year-end holiday season. We also anticipate that it will take some time to restore tourist's confidence and desire to travel to Hong Kong. The prolonged crisis is having a significant negative impact on small to medium enterprises, which will flow through to the economic health of the city.

Forecasts for the Hong Kong and Chinese economy are bearish for the second half of the year, especially for the Hong Kong retail and lodging sectors. We remain positioned accordingly and continue to focus on defensive names in the current environment of economic uncertainties. Our holdings include property names with low leverage, robust balance sheets and strong cashflow growth.

In Australia, the upcoming September quarter operational updates are expected to have AREITs tracking in line with guidance. Retail names will be in focus as the market looks to observe any potential further deterioration in operating metrics. AREITs with material refinancing in FY20 could receive earnings support due to the ongoing downward shift in official interest rates and bond yields, which could see names reduce their weighted average costs of debt as they refinance their expiring debt at lower rates in the current environment.

The portfolio has varied exposures across self-storage, retail, office, industrial and diversified AREITs, offering a combination of higher yielding retail and more growth expected to continue to deliver positive returns over the medium term. The portfolio is also positioned to absorb broader market volatility through up-weighting to stocks that have historically shown a material degree of defensiveness.

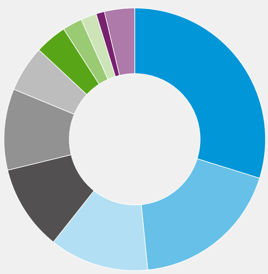
Portfolio Allocation and Stock Holdings

30 September 2019

Ten Largest Holdings as at 30 September 2019

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Sun Hung Kai Properties Ltd	Hong Kong	Diversified Real Estate Activities	6.6	5.1
Dexus	Australia	Office	6.5	2.2
Mitsui Fudosan Co Ltd	Japan	Diversified Real Estate Activities	5.3	5.8
GLP-J Reit	Japan	Industrial	5.1	1.2
Daiwa House Residential Investment Corporation	Japan	Diversified	5.0	1.3
Kenedix Office Investment Corporation	Japan	Diversified	4.7	0.7
Mitsubishi Estate Co Ltd	Japan	Diversified Real Estate Activities	4.5	5.7
Link Real Estate Investment Trust	Hong Kong	Retail	4.4	5.8
LaSalle LOGIPORT REIT	Japan	Industrial	4.0	0.4
Hoshino Resorts Reit	Japan	Hotel & Resort	3.9	0.0

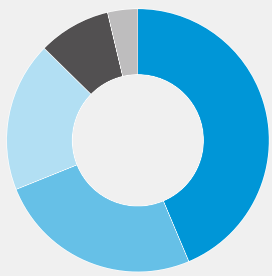
Sector Breakdown



- Diversified Real Estate Activities 29.8% (27.7%*)
- Diversified 18.6% (15.6%*)
- Retail 12.3% (17.5%*)
- Office 10.5% (14.7%*)
- Industrial 10.0% (7.6%*)
- Real Estate Operating Companies 5.7% (6.1%*)
- Hotel & Resort 3.9% (1.8%*)
- Real Estate Development 2.4% (5.7%*)
- Specialized 1.9% (0.4%*)
- Residential 1.0% (3.0%*)
- Cash 3.7% (0.0%*)

*Index Weight

Country Breakdown

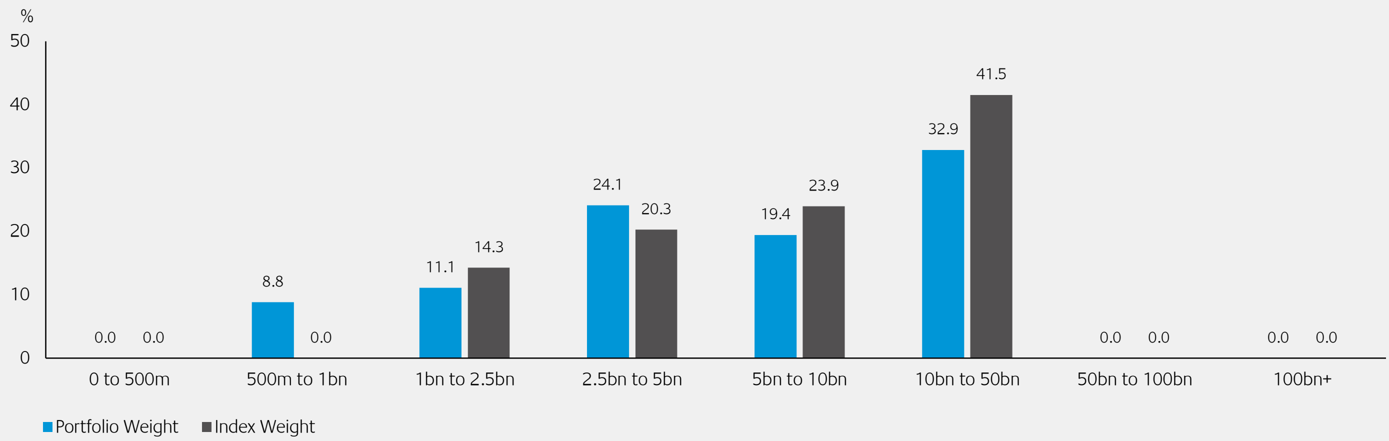


- Japan 43.6% (49.2%*)
- Hong Kong 25.3% (25.0%*)
- Australia 18.4% (14.3%*)
- Singapore 8.9% (11.2%*)
- Other 0.0% (0.4%*)
- Cash 3.7% (0.0%*)

*Index Weight

Sector and Country classifications provided by Factset and First State Investments. The Fund may hold multiple equity securities in the same company, which have been combined to provide the Fund's total position in that company. Index weights, if any, typically include only the main domestic-listed security. The above Fund weightings may or may not include reference to multiple securities.

Market Capitalisation Breakdown (GBP)



Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First State Investments.

Stock Contribution
30 September 2019

Top 5 contributors to absolute performance
3 months to 30 September 2019

Stock Name	Country	Sector	Value added (bps*)
GLP-J Reit	Japan	Industrial REITs	100
LaSalle LOGIPORT REIT	Japan	Industrial REITs	91
Daiwa House Residential Investment Corporation	Japan	Diversified REITs	72
Activia Properties, Inc.	Japan	Diversified REITs	62
Mitsui Fudosan Logistics Park REIT	Japan	Industrial REITs	56

12 months to 30 September 2019

Stock Name	Country	Sector	Value added (bps*)
GLP-J Reit	Japan	Industrial REITs	200
Mapletree Commercial Trust	Singapore	Retail REITs	195
Mitsui Fudosan Logistics Park REIT	Japan	Industrial REITs	159
Kenedix Office Investment Corporation	Japan	Diversified REITs	126
LaSalle LOGIPORT REIT	Japan	Industrial REITs	104

Bottom 5 contributors to absolute performance
3 months to 30 September 2019

Stock name	Country	Sector	Value added (bps*)
Sun Hung Kai Properties Limited	Hong Kong	Diversified Real Estate Activities	-98
Wharf Real Estate Investment Co. Ltd.	Hong Kong	Real Estate Operating Companies	-81
Dexus	Australia	Office REITs	-64
Swire Properties Limited	Hong Kong	Real Estate Operating Companies	-54
Wheelock & Co. Ltd.	Hong Kong	Diversified Real Estate Activities	-49

12 months to 30 September 2019

Stock name	Country	Sector	Value added (bps*)
Dexus	Australia	Office REITs	-40
Wharf Real Estate Investment Co. Ltd.	Hong Kong	Real Estate Operating Companies	-31
Wheelock & Co. Ltd.	Hong Kong	Diversified Real Estate Activities	-22
Swire Properties Limited	Hong Kong	Real Estate Operating Companies	-20
Goodman Group	Australia	Industrial REITs	-13

Stock Contributions show the impact of the individual stock's performance to the total fund performance. These stock contributions show the top 5 and bottom 5 contributors to the fund and are not representative of the performance of the fund as a whole.

These figures refer to the past. Past Performance is not a reliable indicator of future results. For investors based in countries with currencies other than GBP, the return may increase or decrease as a result of currency fluctuation.

This stock information does not constitute any offer or inducement to enter into investment activity.

Contributions are calculated at the investee company level before the deduction of any fees incurred at fund level (e.g. the management and administration

Data source: This information is calculated by First State Investments.

Stock Contribution

30 September 2019

fee) but after deduction of transactional costs. Stocks held/listed in non-index countries have economic activity > 50% from developing economies.

* A basis point is a unit of measure used in finance to describe the percentage change in value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Data source: This information is calculated by First State Investments.

Risk Analysis
30 September 2019

Portfolio Risk Analysis - Ex-Post 3 Years Annualised to 30 September 2019

Risk Measure	Value	Risk Description
Beta	0.97	Beta is a measure of volatility relative to the market. A beta of 1 would indicate that the fund tended to move in line with the market; a beta greater than 1 would indicate that the fund has been more volatile than the market; whereas a beta less than 1 would indicate that the fund has been less volatile than the market.
Information Ratio	0.32	The fund's excess return divided by its tracking error. It is designed to assess a portfolio's performance relative to its level of benchmark risk. The higher the fund's information ratio, the more excess return it generates for each unit of tracking error.
Portfolio Standard Deviation	10.31%	A measure of how much the returns of the fund vary relative to the arithmetical average. The higher the fund's standard deviation, the more its returns tend to deviate from the mean.
Benchmark Standard Deviation	10.48%	A measure of how much the returns of the index vary relative to the arithmetical average. The higher the index's standard deviation, the more its returns tend to deviate from the mean.
Tracking Error	2.02%	The standard deviation of the difference between the fund's returns and those of the index. The higher the fund's tracking error, the more its performance relative to the benchmark may vary.

Portfolio Risk Analysis - Ex-Ante at 30 September 2019

Risk Measure	Value	Risk Description
Dividend Yield (Fund)	3.62%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Dividend Yield (Index)	3.50%	The annual dividend yield paid per share divided by the share price. This factor measure the value of company shares according to the stream of dividend income resulting from share ownership.
Price to Book (Fund)	0.95	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Book (Index)	1.01	The ratio of the company's book value (the sum of shareholders' equity plus accumulated retained earnings from the P & L account) to its share price. This factor has been one of the most successful measures of the intrinsic value of company shares.
Price to Earnings (Fund)	12.60	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.
Price to Earnings (Index)	13.66	Annual earnings (adjusted for amortizations of intangibles, extraordinary charges and credits) per share divided by the share price. This factor measures the worth of a company's ability to support each share with after tax earnings.

Data source: Ex-Post information is calculated by First State Investments, Ex-Ante information is provided by FactSet.

Disclaimer
30 September 2019

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References to "we" or "us" are references to First State Investments.

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