First State Dividend Advantage
Quarterly Investment Report

31 March 2018

Investment objective and strategy
To invest all or substantially all of its assets in the First State Asian Equity Plus Fund, a Dublin-domiciled fund.

Fund Information

Fund Size (S$m)	2,249.5
Benchmark	MSCI AC Asia Pacific ex Japan Index
Number Of Holdings	69

Available share classes

Share class	Inception date	Nav/per share	Distribution frequency‡	ISIN code
Class A (Dist)	20 December 2004	S$1.8983	Quarterly	SG9999002083

‡Dividends are not guaranteed and may be paid out of capital.

About First State Stewart Asia
First State Stewart Asia (FSSA) is an autonomous investment management team within First State Investments, with offices in Hong Kong, Singapore and Edinburgh.

FSSA are Asia Pacific specialists, managing US$25.0billion* across a range of single country and regional Asia Pacific equity strategies on behalf of institutional and wholesale clients globally.

The team has achieved relatively outstanding risk-adjusted returns in this asset class over the long-term and are recognised for their conservative, long-term investment approach.

* Source: First State Investments as at 31 March 2018.

Our Investment Philosophy
Our investment philosophy is founded on the concept of stewardship. Most importantly we invest our clients' funds as if they were our own. Underpinning this is the belief that investment ought to have a social purpose, this being the efficient allocation of clients' assets to high quality companies at sensible prices.

Our approach has a number of key features:

- Absolute return mind-set
- Long-term investing
- Bottom-up stock selection
- Quality companies
- Sensible valuations
- Benchmark indifference

Performance | 31 March 2018

Cumulative performance in SGD (%)

	Since incept.	5yrs	3yrs	1yr	3mths
Fund (Ex initial charges)	258.7	64.1	21.7	16.4	-0.8
Fund (Inc initial charges)	240.8	55.9	15.6	10.6	-5.7
Benchmark	166.8	47.1	21.6	13.6	-2.4

Annualised performance in SGD (%)

	Since incept.	10yrs	5yrs	3yrs	1yr
Fund (Ex initial charges)	10.1	7.8	10.4	6.8	16.4
Fund (Inc initial charges)	9.7	7.3	9.3	5.0	10.6
Benchmark	7.7	4.9	8.0	6.7	13.6

^ The performance prior to 18 Oct 02 is in relation to the Fund before its conversion to a feeder fund.

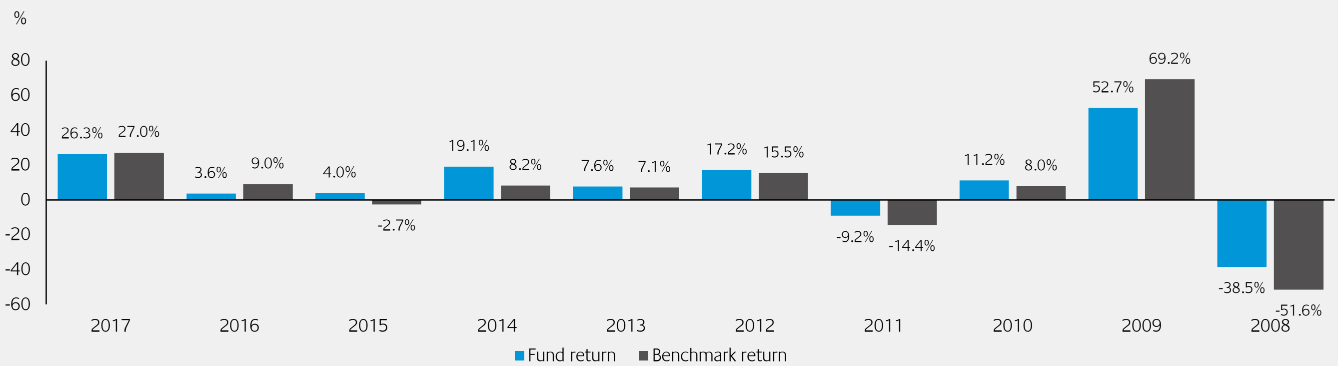
Market Review

The MSCI AC Asia Pacific ex-Japan Index decreased in US dollar terms, amid a volatile quarter. Indonesia and the Philippines both underperformed – foreign investors have been selling down Indonesian equities (with US$1bn of outflows in March alone), while the Philippine market declined due to concerns around higher inflation and a weakening currency. Thailand was among the best performing markets, boosted by rising oil prices and improvements in the economy. Malaysia also outperformed, proving to be relatively defensive amid the global market rout.

Performance Review

On portfolio holdings, Taiwan Semiconductor (TSMC) has executed well; and continues to benefit from the growing demand for smaller and more powerful wafer chips in today's technology-driven world. ENN Energy outperformed, driven by growth expectations for the year ahead. China's environmental policies and "coal-to-gas" projects for local governments should continue to fuel higher levels of gas consumption. On the negative side, Minth Group weakened on softer than expected results and fears of US protectionism impacting its North American business, while Ramsay Health Care declined despite solid operations in Australia due to weaker demand conditions offshore.

Calendar Year Performance (% in SGD) to 31 March 2018



Source: Lipper and First State Investments, single pricing basis with net income reinvested. Unless otherwise specified, all information contained in this document is as at 31 March 2018. Investment involves risks, past performance is not a guide to future performance.

Portfolio Review

We initiated a position in Bosch (India), the market leader in fuel injection systems in India. Bosch has a dominant franchise, with more than 50% market share in most segments that it operates in. We believe there is significant growth potential from increased regulation on emission standards – the introduction of 'BS4' in 2017 led to double-digit growth in diesel and gasoline fuel injection systems; 'BS6', which is scheduled to come into effect in 2020, should grow the addressable market substantially. We also purchased Nippon Paint, a high quality franchise with a dominant ASEAN and North Asia business. We believe the new and strongly-incentivised CEO, who is focused on maximising shareholder returns, should result in improved operations and expanded sales in Asia, where it currently earns more than half of its profits.

We divested Lupin on concerns around the challenging environment in the US generics market.

Stock Spotlight

Over the long-term, we expect healthcare spending in the Asia Pacific region to grow significantly. An increasingly ageing population as well as progress towards universal healthcare coverage will place greater demands on healthcare infrastructure and treatments. Although the rise in healthcare spending is a global trend and projected to reach US$8.7 trillion by 2020, we believe emerging and lower-income countries are likely to drive the rise in healthcare expenditures.

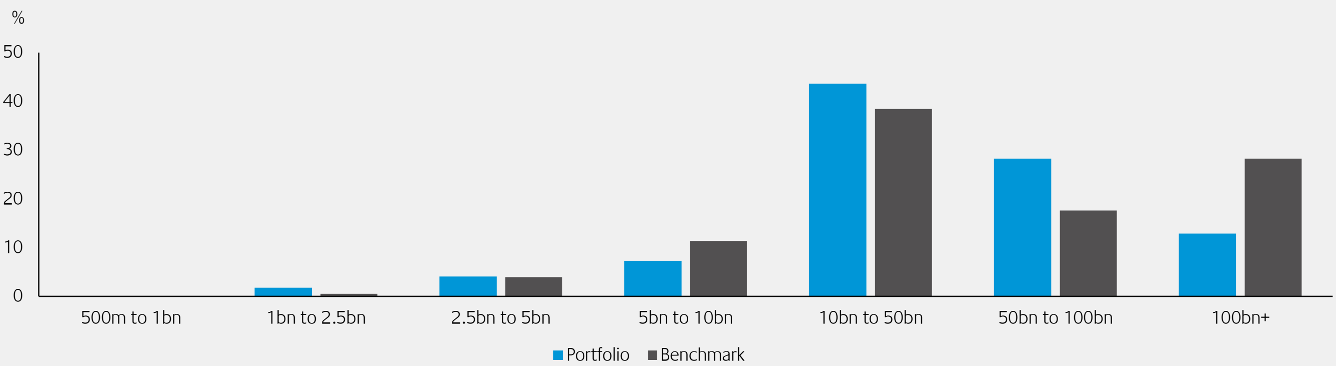
Among our top Healthcare exposures across the region is **CSL Ltd**. A global franchise, whose roots go back more than 100 years, CSL develops, manufactures and markets pharmaceutical products of biological origin. Its two main business areas are (1) plasma therapeutics which involves the separation of raw plasma (i.e. plasma fractionation) for key proteins, which helps treat bleeding disorders and infections and (2) vaccines for influenza and HPV (for cervical cancer).

There are currently no alternatives to plasma derivatives. We expect usage to continue to increase, as access to treatment improves and plasma-derived products are used to treat more types of diseases. CSL spends around 10-11% of revenue on R&D, of which two-thirds is spent on developing new products, building a strong pipeline of future revenue drivers. One of CSL's key drugs currently under trial is "CSL112", a formulation of plasma designed to reduce the rate of recurrent heart attacks. Heart disease remains the number one global cause of death, with 17.3 million deaths each year.

We believe CSL's vaccine business is also likely to benefit from increased demand, with rising healthcare access and improved affordability, as well as subsidised immunisation for the elderly. Seqirus, which was acquired from Novartis in 2014, is expected to break even this year and contribute 20% of group revenues by 2020.

Management are strong, stable and focussed on the safety and security of CSL products. The company is highly cash-generative and has maintained a strong track record of returning value to shareholders. The company has grown earnings at around 10% for the last five years, with return-on-equity of 44%. We believe CSL, with its high-quality, global franchise, is well-placed to benefit from the long-term growth in health care spending.

Market Capitalisation Breakdown (SGD)



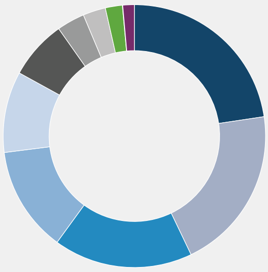
Data source: For illustration purposes only. Portfolio weights may not add up to 100% as cash holdings are excluded and full coverage of stocks is not always available. This information is calculated by First State Investments. Past performance is not indicative of future performance. Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same. All securities mentioned herein may or may not form part of the holdings of First State Investments' portfolios at a certain point in time, and the holdings may change over time.

Portfolio Allocation | 31 March 2018

Ten Largest Holdings as at 31 March 2018

Stock Name	Country	Sector	Portfolio Weight (%)	Index Weight (%)
Taiwan Semiconductor (TSMC)	Taiwan	Information Technology	5.8	3.6
HDFC Bank Limited	India	Financials	4.0	0.0
Housing Development Finance Corporation Limited	India	Financials	3.6	0.7
CSL Limited	Australia	Health Care	3.4	0.9
Oversea-Chinese Banking Corporation	Singapore	Financials	3.3	0.5
Midea Group Co Ltd	China	Consumer Discretionary	3.3	0.0
Samsung Electronics Co Ltd Pfd NV	South Korea	Information Technology	3.0	0.6
ENN Energy Holdings Limited	China	Utilities	2.4	0.1
AIA Group Limited	Hong Kong	Financials	2.2	1.8
Dairy Farm International Holdings	Hong Kong	Consumer Staples	1.9	0.0

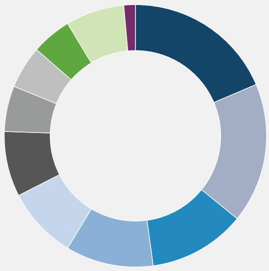
Sector Breakdown+



- Financials **22.6%** (26.3%*)
- Information Technology **20.3%** (26.7%*)
- Consumer Staples **17.1%** (5.1%*)
- Consumer Discretionary **13.0%** (7.8%*)
- Industrials **10.0%** (6.5%*)
- Health Care **7.2%** (3.8%*)
- Utilities **3.4%** (2.8%*)
- Real Estate **2.8%** (6.2%*)
- Materials **2.1%** (6.8%*)
- Other **0.0%** (8.0%*)
- Cash **1.4%** (0.0%*)

*Benchmark weight

Country Breakdown+



- India **18.6%** (7.8%*)
- China **17.3%** (28.7%*)
- Hong Kong **12.0%** (9.2%*)
- Taiwan **10.8%** (11.3%*)
- Japan **8.8%** (0.0%*)
- South Korea **8.0%** (14.5%*)
- Australia **5.6%** (16.9%*)
- Philippines **5.3%** (1.0%*)
- Singapore **4.9%** (3.5%*)
- Other **7.2%** (7.2%*)
- Cash **1.4%** (0.0%*)

*Benchmark weight

Sector and Country classifications provided by Factset and First State Investments.

+ Allocation percentage is rounded to the nearest one decimal place and the total allocation percentage may not add up to 100%.

Outlook

Although 2017 saw a strong recovery in global growth which was reflected in solid share price performance by Asian companies, we remain cautious in our outlook for the coming year. The threat of US import tariffs has reignited concerns around a trade war, particularly as 'tit-for-tat' measures between the US and China have the potential to escalate into a global economic rout. Accordingly, we are mindful of the impact on Asian exporter companies, which could be hard-hit in the event of a retrenchment in global trade. Meanwhile, interest rate hikes have become more imminent, which could pose considerable risk for companies that have over-leveraged. Debt levels cannot continue to rise forever, but this will perhaps not become too obvious until interest rates normalise. Having said that, inflation levels in Asia are still relatively benign, which eases the pressure for Asian central banks to follow the US Federal Reserve's tightening measures. Against this backdrop, we continue with our process of seeking our high quality companies using a bottom-up approach. Earnings growth trends are still reasonably positive and quality companies should provide investors with decent growth and returns over the long term.

Our long-term investment themes:

-Dominant consumer franchises such as Dairy Farm International and Vitasoy.

-Companies that should benefit from the rise in health care spending: CSL and Ramsay Health Care.

-Smart technology and automation companies: Advantech and Taiwan Semiconductor on the consumer side; as well as industrial automation companies such as Delta Electronics and Keyence Corp on the manufacturing side.

-Experienced capital allocators such as CK Hutchison Holdings and Jardine Matheson.

-Global leaders in their fields such as Minth Group and Fuyao Glass.

-Conservative banks with growing market share such as HDFC Bank and Kasikornbank.