

**MEDIA RELEASE**

**14th September 2011**

## **First State celebrates 10 years in the UK and Europe**

Three leading fund managers at First State Investments ('First State'), Angus Tulloch, Joanne Warner and Marcus Ayre, gave their views on the past and future of global emerging markets (GEM), global resources and unlisted infrastructure respectively as the group marked its 10<sup>th</sup> anniversary of trading under the First State brand in the UK and Europe.

**Gary Withers**, Regional Managing Director for EMEA at First State comments:

'First State has had a very successful 10 years despite some volatile market conditions. When First State was formed at the end of the summer of 2001, our business's total assets under management (AUM) stood at £6.1bn and our flagship First State Asia Pacific Fund, managed by Angus Tulloch, was £129.1m. Today we have £34bn of AUM in EMEA and Asia and Angus leads a 27-strong Asia Pacific/GEM team which now manages in excess of £21bn of assets from wholesale and institutional clients\*.' \*Data as at the end of July 2011

'We are delighted that our long-term investment approach has proven successful and are pleased by the recognition we have received for the excellent performance across our product range, including Asia Pacific/GEM funds, the First State Global Resources Fund and the First State Global Property Securities Fund. Our institutional European unlisted infrastructure investment strategy has also been recognised for its performance and strong alignment with clients' interests.'

In this year alone, First State has received almost 50 awards in the UK and the rest of Europe, both at the corporate and individual fund level. First State has recently announced it is establishing a capability in Emerging Markets Debt, building on its success in Emerging Markets equities.

At a media event held in London yesterday, three leading fund managers at First State reflected on the evolution of their markets and talked about their future outlook.

### **Asia Pacific / Global Emerging Markets**

**Angus Tulloch**, manager of the **First State Asia Pacific Leaders Fund**, said that GEM is rapidly developing into an asset class with a much broader appeal to investors than it had 10 years ago:

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'The nature of emerging markets in terms of both country and sector allocations has changed beyond recognition. For instance, in 1992 neither China nor India was represented in the GEM benchmark index, while banks and breweries dominated the asset class.

'The last few years of the 20th Century were inundated with financial crises and economic recessions. However, in the past ten years we have seen a strong recovery and, as emerging markets matured and became more important, investors began to view GEM more as a 'mainstream' asset class, rather than a 'specialist' one. More recently, the case for looking at companies listed in developed markets but with a significant and expanding presence in developing economies, has become more compelling.

'Helped by above-average economic growth rates, global emerging markets continue to evolve rapidly as an asset class. As always, it will be a two-steps-forward and one-step-back process. However, we remain convinced that our focus on investing in quality growth companies at sensible valuations will stand our investors in good stead through all market conditions.'

### **Global Resources**

Global Resources has emerged as a notable investment theme over the past 10 years. **Joanne Warner**, manager of the **First State Global Resources Fund**, said that the long-term growth story in the global resources sector has been supported by favourable demographics, a growing middle class and low levels of personal and government debt in developing markets compared to the developed countries of the West:

'Supply and demand dynamics strengthened considerably during the last decade. Over the past few years, the overall demand for raw materials has remained relatively robust despite cooling in demand from the developed world, with China dramatically gaining market share. China now dominates not only the global production of crude steel but also its consumption, with 572 million tonnes of steel consumed in 2009 compared to just 274 million tonnes for the whole of the developed world and 388 million tonnes for all other emerging economies. We believe that this trend will continue.

'When it comes to soft commodities, the world has consumed more grain than it has been able to produce in seven out of the past eleven years. This has left inventories of this key staple at historically low levels and caused a sharp response in soft commodity prices. These higher prices are now incentivising farmers to maximise their acreage and yields, resulting in strong demand for farm inputs like fertilizers, seeds and farm equipment.

‘China and India are experiencing a structural shift in their economies and the wealth of their populations. Despite entering this positive secular trend some years ago we believe the trend will continue. However, economies can experience business cycles within the structural trend as we saw in 2008. Rather than bet on commodity prices, which are notoriously volatile and unpredictable, investing in high margin businesses which are capable of growing their production volumes should deliver strong returns over the long-term.’

### **European unlisted infrastructure**

Unlisted infrastructure is another asset class which has seen major changes over the past decade. According to **Marcus Ayre, Head of European Infrastructure Transactions** at First State, unlisted infrastructure will continue to win its place in pension fund and institutional portfolios due to its attractive return characteristics:

‘Ten years ago unlisted infrastructure was a highly specialist investment area which existed in only a handful of countries, including the UK, Australia and Canada and was the domain of institutional asset managers focusing primarily on investors in their domestic markets. Today it is a highly globalised, firmly established and rapidly growing asset class with dedicated allocations from well-established pension funds and large institutional investors. The unlisted infrastructure asset class is coming of age and we are confident about its future. In an age when stable predictable income is at a premium, pension funds and institutional investors are increasingly drawn to long duration infrastructure assets that provide essential services and are characterised by returns which are lowly correlated to other asset classes, including equities, bonds and direct property.

‘Faced with ongoing budgetary constraints, OECD public sector spending for infrastructure continues to decline. Yet the requirements for infrastructure investment are increasing as existing assets need to be maintained and upgraded. Therefore we expect to see a continued growing pipeline of opportunities in infrastructure and anticipate that the private sector will play an increasing role in this area.’

-ENDS-

### **Notes to editors:**

1. Eleven years ago, the fund management business of the Commonwealth Bank of Australia (CBA) established its footprint in the UK and Europe by acquiring Edinburgh-based fund manager Stewart Ivory & Company. Formed in 1985 by the merger of Stewart Fund Managers Limited and

Ivory & Co, Stewart Ivory can trace its roots to the establishment of The Scottish American Investment Company, one of the oldest investment trusts, in 1873.

A few months after its acquisition of Stewart Ivory in 2000, CBA bought the Colonial Group, an Australian financial services business with offshore operations in Hong Kong and London.

Finally, in the summer of 2001, the Edinburgh and London businesses were combined and rebranded as First State Investments.

2. Awards received by First State in 2011 include ‘**Best Specialist Fund House**’ from Morningstar in the UK, Germany and Austria; ‘**Large Group Award (Non UK Equity)**’ from Lipper UK; ‘**Best International Equity Group**’ and ‘**Best Fund Management Group (Small)**’ from *Professional Adviser*; ‘**Best Large Equity Promoter**’ from Lipper France; and ‘**Best Fund Management Group**’ from *What Investment?* magazine. Many of First State’s products picked up their own awards, including funds with **Asia Pacific/GEM**, **First State Global Resources**, **First State Global Property Securities** and **European unlisted infrastructure** strategies.

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**About First State Investments**

First State Investments provides specialist asset management services to wholesale and institutional investors across a diverse range of asset classes, including Asia Pacific and global emerging market equities, global equities, property securities, infrastructure and global natural resources. First State has more than 190 staff in London and Edinburgh and provides a range of specialist investment products to investors. First State is part of Colonial First State Global Asset Management, the consolidated asset management business of the Commonwealth Bank of Australia. Colonial First State Global Asset Management is Australia’s largest fund manager. It has offices in Sydney, New York, London, Edinburgh, Hong Kong, Singapore, Jakarta and Tokyo. Colonial First State Global Asset Management is a signatory to the United Nations’ Principles for Responsible Investment, a voluntary program which encourages best practice in environmental, social and corporate governance issues.

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