First State Investments

First State Investments High Yield

Q3 2019 | Co-Portfolio Managers: Matt Philo & Jason Epstein

RISK FACTORS

This document is a financial promotion for The First State High Yield Strategy. This information is for professional clients only 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 significantly less than the original amount invested.**
- **Currency risk:** Changes in exchange rates will affect the value of assets which are denominated in other currencies.
- **Credit risk:** The issuers of bonds or similar investments may not pay income or repay capital when due.
- **Interest rate risk:** Interest rates affect the value of investments; if rates go up, the value of investments fall and vice versa.
- **Currency hedged share class risk:** Hedging transactions are designed to reduce currency risk for investors. There is no guarantee that the hedging will be totally successful or that it can eliminate currency risk entirely.
- **Derivative risk:** The use of derivatives may result in gains or losses that are greater than an investment in the underlying asset.
- **Below investment grade risk:** Below investment grade debt securities are speculative and involve a greater risk of default and price changes than investment grade debt securities due to changes in the issuer's creditworthiness. In periods of general economic difficulty, the market prices may fluctuate and decline significantly.

Reference to specific securities or companies (if any) are included to explain the investment strategy and should not be construed as investment advice, or a recommendation to invest in any of those companies.

There are currently no investment funds available for this strategy in the EEA. Please contact your sales representative for more details.

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

"The fact that an opinion has been widely held is no evidence whatever that it is not utterly absurd."

– Bertrand Russell

Thoughts on the Market

The ***U.S. High Yield market***, as represented by the ICE BofAML US High Yield Constrained Index (HUC0) posted a +1.22% total return during Q3'19, on the heels of the particularly strong, +10.16% total return of 1H'19.

The most prominent dynamic in the fixed income markets continued during Q3: the decline in ***U.S. Treasury rates. Exhibit 1, below*** highlights the strength in the UST 10-Year, and the resultant strength in ***Investment Grade*** ('IG') corporates, as represented by the ICE BofAML US Corporate Index (C0A0).

IG corporates pulled ahead of ***HY corporates*** in terms of YTD total return: +12.9% versus +11.5%, respectively. This +1.4% outperformance was driven by a +3.3% stronger price advance, offset by a 1.9% income disadvantage. Obviously, IG corporates are much more rate sensitive than HY corporates, as evidenced by a spread duration of 7.49 versus just 3.08, respectively.

Other notable asset class trends during Q3'19 included: ► a meaningful slowdown in the advance of U.S. equities, and ► modest negative total returns (the first "red ink" since Q4'18) by ***EM stocks,*** as represented by the MSCI Emerging Markets Index; ***EM High Yield corporates,*** as represented by the ICE BofAML High Yield Emerging Markets Corporate Plus Index, and ***CCC-rated High yield corporates,*** as represented by the ICE BofAML CCC and Lower US High Yield Constrained Index.

Exhibit 1: Returns of Various Assets

Asset Class	YTD'19	3Q'19	2Q'19	1Q'19	CY2018	CY2017
S&P 500	**20.55%**	1.70%	4.30%	13.65%	**-4.38%**	**21.83%**
Emerging Market Stocks	5.89%	-4.25%	0.61%	9.91%	-14.57%	37.28%
10-Year US Treasury	**10.87%**	3.18%	4.23%	3.10%	-0.03%	2.07%
Investment Grade Corp	12.94%	3.07%	4.35%	5.01%	-2.25%	6.48%
US High Yield Corp Bonds	**11.50%**	1.22%	2.57%	7.40%	**-2.26%**	**7.48%**
Leveraged Loans	6.67%	1.03%	1.63%	3.89%	1.08%	4.25%
Euro High Yield Corps	9.13%	1.30%	2.33%	5.28%	-3.63%	6.74%
EM High Yield Corps	8.73%	-0.45%	3.15%	5.89%	-2.55%	9.66%
US High Yield by Rating						
BB US High Yield Corps	13.04%	2.05%	3.17%	7.36%	-2.57%	7.25%
B US High Yield Corps	11.05%	1.11%	2.31%	7.35%	-1.72%	6.86%
CCC US High Yield Corps	**5.92%**	**-2.38%**	**0.58%**	7.89%	**-4.91%**	9.26%

Source: JP Morgan, ICE BAML

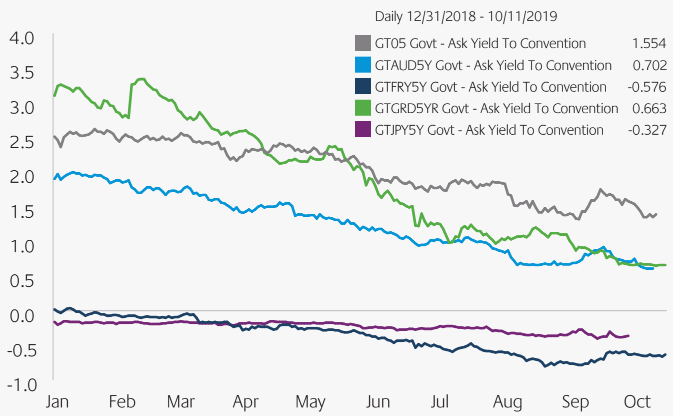
Discrete Annual Performance Summary

Period	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
S&P 500	4.25%	17.91%	18.61%	15.43%	-0.61%
Emerging Market Stocks	-2.02%	-0.81%	22.46%	16.78%	-19.28%
10-Year US Treasury	15.15%	-4.02%	-4.61%	5.59%	6.03%
Investment Grade Corp	12.87%	-1.10%	2.27%	8.50%	1.36%
US High Yield Corp Bonds	6.30%	2.94%	9.06%	12.82%	-3.57%
Leverage Loans	3.30%	5.67%	5.20%	5.69%	2.18%
Euro High Yield Corps	5.22%	0.70%	7.89%	8.47%	0.24%
EM High Yield Corps	8.48%	-1.64%	8.94%	19.23%	-6.10%
BB US High Yield Corps	9.60%	0.88%	7.60%	12.36%	-0.23%
B US High Yield Corps	5.60%	3.98%	8.46%	11.58%	-4.05%
CCC US High Yield Corps	-5.01%	15.26%	15.26%	18.16%	-12.14%
FTSE Greece WGBI 3-5 Years TR	12.30%	10.10%	0.18%	4.43%	-6.07%

Source: MSCI, JP Morgan, ICE BAML

In our opinion, financial markets have remained resilient for the same, broken-record reason of the past 10-20 years (depending on your view): **Global Central Bank** actions and statements. In last month's commentary we highlighted the synchronous, dovish U-turns by the GCB's: the Fed, the ECB, the BOJ and the PBOC. Our long-held view has been that the massive monetary stimulus of the past decade cannot be reversed. GCBs will not voluntarily stop "QE" (encompassing financial asset purchases, negative interest rates etc.). There will be negative ramifications from this monetary insanity, someday. **Fortunately**, the disciplined implementation of our investment process is largely unaffected by the macro backdrop of an ever expanding global money supply. "Fortunately" because investment strategies that rely on top-down predictions of the next economic recession, and/or credit crunch have been brutal reminders that ***"being early is a lot like being wrong."***

The *following chart* is a depiction of ***the stunning decline in global Sovereign interest rates*** based on just five examples:



Source: FSI & Bloomberg

We see no need to belabor the observation that global interest rates have entered unchartered territory. How many "financial market experts" predicted the Greek 5-Year Gov't bond, that began 2019 at a seemingly suppressed (to us) 3.1%, would enter Q4'19 at 0.67%? We are constantly reminded how quickly humans adjust to new paradigms in all facets of life. "NIRP"* is an exception to that rule, for us. We have not, and may never adjust to negative yielding bonds. I guess we lack "the vision."

* Negative Interest Rate Policy

High Yield Market Commentary

The U.S. ***High Yield market***, as represented by the ICE BofAML US High Yield Constrained Index (HUC0) posted a +1.22% total return during Q3'19, on the heels of the particularly strong, +10.16% total return of 1H'19. The inter-quarter volatility of Q2'19 was largely absent in Q3'19. Each month's return was similar and net-net, +1.56% of total income return was partially offset by very modest -34 bps of price decline. The Energy sector accounts for nearly 15% of the High Yield market's value and West Texas Intermediate (WTI) crude oil was somewhat volatile during the quarter: declining 13% to a low of $51.09/bbl on Aug-7, rebounding to $62.90 on Sep-16, only to end the quarter back at $54/bbl. We find this interesting territory for the price of WTI crude oil as most U.S. shale producers require $50/bbl pricing to survive, long-term. As a result, it makes some sense that high yield energy credits experience high price volatility any time oil breaks the $50/bbl level. We feel we have learned to take advantage of the sector's price volatility, within the context of our investment process; the details of which we are happy to share with our present, past or prospective clients. which we are happy to share with our present, past or prospective clients.

High Yield Composites - Annualized

As of September 30, 2019	Fixed Income Composites - Annualized						Inception April 30, 2017	
	Q3'19	2Q'19	1Q'19	YTD'19	12 mths to 30/09/2019	12 mths to 30/09/2018	2018	Since Inception (Annualized)
Broad High Yield	**2.07%**	**3.01%**	**7.49%**	**13.02%**	**7.80%**	**3.95%**	**-1.62%**	**6.26%**
ICE BofAML US HY Const Idx	*1.22%*	*2.56%*	*7.40%*	*11.50%*	*6.30%*	*2.94%*	*-2.27%*	*5.10%*
ActivePerformance	*+0.85%*	*+0.45%*	*+0.09%*	*+1.52%*	*+1.50%*	*+1.00%*	*+0.65%*	*+1.16%*
Select High Yield	**2.01%**	**3.06%**	**7.86%**	**13.39%**	**7.21%**	**4.45%**	**-2.06%**	**6.19%**
ICE BofAML US HY Const Idx	*1.22%*	*2.56%*	*7.40%*	*11.50%*	*6.30%*	*2.94%*	*-2.27%*	*5.10%*
ActivePerformance	*+0.78%*	*+0.49%*	*+0.46%*	*+1.89%*	*+0.91%*	*+1.50%*	*+0.21%*	*+1.10%*
Quality High Yield	**2.12%**	**2.97%**	**7.20%**	**12.72%**	**8.04%**	**3.72%**	**-1.34%**	**6.27%**
ICE BofAML BB-B US HY Constr	*1.68%*	*2.82%*	*7.34%*	*12.21%*	*7.87%*	*2.29%*	*-2.04%*	*5.41%*
ActivePerformance	*+0.45%*	*-0.15%*	*-0.14%*	*+0.51%*	*+0.17%*	*+1.43%*	*+0.71%*	*+0.86%*
Short Duration High Yield	**1.37%**	**1.76%**	**5.22%**	**8.54%**	**5.58%**	**3.75%**	**0.53%**	**4.86%**
ICE BAM 1-5 Y BB-B US Cs Py HY	*1.20%*	*1.88%*	*5.49%*	*8.77%*	*5.91%*	*3.73%*	*0.67%*	*4.94%*
ActivePerformance	*+0.17%*	*-0.12%*	*-0.27%*	*-0.22%*	*-0.32%*	*+0.02%*	*-0.15%*	*-0.08%*

Past performance is not a reliable indicator of future performance. The figures of the Broad High Yield Composite are hypothetical and refer to simulated past performance. *The assets within the FSI Select High Yield Composite and the FSI Quality High Yield Composite have been combined to create the FSI Broad High Yield Composite. Composite returns do not reflect the deduction of investment advisory fees. A client's return will be reduced by the investment fees. If a client placed $100,000 under management and a hypothetical gross return of 7% were achieved, the investment assets before fees would have grown to $196,715 in 10 years. However, if an advisory fee of 0.4% were charged, investment assets would have grown to $188,987, or an annual compounded rate of 6.6%. Note: due to rounding percentages may not precisely reflect the absolute figures.*

For the overall High Yield market, accounting for the relative weights of industry sectors, the strongest performers in Q3'19 were Telecommunications, Cable TV & Real Estate. The weakest performing sectors for the overall market were Energy, Metals/Mining and Publishing.

For the quarter, the CCC-rated tranche of the Index sharply underperformed the single-B and BB tranches: -2.38%, +1.11% and +2.05%, respectively. The majority of weakness in CCCs was concentrated in August when U.S. stocks were at quarter lows. However, unlike stocks, CCC's failed to rally back. Among the CCC-rated credits, the offshore drilling sector was among the worst performing industries; we have no exposure to the sector in any of our portfolios. The CCC-sector currently accounts for 11.9% of the broad High Yield index; more on that, later.

Summary:

The **HUC0 Index** began, and ended Q3'19, as follows:

As of **June 30, 2019:**

Yield-to-worst of **6.06%**, spread-to-worst of **+421 bps**, duration-to-worst of 3.4, average price of 98.91

As of **September, 30, 2019:**

Yield-to-worst of **5.87%**, spread-to-worst of **+420 bps,** duration- to-worst of 3.2, average price of 99.16

Portfolio Positioning

The industry sectors producing the biggest impacts within our High Yield Composites are often very different than the overall market, due to our individual credit overweight's and cumulative bond picking results. For our Broad High Yield composite, the industry sectors making the strongest contributions to portfolio performance were **Energy, Basic Industry, and Capital Goods**. Energy performance was the result of superior security selection in **Exploration & Production (E&P)**, and a combination of solid security selection and a meaningful underweight in **Energy Services**. Basic Industry outperformance was primarily due to strong security selection in **Metals/Mining and Building Materials**; in particular, having no exposure to two worsening Coal Mining credits. Capital Goods outperformance was concentrated in **Aerospace/Defense** (e.g. see: *TransDigm in "Positive Contributors"*).

Conversely, the sectors making the weakest contribution to performance included **Consumer Goods, Financials** *(due to our 4.9% underweight relative to the index) and* ***Real Estate*** *(underweight REITS)*. Consumer Goods underperformance was largely from **Food: Wholesale** *(e.g. see: Hearthside in "Negative Contributors")*.

Our team became relatively active in the portfolios during the second half of the quarter. A dozen new credits joined our portfolios via the new issue market, from late-July to mid-September; more than typical for our investment process. In July we were timely net sellers of relative credit risk; a function of simply letting our investment process work.

In general, our largest sector overweight's at quarter end were **Energy: E&P** and **Healthcare: Pharmaceuticals**. However, we were about market weight the overall Energy and Healthcare sectors due to offsetting underweights, elsewhere. Our constant, and largest sector underweight remains Financials. We are also less than half weight **Telecom: Wireline**, but only modestly underweight the overall Telecom sector.

All of our High Yield Composites outperformed their benchmark indexes during 3Q'19. **Broad High Yield, Select High Yield** and **Quality High Yield** have also outperformed YTD'19 and Since Inception. We expect all three of these Core Composites will remain in the top-decile of their respective eVestment peer groups.

Short Duration High Yield has modestly lagged its benchmark index Since Inception, however we are satisfied with performance given the strategy's emphasis on relative safety and low volatility. Additionally, we expect Short Duration High Yield to retain its rank in the top-third of its eVestment peer group.

As Co-Heads of the First State Investments High Yield Group, we want to take this opportunity to thank all of our Team partners for driving our Group's performance, with unusual diligence, cheerfulness and COMPLETE commitment to our investment process. Ours is truly a Team effort, and we've never worked with as talented and cohesive a Team of investment professionals.

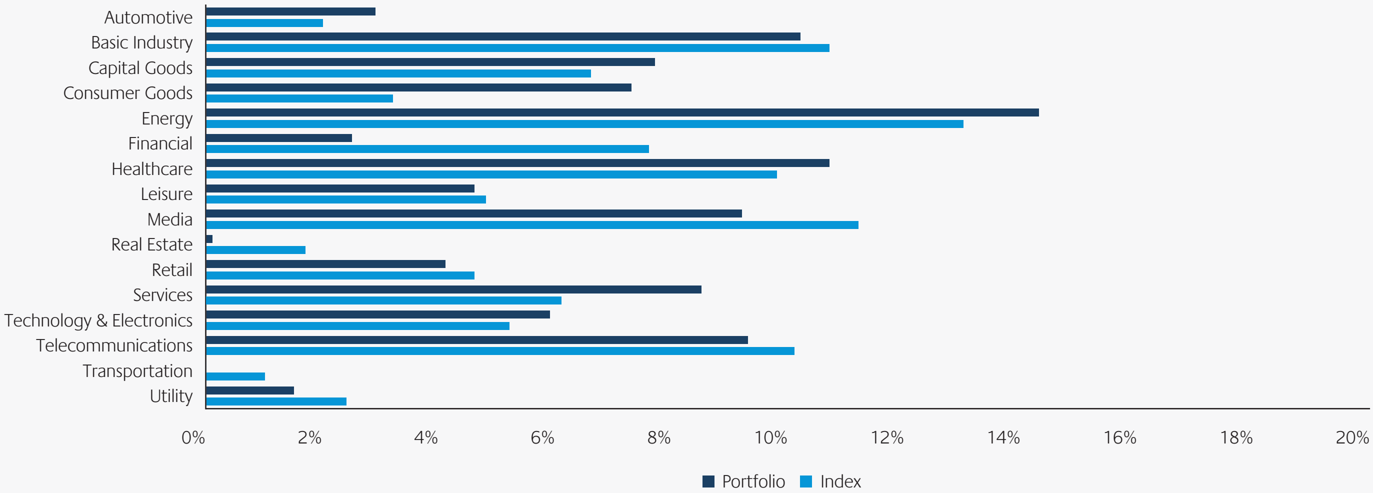
Broad High Yield

Characteristics

	Broad	Index
Yield to Worst	5.58%	5.87%
Spread to Worst	399	420
Duration to Worst	3.42	3.24
# of Issuers	135	
AUM	142	
Avg. Rating	B1/B+	

* Index as of quarter end rebalance

Sector weightings: Portfolio, Benchmark



Breakdown by Rating

	Portfolio
BBB-	2.5
BB+	4.1
BB	22.3
BB-	20.6
B+	18.2
B	14.2
B-	11.7
CCC+	2.1
CCC	2.0
CCC-	0.0
Other*	1.1

* CC, C, D & NR

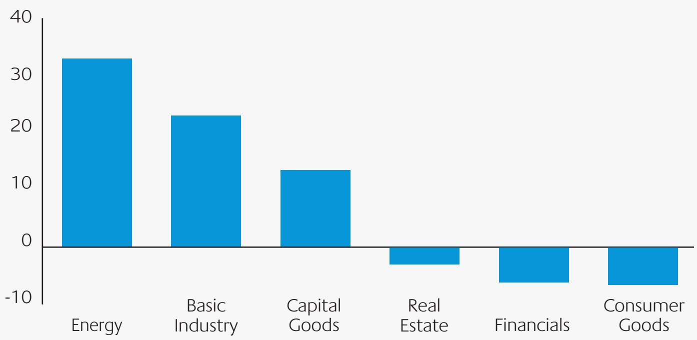
Breakdown by Country

	Risk Contribution %
United States	91.5
Canada	3.1
United Kingdom	1.5
Australia	1.1
Greece	1.0
France	0.9
Italy	0.7
Ireland	0.2

Top 10 Issuers

	Portfolio
Tenet Healthcare	2.5
Bausch Health	2.3
Sprint	2.1
Charter Communications	1.8
US Cellular	1.6
Inmarsat	1.6
Geo Group	1.5
Altice	1.5
Vista Outdoors	1.5
Asurion	1.5

Top 3/Bottom 3 Contribution to Excess Return



* The Broad High Yield strategy is a hypothetical portfolio. The assets of the Select High Yield strategy and the Quality High Yield strategy have been combined to create the characteristics of the Broad High Yield strategy.

Issuer

Positive Contributors (top three):

Transdigm (TDG): During the quarter TDG reported strong fiscal 3Q19 results while management raised the outlook for fiscal 4Q19. While TDG's legacy business continued to perform well, management noted that its latest acquisition Esterline exceeded expectations for the first full quarter of ownership. These results along with the successful divestiture of Esterline's non-aerospace business (raising ~$1.0bn which was largely returned to shareholders via a special dividend) led to the outperformance of the TDG structure.

Sprint (S): Sprint outperformed during the third quarter after a DoJ approval of the merger with T-Mobile. The DoJ approved the deal under conditions that Sprint divest their prepaid businesses and low-band spectrum, along with other remedies, to DISH in order to facilitate the creation of a fourth national wireless competitor. A combination with T-Mobile would result in a larger, more competitive wireless player with better positioning to build out a 5G network than standalone Sprint, despite creating another competitor in DISH. Bonds rallied on the likelihood that the deal will go through with both federal agencies on board, despite a lawsuit from a group of State AGs trying to block the deal.

Albertsons (ACI): The outperformance of ACI guaranteed notes during the quarter was led by the company reporting strong quarterly results that beat most estimates. On the back of these strong results ACI also tapped the capital markets to partially repay its secured term loan debt with new senior guaranteed notes due 2028. As the credit story continues to improve, management revisited the possibility of an IPO filing in the near term, giving an extra boost to the structure.

Negative Contributors (bottom three):

Hearthside (HEFOSO): Hearthside underperformed after reporting a disappointing second quarter result. While management continues to extract synergies from the recently acquired Greencore assets, the legacy business has declined due to SKU churn and timing of new business wins. Further, the Company continues to struggle with the ramp of its newly constructed European bar facility on the lack of skilled labor availability. Given the amount of secured debt in the capital structure, we saw the potential for further meaningful downside in the bonds and consequently exited the position for the time being. We remain constructive on the overall co-packing business and expect to reevaluate an entry point at lower levels.

Chesapeake Energy (CHK): Chesapeake underperformed during the third quarter after reporting disappointing results, notably putting forth comments that implied at current strip prices the company would likely continue to be free cash flow negative in 2020. Further, the collapse of the natural gas futures curve dragged on the cash flow from the company's legacy natural gas assets, creating further concern regarding the company's solvency in the medium term.

Antero Midstream (AM): Antero Midstream underperformed during the third quarter as credit concerns at the company's E&P sponsor Antero Resources dragged on sentiment around the midstream entity. At current natural gas prices, Antero Resources looks set to be forced to cut capex in 2020 with investors increasingly concerned by the company's higher cost structure and NGL focus amidst a collapse in the global natural gas and NGL markets. Antero Midstream generates a large portion of its earnings from water facilities used in Antero Resources' drilling program, creating concern that a capex cut by the sponsor could lead to a meaningful decline in Antero Midstream's profits.

Note: Securities discussed are the largest positive and negative contributors for the specific High Yield strategy.

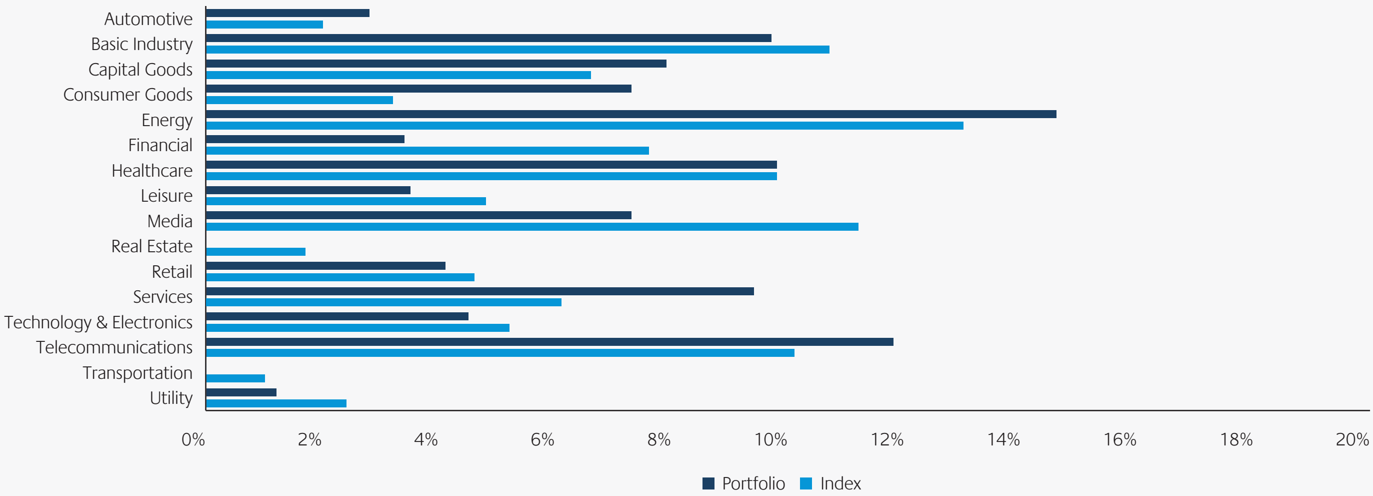
Select High Yield

Characteristics

	Select	Index*
Yield to Worst	5.89%	5.87%
Spread to Worst	427	420
Duration to Worst	3.42	3.24
# of Issuers	116	
AUM	64	
Avg. Rating	B1/B+	

*Index as of quarter end rebalance

Sector weightings: Portfolio, Benchmark



Breakdown by Rating

	Portfolio
BBB-	2.1
BB+	2.9
BB	20.3
BB-	19.4
B+	15.6
B	13.1
B-	13.9
CCC+	4.7
CCC	4.4
CCC-	0.0
Other*	0.8

* CC, C, D & NR

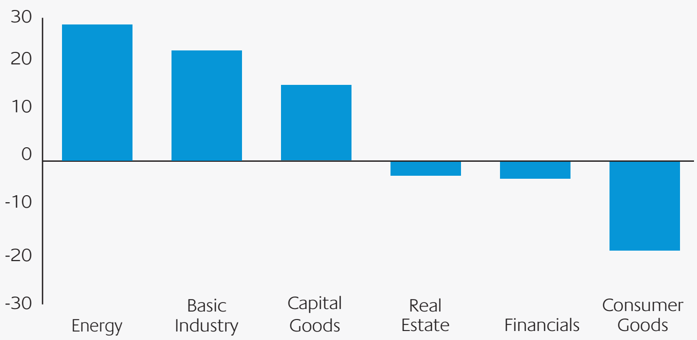
Breakdown by Country

	Risk Contribution %
United States	91.5
Canada	3.2
United Kingdom	1.4
Australia	1.1
Greece	1.0
France	0.7
Italy	0.7
Ireland	0.3

Top 10 Issuers

	Market Value %
Tenet Healthcare	3.0
Bausch Health	2.4
Sprint	2.4
Iridium Communications	2.2
Assured Partners	2.0
Century Link	1.8
Vista Outdoor	1.8
US Cellular	1.8
Geo Group	1.7
Asurion	1.6

Top 3/Bottom 3 Contribution to Excess Return



Issuer

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Tenet Healthcare (THC): The THC structure outperformance in 3Q19 was led by several positive factors including strong patient volume and pricing growth in 2Q19 following several quarters of tepid growth and extension of front-end maturities (refinanced its 1L 2020/21 maturities through the newly issued 1L notes due 2024/26/27). In addition, the company announced its decision to end the sale process for Conifer and instead spin off the business with an "appropriate amount of debt" by mid-2021. While viewed as a somewhat disappointing outcome for Conifer, the decision now allows THC to focus on growth (at both businesses) and gives it the opportunity to rethink the capital structure (and leverage) of the remaining company in conjunction with the spin.

Albertsons (ACI): The outperformance of ACI guaranteed notes during the quarter was led by the company reporting strong quarterly results that beat most estimates. On the back of these strong results ACI also tapped the capital markets to partially repay its secured term loan debt with new senior guaranteed notes due 2028. As the credit story continues to improve, management revisited the possibility of an IPO filing in the near term, giving an extra boost to the structure.

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Note: Securities discussed are the largest positive and negative contributors for the specific High Yield strategy.

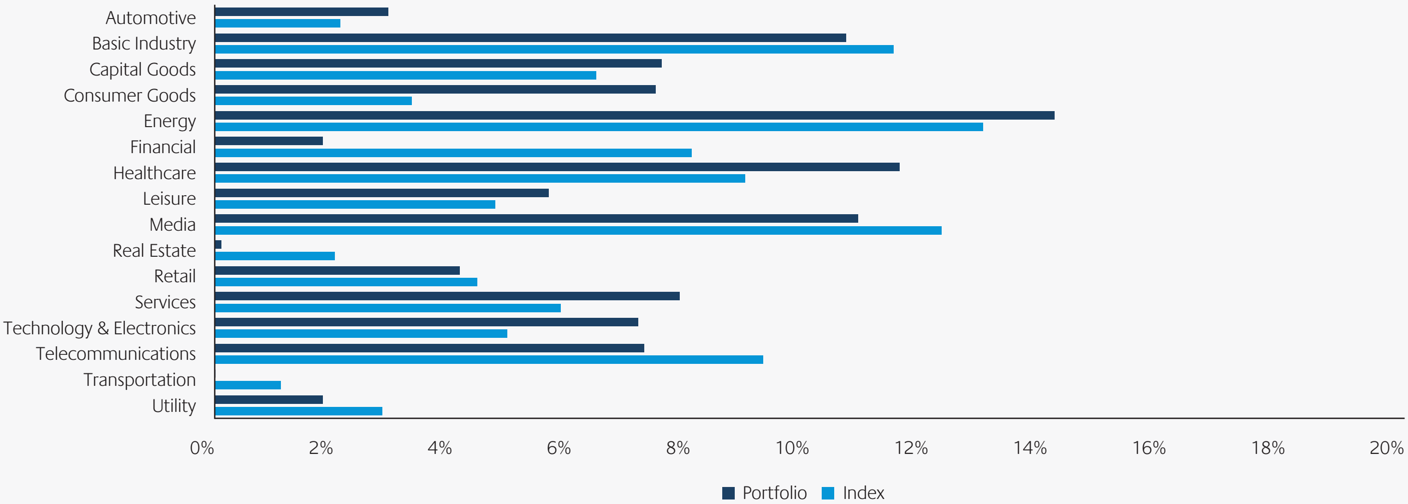
Quality High Yield

Characteristics

	Quality	Index*
Yield to Worst	5.33%	5.00%
Spread to Worst	377	332
Duration to Worst	3.42	3.27
# of Issuers	131	
AUM	77	
Avg. Rating	B1/BB-	

* Index as of quarter end rebalance

Sector weightings: Portfolio, Benchmark



Breakdown by Rating

	Portfolio
BBB-	2.9
BB+	5.1
BB	24.0
BB-	21.7
B+	20.4
B	15.1
B-	9.9
CCC+	0.0
CCC	0.0
Other*	1.3

* NR & NA

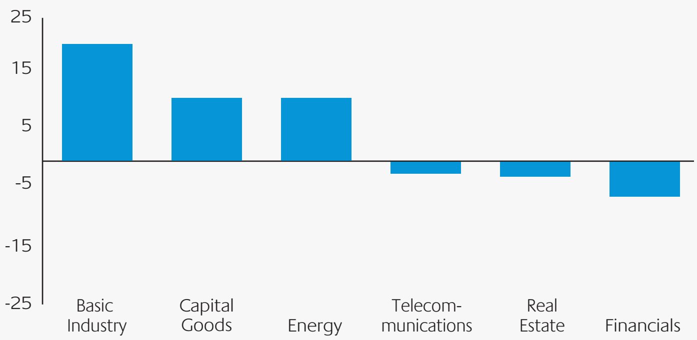
Breakdown by Country

	Risk Contribution %
United States	91.4
Canada	3.0
United Kingdom	1.6
Australia	1.1
Greece	1.0
France	1.0
Italy	0.8
Ireland	0.1

Top 10 Issuers

	Market Value %
Charter Communications	2.3
Bausch Health	2.3
Tenet Healthcare	2.1
Sprint	2.0
Altice	1.7
Berry Plastics	1.7
Match Group	1.6
Inmarsat	1.6
US Cellular	1.5
Stars Group	1.5

Top 3/Bottom 3 Contribution to Excess Return



Issuer

Positive Contributors (top three):

Transdigm (TDG): During the quarter TDG reported strong fiscal 3Q19 results while management raised the outlook for fiscal 4Q19. While TDG's legacy business continued to perform well, management noted that its latest acquisition Esterline exceeded expectations for the first full quarter of ownership. These results along with the successful divestiture of Esterline's non-aerospace business (raising ~$1.0bn which was largely returned to shareholders via a special dividend) led to the outperformance of the TDG structure.

Sprint (S): Sprint outperformed during the third quarter after a DoJ approval of the merger with T-Mobile. The DoJ approved the deal under conditions that Sprint divest their prepaid businesses and low-band spectrum, along with other remedies, to DISH in order to facilitate the creation of a fourth national wireless competitor. A combination with T-Mobile would result in a larger, more competitive wireless player with better positioning to build out a 5G network than standalone Sprint, despite creating another competitor in DISH. Bonds rallied on the likelihood that the deal will go through with both federal agencies on board, despite a lawsuit from a group of State AGs trying to block the deal.

Energizer (ENR): Energizer outperformed due to management's reiteration of their FY19 guidance and its disclosure that performance at the recently acquired Dayton autocare facility had stabilized. The bonds also benefitted from the market's flight to less cyclical companies amidst weakening global economic data and the bond's attractive relative value at the beginning of the quarter.

Negative Contributors (bottom three):

Antero Midstream (AM): Antero Midstream underperformed during the quarter as credit concerns at the company's E&P sponsor Antero Resources dragged on sentiment around the midstream entity. At current natural gas prices, Antero Resources looks set to be forced to cut capex in 2020 with investors increasingly concerned by the company's higher cost structure and NGL focus amidst a collapse in the global natural gas and NGL markets. Antero Midstream generates a large portion of its earnings from water facilities used in Antero Resources' drilling program, creating concern that a capex cut by the sponsor could lead to a meaningful decline in Antero Midstream's profits.

Chesapeake Energy (CHK): Chesapeake underperformed during the third quarter after reporting disappointing results, notably putting forth comments that implied at current strip prices the company would likely continue to be free cash flow negative in 2020. Further, the collapse of the natural gas futures curve dragged on the cash flow from the company's legacy natural gas assets, creating further concern regarding the company's solvency in the medium term.

Denbury Resources (DNR): Denbury underperformed during the third quarter as crude oil fell amidst demand uncertainty entering 2020, creating concern around the company's ability to meaningfully deliver within cash flow and raising investor speculation that the company may need to continue to perform further debt exchanges or issue more secured debt ahead of the company's 2021 maturity wall.

Note: Securities discussed are the largest positive and negative contributors for the specific High Yield strategy.

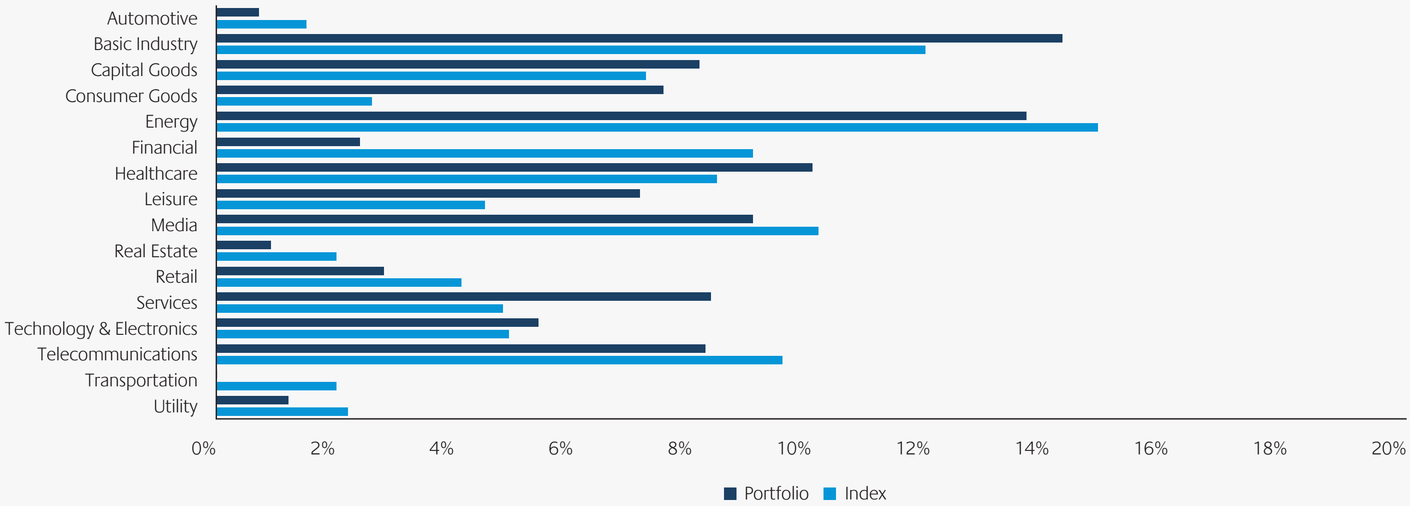
Short Duration High Yield

Characteristics

	Short Duration	Index*
Yield to Worst	4.37%	4.77%
Spread to Worst (3yr Discount Margin)	277	305
Duration to Worst (avg. 3 year)	1.7	1.88
# of Issuers	108	
AUM	55	
Avg. Rating	B1/BB-	

*Index as of quarter end rebalance

Sector weightings: Portfolio, Benchmark



Breakdown by Rating

	Portfolio
BBB-	2.9
BB+	5.5
BB	24.2
BB-	25.0
B+	16.8
B	14.4
B-	8.3
CCC+	0.0
CCC	0.0
Other*	2.1

*NR & NA

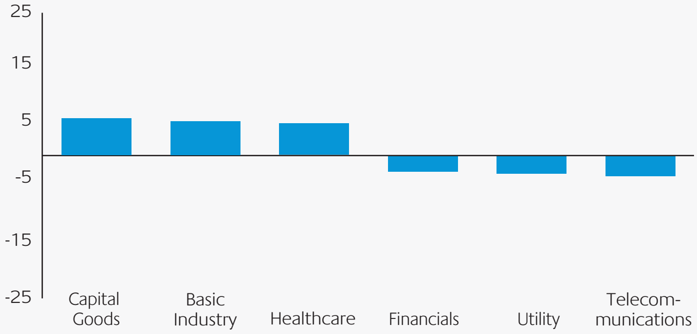
Breakdown by Country

	Risk Contribution %
United States	94.7
Canada	3.5
United Kingdom	0.6
France	0.6
Ireland	0.5
Brazil	0.1
Australia	0.1

Top 10 Issuers

	Market Value %
Bausch Health	2.5
Icahn Enterprieses	2.0
Sprint	2.0
Reynolds Group	2.0
Dell	1.9
Charter Communications	1.9
Level III	1.7
Tenet Healthcare	1.7
Avantor	1.6
Encompass Health	1.6

Top 3/Bottom 3 Contribution to Excess Return



Issuer

Positive Contributors (top three):

Tenet Healthcare (THC): The THC structure outperformance in 3Q19 was led by several positive factors including strong patient volume and pricing growth in 2Q19 following several quarters of tepid growth and extension of front-end maturities (refinanced its 1L 2020/21 maturities through the newly issued 1L notes due 2024/26/27). In addition, the company announced its decision to end the sale process for Conifer and instead spin off the business with an "appropriate amount of debt" by mid-2021. While viewed as a somewhat disappointing outcome for Conifer, the decision now allows THC to focus on growth (at both businesses) and gives it the opportunity to rethink the capital structure (and leverage) of the remaining company in conjunction with the spin.

Sprint (S): Sprint outperformed during the third quarter after a DoJ approval of the merger with T-Mobile. The DoJ approved the deal under conditions that Sprint divest their prepaid businesses and low-band spectrum, along with other remedies, to DISH in order to facilitate the creation of a fourth national wireless competitor. A combination with T-Mobile would result in a larger, more competitive wireless player with better positioning to build out a 5G network than standalone Sprint, despite creating another competitor in DISH. Bonds rallied on the likelihood that the deal will go through with both federal agencies on board, despite a lawsuit from a group of State AGs trying to block the deal.

Commercial Metals (CMC): Commercial Metals outperformed due to its improving credit profile as it ramps its Durant micro mill and integrates the Gerdau rebar assets. The bonds also benefitted from the market's flight to quality during the quarter as Commercial Metals offered attractive value relative to Steel Dynamics, a high quality steel peer, and integrated high yield steel names like AK Steel and U.S. Steel.

Negative Contributors (bottom three):

Chesapeake Energy (CHK): Chesapeake underperformed during the third quarter after reporting disappointing results, notably putting forth comments that implied at current strip prices the company would likely continue to be free cash flow negative in 2020. Further, the collapse of the natural gas futures curve dragged on the cash flow from the company's legacy natural gas assets, creating further concern regarding the company's solvency in the medium term.

Denbury Resources (DNR): Denbury underperformed during the third quarter as crude fell amidst demand uncertainty entering 2020, creating concern around the company's ability to meaningfully deliver within cash flow and raising investor speculation that the company may need to continue to perform further debt exchanges or issue more secured debt ahead of the company's 2021 maturity wall.

Oasis Petroleum (OAS): Oasis underperformed during the third quarter as the company reported weak numbers, lowered FY19 production guidance amidst processing constraints and increased capex guidance due to a less deflationary than expected services market. The higher capex guidance increased investor fears that management would opt to focus on growth in the company's less developed Permian acreage, raising concern that management is not prioritizing free cash flow and also confusing investors as the capex guidance increase looked to be driven by poor internal cost controls.

Note: Securities discussed are the largest positive and negative contributors for the specific High Yield strategy.

Co-Portfolio Managers: High Yield

Jason Epstein
Senior Portfolio Manager,
Co-Head of High Yield

Jason joined First State Investments in September 2016. He has 18 years of industry experience.

He was a Managing Director with Oak Hill Advisors where he was responsible for managing a team of analysts covering a broad range of sectors.

Prior to Oak Hill, Jason was an analyst within investment banking at Credit Suisse First Boston where he was a member of both the Financial Sponsors and Technology groups.

Jason has a BS in Economics from The Wharton School, University of Pennsylvania.

Matt Philo, CFA
Senior Portfolio Manager,
Co-Head of High Yield

Matt joined First State Investments in May 2016. He has 30 years of industry experience.

He was Executive Managing Director & Head of High Yield at MacKay Shields LLC.

He managed the Mainstay High Yield Corporate Bond Fund (MYHIX) from December 2000 through May 2014.

Matt has an MBA in finance from New York University and a BA from University at Albany SUNY. Matt is a CFA Charterholder.