

Quarterly Investment Update

AS AT 30 JUNE 2019

MARKET OVERVIEW

Equity markets worldwide continued on an upward trajectory over the June quarter, gaining +5.3% in A\$ terms. Since the start of the calendar year, markets have climbed higher due largely to the US Federal Reserve signalling an unexpected change in its approach to monetary policy from a tightening to a more accommodative stance. With various other central banks also indicating an easing bias in recent months, investor sentiment has been further bolstered.

During the June quarter, global infrastructure stocks also delivered strong returns, increasing +5.6% in A\$ terms and outpacing both broader global and local share markets for the third consecutive quarter. The best performing infrastructure subsectors were those which are more sensitive to economic conditions, such as railways and airports.

Over the 12-month period to 30 June 2019, global infrastructure stocks displayed their resilience amid volatility and outperformed broader equities, posting a +21.6% gain.

The performance of the asset class during volatile market conditions demonstrates that in a falling market, global listed infrastructure shares tend to fall by less than broader equities (downside protection) and, in a rising market, can increase with broader equity markets (upside capture).

PORTFOLIO PERFORMANCE

Adding to recent strong gains, Argo Infrastructure's portfolio delivered a positive return over the quarter, increasing +5.6%, in line with its benchmark index and outperforming broader global equities. Portfolio performance was underpinned by positions in railways, communications and electric utilities stocks. Transurban Group, the tenth largest portfolio holding, recorded a sizeable share price gain following Australia's first official cash rate cut in three years.

Over the year to 30 June 2019, the portfolio returned +22.7%, exceeding the benchmark return and delivering strong outperformance relative to broader international and Australian equities which rose by +11.9% and +11.6% respectively. The portfolio, which is unhedged for currency, has continued to benefit from the weaker Australian dollar over this period.

Argo Global Listed Infrastructure

ASX code	ALI
Listed	July 2015
Portfolio Manager	Cohen & Steers
Shareholders	9,100
Market cap.	\$344m
Management fee	1.2%
Performance fee	Nil
Hedging	Unhedged
Dividend yield [^]	2.2%

[^] Fully franked yield based on dividends paid in the last 12 months

Company overview

Provides exposure to a diverse portfolio of 50-60 global listed infrastructure companies. Argo Infrastructure has no debt.

Company objective

Provide a total return for long-term investors consisting of capital growth and dividend income, from a global listed infrastructure portfolio which provides diversification benefits for Australian investors.

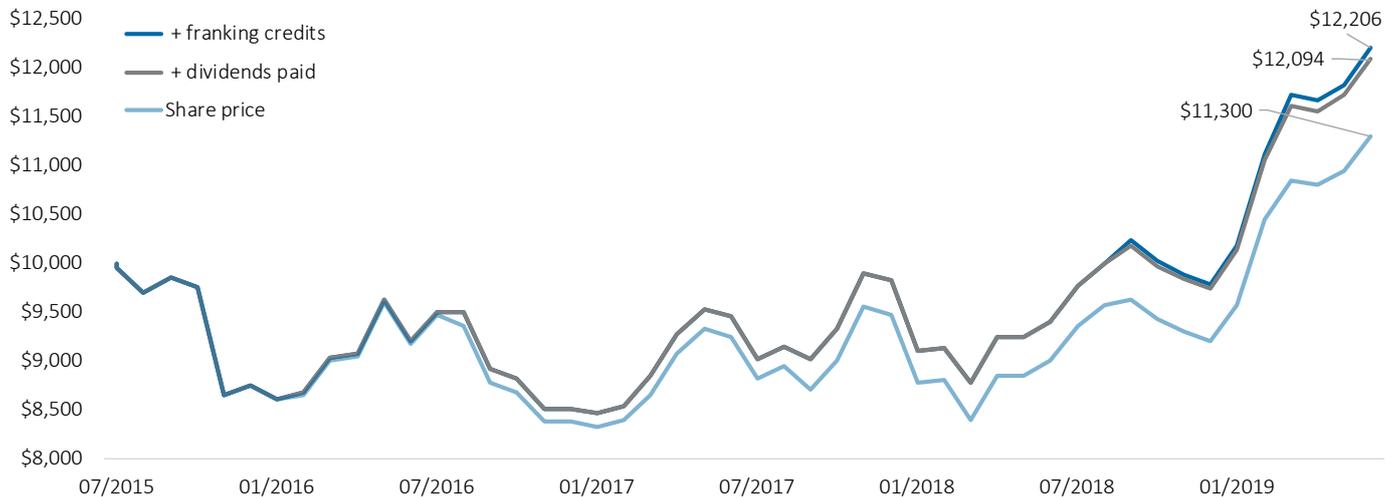
About the Portfolio Manager

A leading specialist global real assets fund manager listed on the New York Stock Exchange, Cohen & Steers manages funds of approximately US\$80bn from offices around the world on behalf of institutional clients and sovereign wealth funds.

Key personnel

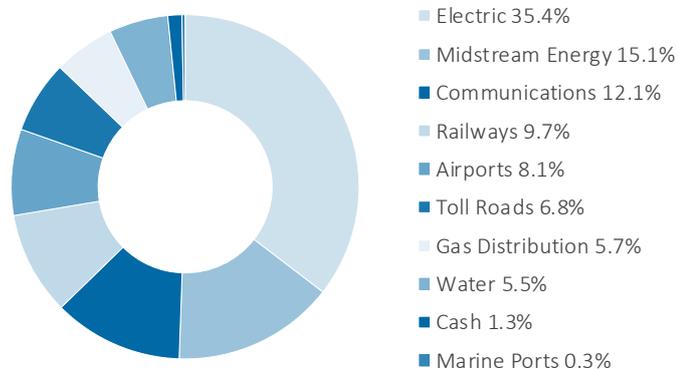
Jason Beddow	Managing Director
Benjamin Morton	Senior Portfolio Manager
Robert Becker	Portfolio Manager
Tyler Rosenlicht	Portfolio Manager

TOTAL RETURNS VALUE OF \$10,000 INVESTED AT INCEPTION



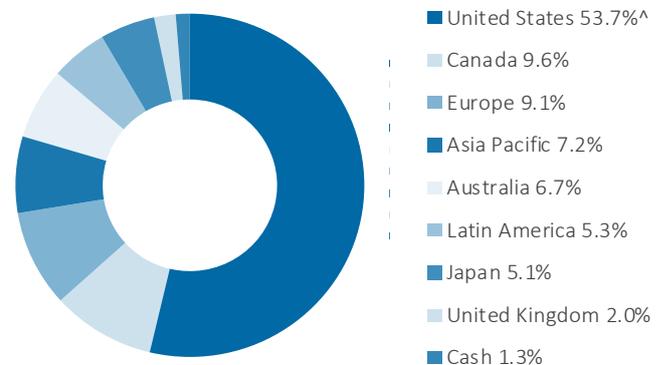
PORTFOLIO OVERVIEW

Sector diversification*



*As a percentage of investment portfolio.

Geographic diversification*



[^]Many large infrastructure companies are listed in the United States, although their operations and earnings are global.

TOP 10 PORTFOLIO HOLDINGS AS AT 30 JUNE 2019

Security Name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Integrated Electric	6.0	4.2
American Tower	US	Communication Towers	3.2	3.7
Crown Castle International	US	Communication Towers	3.2	2.2
SBA Communications	US	Communication Towers	3.0	1.0
FirstEnergy	US	Integrated Electric	2.9	1.0
American Water Works Company	US	Water	2.9	0.9
Enbridge	CAN	Midstream Energy	2.8	2.9
Alliant Energy	US	Regulated Electric	2.8	0.5
Norfolk Southern	US	Freight Rail	2.7	0.8
Transurban Group	AUS	Toll Roads	2.5	4.1
			32.0	21.3

STOCK SNAPSHOT

Crown Castle International (NYSE code: CCI)

Established	1994
Listed	1998
Market capitalisation	\$US55.4 billion
Revenue	\$US5.4 billion
Employees	~5,000



- Listed on the New York Stock Exchange, the largest US wireless tower company with approximately 40,000 towers located across the country
- Core business is leasing space on communication towers. Customers are primarily wireless carriers, government agencies and broadband data providers
- Large incumbent in a market with high barriers to entry
- Beneficiary of massive global investment in wireless technology and broadcast equipment and good operating leverage to the worldwide trend of increasing data usage
- Argo Infrastructure's third largest holding accounting for 3.2% of the portfolio
- More information: crownccastle.com

WHY LOOK OVERSEAS TO INVEST IN LISTED INFRASTRUCTURE?

Following numerous government privatisations over many years, listed infrastructure is well understood by Australian investors. However, opportunities to invest in domestic infrastructure stocks are very limited. There are only around a dozen infrastructure companies to be found on the Australian Securities Exchange (ASX) with a combined market capitalisation of approximately \$US80 billion. The domestic listed infrastructure universe is very concentrated with the three largest companies accounting for circa 60% of the Australian infrastructure market.

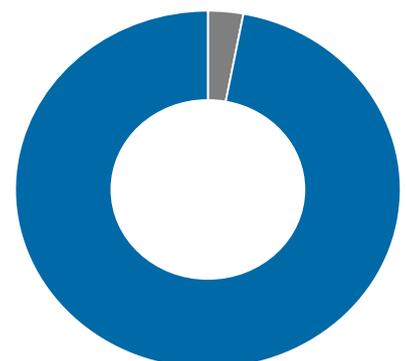
For Australian investors wanting exposure to infrastructure, considerably more opportunities exist beyond our shores. There are approximately 350 'pure play' infrastructure companies with a market capitalisation of approximately \$US2.6 trillion, roughly double the size of Australia's entire share market. The global listed infrastructure universe covers both emerging and developed economies, across various geographies.

With the Australian infrastructure companies predominantly focused on toll roads, utilities and airports, opportunities for investors to gain diverse exposure across different asset types are limited.

In contrast, global listed infrastructure companies offer exposure to asset categories not accessible directly through the ASX, such as communication towers, satellites and water utilities.

Combined market cap. of infrastructure stocks

- Australia \$US79.1b
- World \$US2.6t*



*Cohen & Steers estimates

OUTLOOK

In the current macro-economic environment of moderating growth, coupled with some geopolitical risks, Argo Infrastructure's portfolio is positioned to provide exposure to more defensive infrastructure stocks.

At the same time, the portfolio maintains growth characteristics with holdings in listed infrastructure companies which stand to benefit from strong secular trends, such as communication tower businesses. As data usage continues to surge and the world transitions to 5G technology, we expect these businesses will continue to generate reliable cash flows.

Despite the somewhat subdued global growth outlook over the next year, in our view global listed infrastructure companies will generally be able to maintain solid revenue growth supported by favourable supply/demand factors for many asset types.

We continue to believe that the asset class provides an attractive investment opportunity with defensive qualities and stable, long-term returns. Our positive outlook is underpinned by a confluence of structural, rather than cyclical, factors driving the ongoing need for private sector investment in infrastructure over many years to come.

HOW TO INVEST

Argo Infrastructure is listed on the Australian Securities Exchange (ASX) under the ASX code 'ALI'.

To become an Argo Infrastructure shareholder, simply buy shares through your stockbroker, online broker, financial adviser or platform.

ARGO INFRASTRUCTURE SHAREHOLDER BENEFITS



Global diversification

Exposure across various geographies and both emerging and developed economies



Proven investment approach

Experienced and senior investment team with a long and successful track record



Specialist global fund manager

Access to a world-leading, specialist infrastructure fund manager



Enhance risk-adjusted returns

Less volatile than broader equities providing some relative downside protection



Access infrastructure opportunities

New opportunities offshore through government privatisations



Administratively simple global investing

Exposure to a large and complex asset class through one simple ASX trade

CONTACT US

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