

# Quarterly Investment Update

AS AT 30 SEPTEMBER 2019

## MARKET OVERVIEW

Over the September quarter, global shares posted further gains (up +4.6% in A\$ terms), driven by central banks maintaining an accommodative stance towards monetary policy. However, a combination of factors weighed on investor sentiment including further signs of moderating global growth, the ongoing US/China trade dispute and numerous geopolitical concerns.

Global listed infrastructure companies continued to deliver strong returns, rising +6.5% for the September quarter, and a stunning +26.1% over the past 12 months. The sector has now outpaced both broader global and Australian equities for four consecutive quarters.

As highlighted previously, global listed infrastructure's defensive nature tends to translate into equity-like returns for investors, with far lower levels of volatility. As displayed over the last year, when broader equity markets fall, the asset class tends to fall by far less. This can be described as 'downside protection'. Conversely, global infrastructure stocks tend to rise along with broader equities, although often not as sharply.

## PORTFOLIO PERFORMANCE

Argo Infrastructure's portfolio again delivered a strong return over the quarter, increasing +7.7% and outpacing its benchmark index and broader equities. Positions in communications towers, data centres and electric utilities stocks contributed to the portfolio's strong performance in the September quarter.

For the 12 months to 30 September 2019, the portfolio rose a remarkable +27.2%, ahead of the benchmark return and strongly outperforming relative to broader global and Australian equities which returned +9.2% and +12.5% respectively. As the portfolio is unhedged for currency, it continues to benefit from the weaker Australian dollar.

## Argo Global Listed Infrastructure

ASX code	ALI
Listed	July 2015
Portfolio Manager	Cohen & Steers
Shareholders	9,300
Market cap.	\$331m
Management fee	1.2%
Performance fee	Nil
Hedging	Unhedged
Dividend yield <sup>^</sup>	2.8%

<sup>^</sup> Fully franked yield 3.9% based on dividends over 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 can provide diversification benefits for Australian investors.

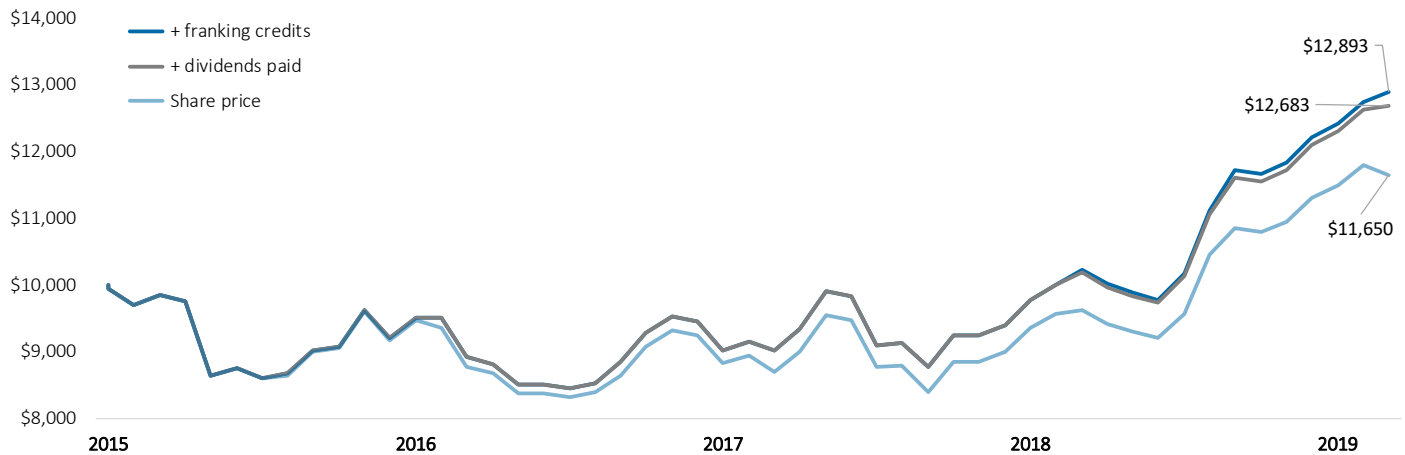
## About the Portfolio Manager

A leading specialist global real assets fund manager listed on the New York Stock Exchange, Cohen & Steers manages funds of approximately US\$60 billion from offices around the world on behalf of institutional clients and sovereign wealth funds.

## Key personnel

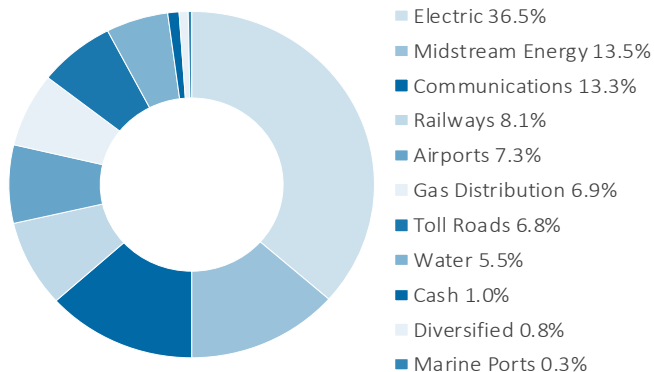
Jason Beddow	Managing Director
Benjamin Morton	Senior Portfolio Manager
Robert Becker	Portfolio Manager
Tyler Rosenlicht	Portfolio Manager

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



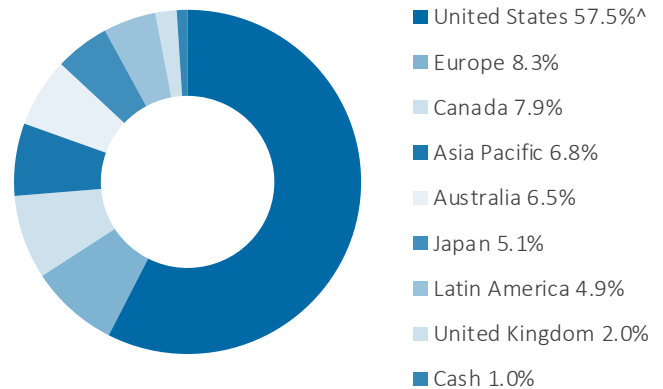
## PORTFOLIO OVERVIEW AS AT 30 SEPTEMBER 2019

### 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 SEPTEMBER 2019

Security Name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Integrated Electric	6.5	4.8
American Tower	US	Communication Towers	3.4	3.8
Crown Castle International	US	Communication Towers	3.4	2.2
Transurban Group	AUS	Toll Roads	3.2	3.8
SBA Communications	US	Communication Towers	3.1	1.0
FirstEnergy	US	Integrated Electric	3.1	1.1
Alliant Energy	US	Regulated Electric	3.0	0.6
American Water Works Company	US	Water	2.9	1.0
Norfolk Southern	US	Freight Rail	2.7	0.8
Enbridge	CAN	Midstream Energy	2.7	2.7
			<b>34.0</b>	<b>21.8</b>

## STOCK SNAPSHOT

### Ørsted Energy

Founded	2006
Listed	2016
Market capitalisation	€35.4 billion
Annual revenue	€10.3 billion
Headquartered	Denmark
Employees	6,300



- Listed on Copenhagen's Nasdaq, Ørsted Energy is the world's leading independent offshore wind farm developer and operator and is responsible for installing around 30% of global wind energy capacity globally
- Denmark's largest energy provider, Ørsted also has operations in the UK, Germany, Netherlands, US and Taiwan
- Ørsted is well-leveraged to the strong offshore wind growth trend which is being driven by improving economics and global decarbonisation
- While the offshore wind industry is well-established in Europe, it is almost non-existent in Asia and America providing considerable expansion opportunities
- A new holding for Argo Infrastructure, Ørsted accounts for 0.8% of the investment portfolio
- More information: <https://orsted.com>

## 2019 ANNUAL GENERAL MEETING (AGM) AND ROADSHOW WRAP-UP

Over the last fortnight Argo Infrastructure held its AGM, followed by information meetings in Melbourne, Sydney, Canberra, Brisbane and Perth. This year we welcomed record numbers of shareholders to our presentations. Together with Portfolio Manager, Bob Becker from Cohen & Steers, we discussed a range of Company-related topics. Key points discussed included:

**Outperformance amid volatility** The investment portfolio displayed its defensive characteristics over the last year, particularly amid market volatility at the end of the 2018 calendar year

**Growing dividends** Annual dividends to shareholders increase +73% to 6.5 cents per share, fully franked

**Strong financial results** Full year profit rose +177% to \$44.9 million for the 2019 financial year

**Discount to NTA** Steady progress towards reducing the share price discount relative to NTA with the discount contracting from -17.6% to less than -10.0% over the last 18 months



### AGM recording and slides

Thank you to everyone who attended our AGM and presentations! If you were not able to make it this year, you can watch a full recording of the AGM and view the slides on our website [here](#).



## OUTLOOK

Despite a slowing global growth outlook and the persistence of several major geo-political risks, the outlook for global listed infrastructure remains positive. We expect the current macro-economic uncertainty to be generally supportive of the asset class's performance relative to broader equities. This is because during periods of weakening economic growth and higher levels of market risk, investors tend to favour more defensive assets.

In the current global economic environment, Argo Infrastructure's portfolio is generally weighted to the more defensive infrastructure assets (such as essential utilities), rather than sectors that are more sensitive to changing macro-economic conditions, such as marine ports and airports.

Over the longer-term, a confluence of factors point to a strong outlook for global listed infrastructure, with structural, rather than cyclical, dynamics to drive the continued and increasing need for private sector infrastructure investment across both emerging and developed economies. With stretched balance sheets, governments globally remain unable to meet the capital requirements to deliver essential infrastructure. In our view, public funding shortfalls will continue to compel governments to turn to the private sector to fund their infrastructure commitments over the coming decades.

## HOW TO INVEST

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

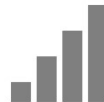
To become an Argo Infrastructure shareholder, simply buy shares through your stockbroker, online broker, financial adviser or platform.

## 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

Argo Global Listed Infrastructure Limited

[W argoinfrastructure.com.au](http://W argoinfrastructure.com.au)

[T 08 8210 9555](tel:0882109555)

[E invest@argoinfrastructure.com.au](mailto:invest@argoinfrastructure.com.au)

## SHARE REGISTRY ENQUIRIES

Computershare Investor Services

[W investorcentre.com](http://W investorcentre.com)

[T 1300 389 922](tel:1300389922)

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