

# Quarterly Investment Update December 2021



## Market overview

Global listed infrastructure rallied sharply (up +6.8% in A\$ terms) in the December quarter despite mounting concerns relating to COVID-19 variants, increasing interest rates and rising inflation.

Gains were widespread with most infrastructure subsectors delivering positive returns over the period. With several periods of investor risk-aversion, defensive infrastructure assets were among the best performers, notably water companies and electric utilities which gained +12.4% and +8.2% respectively.

Solid fundamentals saw the communications (towers and data centres) subsector gain (+10.9%) to be another top performer.

In contrast, marine ports fell -1.2%, plagued by supply chain challenges and bottlenecks. Among other transport-related infrastructure, performance was mixed amid the rapid spread of the Omicron variant and shifting expectations of renewed travel restrictions.

Against this backdrop, listed airports and toll road operators lagged the broader asset class due to investor concerns about the deceleration in travel and the timeframe for a sustained recovery in business and vacation travel.

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## Portfolio performance

In the December quarter, Argo Infrastructure's portfolio gained +7.4% in A\$ terms, ahead of the benchmark index which returned +6.8%.

Exposure to communications companies contributed to the portfolio's strong performance. The subsector is Argo Infrastructure's third largest allocation, accounting for 11.5% of the investment portfolio. See page three for an overview of one of Argo Infrastructure's holdings, US communications infrastructure provider Crown Castle International.

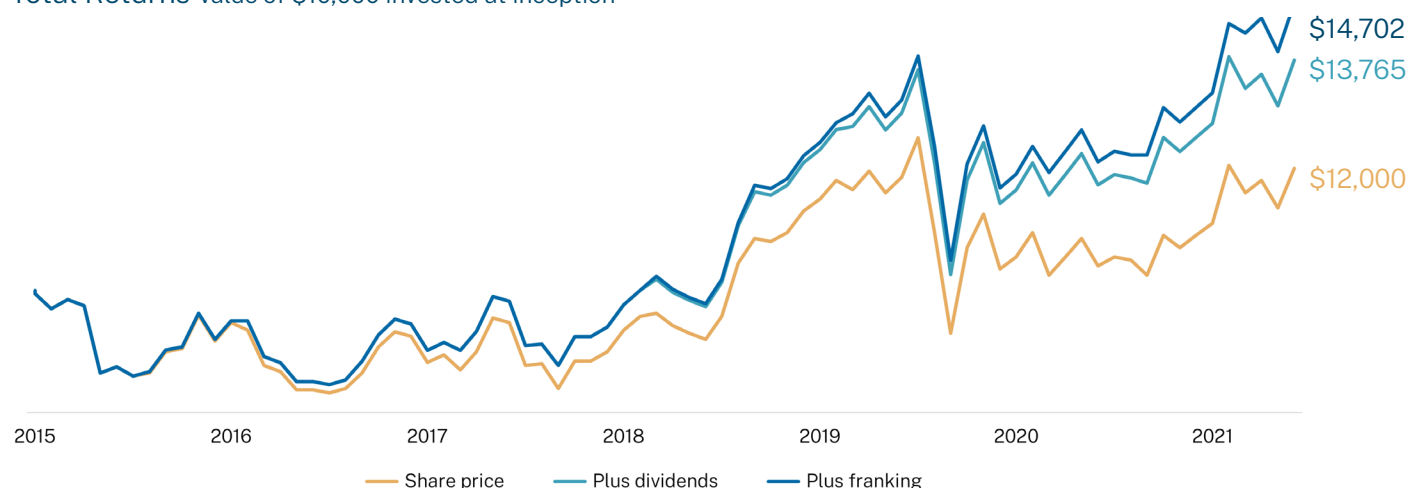
Portfolio positions in electric utilities also bolstered performance, as did holdings among listed gas distribution companies. While fears of the economic impacts of Omicron initially weighed gas distribution stocks, the subsector rallied in the final weeks of the quarter on indications that the variant resulted in less-severe outcomes.

The Australian equity market posted a lacklustre return of +2.1% over the quarter, underscoring the diversification benefits of the global listed infrastructure asset class for Australian investors.

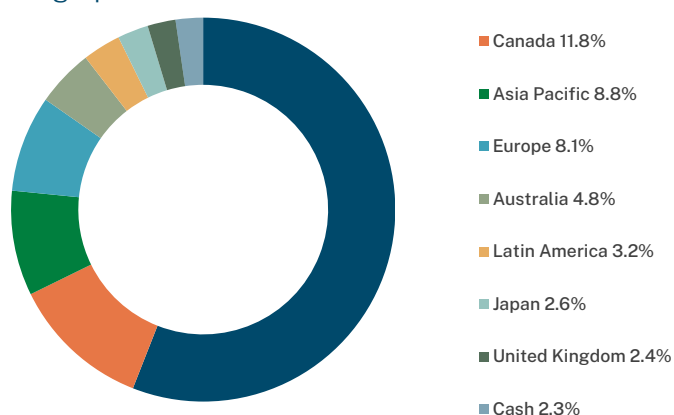
	3 months	1 year	3 years (p.a.)	Since inception (p.a.)
Portfolio	+7.4%	+23.8%	+12.1%	+9.2%
Benchmark*	+6.8%	+21.9%	+10.1%	+8.5%
S&P/ASX 200**	+2.1%	+17.2%	+13.6%	+8.8%

\*FTSE Global Core Infrastructure 50/50 Index (in A\$) \*\*Accumulation Index

## Total Returns value of \$10,000 invested at inception

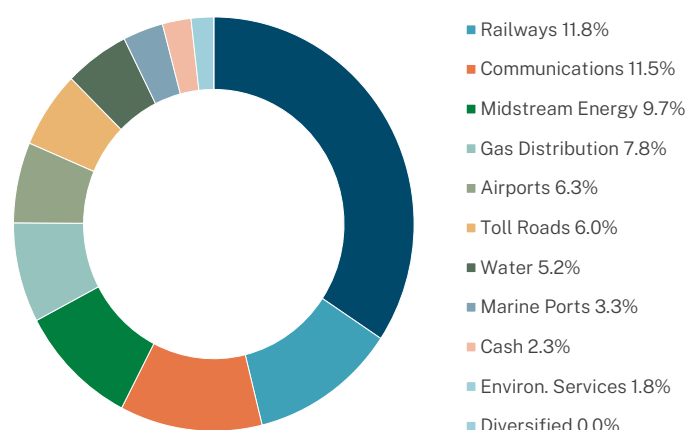


## Portfolio Geographic diversification\*



\* As a percentage of investment portfolio

## Sector diversification\*



^ Many of the largest infrastructure companies are listed in the US, although their operations and earnings are often global.

## Top 10 Holdings at 31 December 2021

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Electric	6.4	5.4
Norfolk Southern	US	Railways	4.7	1.1
American Tower	US	Communications	4.7	4.0
Canadian National Railway	CAN	Railways	4.3	1.1
Enbridge	CAN	Midstream Energy	3.9	2.4
Transurban Group	AUS	Toll Roads	3.8	4.8
Duke Energy	US	Electric	2.8	3.1
American Electric Power	US	Electric	2.6	1.7
SBA Communications	US	Communications	2.6	1.3
Cheniere Energy	US	Midstream Energy	2.6	0.7
			<b>38.4</b>	<b>25.6</b>



## Stock Snapshot Crown Castle International

NYSE code	CCI
Founded	1994
Market capitalisation	\$US79.4 billion
Annual net income	\$US6.8 billion
Total employees	~5,000
Offices	100



- With more than 40,000 communication towers, Crown Castle International is the largest communications infrastructure company in the US.
- Its core business is leasing space on its towers to wireless carriers, government agencies and broadband data providers.
- The company benefits from being a large incumbent in a market with high barriers to entry and is leveraged to the structural growth in data usage as part of the transition to the digital economy.
- The company is headquartered in Texas and has 100 offices nationwide with a presence in every major US market.
- A Fortune 500 company, Crown Castle listed on the New York Stock Exchange (NYSE) in 1998.
- For more information, visit: [crownccastle.com](https://crownccastle.com)

## Outlook

As we enter the 2022 calendar year, share market volatility is increasing as the global economy faces a mix of both headwinds and tailwinds. As people adapt to the challenges associated with COVID-19, it appears we are reaching the latter stages of the pandemic. The likelihood of mass lockdowns and widespread travel restrictions seen at the onset of the pandemic appear limited, while the prospects of a sustained global economic recovery seem to be improving.

However, challenges continue to confront investors, including geo-political and trade tensions and persistent supply-chain disruptions, although these appear to be receding. As the global economy continues to strengthen – albeit it at a moderate pace – Argo Infrastructure's Portfolio Manager, Cohen & Steers, remains cognisant of rising interest rates and higher inflation in their asset allocation decisions. While improving supply-chain conditions should lead to decelerating inflation, tightening monetary policy in the US and around the world will be a key theme going forward. Although there can initially be significant performance dispersion across infrastructure subsectors in a rising inflation environment, most infrastructure businesses can pass on rising costs to their users. This helps safeguard profit margins and provides protection against inflation.

The strong trend of private investor interest in acquiring listed infrastructure assets is set to continue following a flurry of corporate activity in calendar year 2021. This thematic has been notable in Australia, including the takeover offer for Sydney Airport (ASX code: SYD) by a consortium of private institutional investors. With a number of significant deals currently pending across various infrastructure subsectors and geographies, 2022 is likely to be another significant year for global listed infrastructure acquisitions.

## About us

### At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$401m
Shareholders	9,450
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield <sup>a</sup>	3.3%

<sup>a</sup> Historical yield of 4.8% (including franking) based on dividends paid over the last 12 months.

### Company overview

Provides exposure to a diverse portfolio of global infrastructure stocks. The portfolio is actively managed by Cohen & Steers (NYSE: CNS), a leading specialist global real assets fund manager managing funds of over A\$100 billion for institutional clients and sovereign wealth funds from offices worldwide.

### How to invest

We are listed on the Australian Securities Exchange (ASX) under the ASX code 'ALI'. To become a shareholder, buy shares through your stockbroker, online broker, financial adviser or platform.

### Share registry enquiries

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### Shareholder benefits



#### Global diversification

Exposure across various geographies and both emerging and developed economies



#### Specialist global fund manager

Access to a world-leading, specialist infrastructure fund manager



#### Access infrastructure opportunities

New opportunities offshore through government privatisations



#### Proven investment approach

Experienced investment team with a long and successful track record



#### Enhance risk-adjusted returns

Less volatile than broader equities providing some relative downside protection



#### Simple global investing

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

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