

# Quarterly Investment Update

## June 2023



### Market overview

In the face of rising interest rates and persistently high inflation, global share markets displayed remarkable resilience over the June quarter surging +7.5% (in A\$ terms). That said, the overall strength of broader global equities was largely driven by a few sectors, predominantly technology. These stocks rallied sharply on optimism surrounding advancements in generative AI.

In the generally 'risk-on' environment, the overall performance of global infrastructure stocks was subdued (up +0.3% in A\$ terms) as investors overlooked investments offering more defensive attributes in favour of growth style investments.

Despite the uncertain outlook, economic data out of the United States proved resilient. This generally saw more commercially sensitive infrastructure subsectors outperform. For instance, Railways gained +6.8% bolstered by the better-than-feared economic figures, which outweighed concerns about challenging US freight volumes.

Late in the quarter, Midstream Energy companies benefited from a stabilisation in oil prices and surging natural gas prices which pushed the subsector into positive territory for the quarter, up +0.2%.

The Airports subsector fell (down -2.4%) giving back some of its strong March quarter performance as the latter stages of the reopening cycle presented more challenging year-over-year comparisons.

Stocks and sectors with exposure to China were weighed down by reports of weak economic data out of the world's second largest economy as its post-COVID reopening boom lost steam.

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### Portfolio performance

In the June quarter, Argo Infrastructure's portfolio gained +0.6% (in A\$ terms), inching ahead of the benchmark index gain of +0.3%.

Stock selection among the Utilities and Midstream Energy subsectors contributed to the portfolio's outperformance. An overweight allocation (relative to the benchmark) to Railways was also a positive, particularly a holding in US-based freight rail company CSX which reported volumes ahead of expectations.

In contrast, a position in Mexico-based Grupo Aeroportuario del Pacifico weighed on performance. Its share price softened after gaining more than +25% over the previous quarter.

For the 12 months to 30 June 2023, Argo Infrastructure's portfolio gained +3.9% surpassing the benchmark index which returned +2.7%.

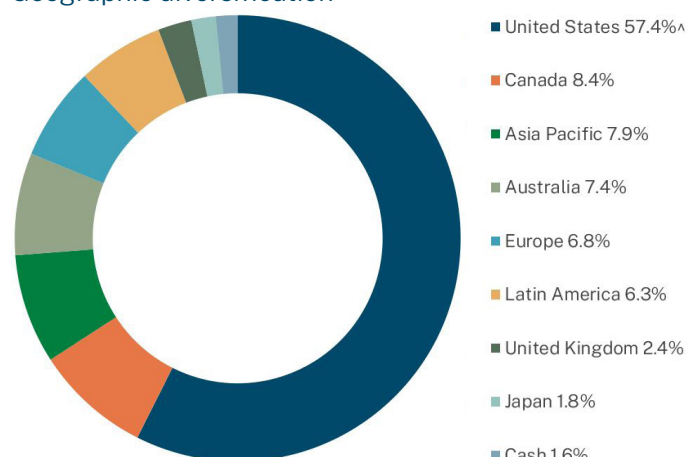
	3 months	1 year	3 years (p.a.)	Since inception <sup>4</sup> (p.a.)
Portfolio <sup>1</sup>	+0.6%	+3.9%	+8.7%	+8.1%
Benchmark <sup>2</sup>	+0.3%	+2.7%	+7.8%	+7.4%
S&P/ASX 200 <sup>3</sup>	+1.0%	+14.8%	+11.1%	+7.5%

<sup>1</sup> Before fees   <sup>2</sup> FTSE Global Core Infrastructure 50/50 Index (in A\$)   <sup>3</sup> Accumulation Index   <sup>4</sup> July 2015

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

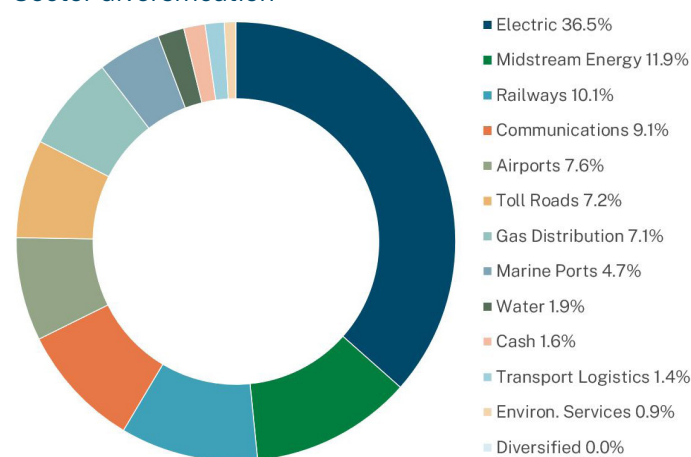


## Geographic diversification\*



\* 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 30 June 2023

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Electric	6.2	5.1
American Tower	US	Communications	4.6	3.2
Sempra Energy	US	Gas Distribution	3.6	1.8
Transurban	AUS	Toll Roads	3.5	4.9
Canadian Pacific Kansas City	CAN	Railways	3.4	1.2
CSX	US	Railways	3.2	1.1
SBA Communications	US	Communications	3.1	0.9
Cheniere Energy	US	Midstream Energy	3.1	1.3
CenterPoint Energy	US	Electric	3.1	0.7
PPL	US	Electric	3.1	0.8
			<b>36.9</b>	<b>21.0</b>

## Information meetings

We recently held in-person information meetings in various capital cities around Australia – our first since 2019!

Hundreds of shareholders joined us to hear about the Company, global listed infrastructure and the outlook for the asset class more broadly.

Ben Morton from Argo Infrastructure's New York-based Portfolio Manager, Cohen & Steers, also attended the meetings providing an overview of the portfolio, specific holdings and the investment process. He also offered his insights on the current US and global economic conditions.

Thank you to everyone who joined us. It was wonderful to again meet with our shareholders face-to-face. If you were not able to come along to one of our presentations, you can watch a recording on-demand (see details to right).



### Watch presentation

Watch the full presentation recorded at our Adelaide meeting and view the materials, including the slides, on our website at the following link:

[argoinfrastructure.com.au/roadshow-week](https://argoinfrastructure.com.au/roadshow-week)

## Outlook

The outlook for the global economy continues to be uncertain with a range of factors presenting risks to the outlook. Although inflation is falling, it remains above-trend and the repercussions of aggressive central bank tightening are yet to be fully felt by consumers and businesses alike.

Against this backdrop, Argo Infrastructure's Portfolio Manager, Cohen & Steers, is maintaining a balanced portfolio with a bias towards high quality businesses which are positioned to perform relatively well in a below-trend growth environment.

Looking ahead, Cohen & Steers anticipates a more challenging credit environment and is assessing the effects of higher financing costs (including the impact on earnings and cash flows) across the infrastructure investment universe.

With a focus on the potential capital needs of individual companies to protect their balance sheets, Cohen & Steers is favouring stocks with limited near-term debt maturities and manageable refinancing schedules. For infrastructure companies considering asset sales to meet capital requirements, proceeds may fall short of expectations in the current environment, in their view.

While inflation is expected to moderate, the US Federal Reserve and other major central banks, have reiterated their commitment to tackling persistently high inflation through further monetary tightening. Most infrastructure businesses can 'pass through' higher costs through contractual inflation-linked pricing mechanisms which shields them (to varying degrees) from rising rates of inflation.

## About us

### At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$402m
Shareholders	9,300
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield <sup>a</sup>	3.7%

<sup>a</sup> Historical yield of 5.3% (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

BoardRoom Pty Limited

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[argo@boardroomlimited.com.au](mailto:argo@boardroomlimited.com.au)

### 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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