

Quarterly Investment Update December 2024



Market overview

During the December quarter, markets globally were heavily influenced by geopolitical events, most notably the US Presidential election. The decisive victory of US President-elect Donald Trump and his focus on deregulation and tax cuts fueled investor optimism.

However, sentiment turned following a more hawkish stance from the US Federal Reserve, which signalled fewer interest rate cuts than previously anticipated.

Global listed infrastructure delivered a solid return of +5.6% (in A\$ terms), but underperformed broader global equities.

A more favourable environment for energy, coupled with growing enthusiasm about increased electricity demand from data centres, drove outperformance in those subsectors poised to benefit.

Impressive gains were seen in Midstream Energy (up +25.4%) and Gas Distribution (up +12.7%). In contrast, subsectors less exposed to these trends, such as Water Utilities (+1.1%) and Railways (+0.9%), lagged behind.

Hype about increased electricity demand from data centres drove outperformance of subsectors poised to benefit, including Midstream Energy which surged +25.4%.

Portfolio performance

Argo Infrastructure's portfolio rose +5.1% (in A\$ terms), slightly trailing the benchmark index return. Performance was driven by a sharp decline in the Australian dollar, which fell over -10% against the US dollar, sliding from 69c to 62c. As our portfolio is unhedged for currency, this provided a major tailwind.

Within the portfolio, stock selection in the Gas Distribution subsector was a key positive contributor to performance. US-based gas utility NiSource, which reported earnings above expectations, was a notable example. NiSource is well-positioned to benefit from increased power demand from a new data centre in its Indiana service area.

These gains were offset by other holdings, including Mexico-based airport operator Grupo Aeroportuario del Sureste. Despite delivering better-than-expected earnings, investors remained cautious due to potential trade policy impacts from the incoming US administration.

Pleasingly, the portfolio outperformed Australian equities, which declined -0.8% over the quarter, highlighting the diversification benefits that global infrastructure can offer Australian investors.

| | 3 months | 1 year | 3 years (p.a.) | Since inception ⁴ (p.a.) |
|--------------------------|----------|--------|----------------|-------------------------------------|
| Portfolio ¹ | +5.1% | +23.2% | +8.8% | +9.1% |
| Benchmark ² | +5.6% | +20.7% | +7.7% | +8.2% |
| S&P/ASX 200 ³ | -0.8% | +11.4% | +7.4% | +8.3% |

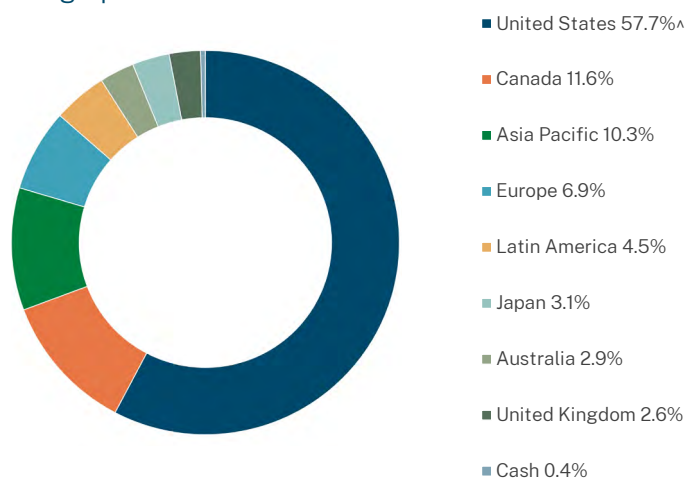
¹ Before fees ² FTSE Global Core Infrastructure 50/50 Index (in A\$) ³ Accumulation Index ⁴ July 2015

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



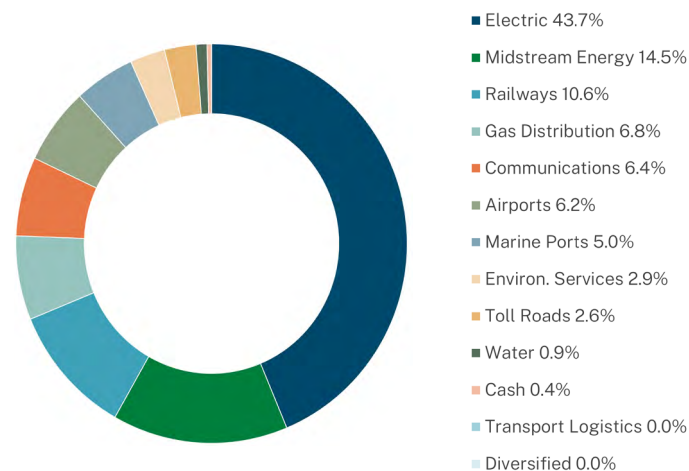
Portfolio

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 2024

| Security name | Country of listing | Subsector | Portfolio (%) | Index (%) |
|---------------------------------|--------------------|------------------|---------------|-------------|
| NextEra Energy | US | Electric | 5.2 | 4.7 |
| TC Energy | CAN | Midstream Energy | 4.7 | 1.6 |
| American Tower | US | Communications | 3.6 | 2.8 |
| PG&E | US | Electric | 3.6 | 1.5 |
| NiSource | US | Gas Distribution | 3.5 | 0.6 |
| Union Pacific | US | Railways | 3.5 | 3.8 |
| Duke Energy | US | Electric | 3.4 | 2.9 |
| The Williams Companies | US | Midstream Energy | 3.3 | 2.1 |
| CSX | US | Railways | 3.1 | 1.7 |
| Public Service Enterprise Group | US | Electric | 3.0 | 1.5 |
| | | | 36.9 | 23.2 |



Subsector Snapshot Midstream Energy

What is the Midstream Energy subsector?

Midstream Energy plays a vital role in the energy value chain, connecting suppliers and producers (upstream) with distributors and consumers (downstream). Companies in this subsector provide the infrastructure and operations needed for the transportation, storage and processing of oil, natural gas and related products.

Recent performance

Midstream Energy was one of the top performing subsectors over calendar year 2024, surging +56.5%. Returns have been driven by strong earnings and optimistic guidance from operators in the subsector, as well as the potential for increased natural gas demand.

Argo Infrastructure's portfolio

Midstream Energy currently represents 14.5% of Argo Infrastructure's portfolio, making it our second-largest subsector exposure, following Electric Utilities at 43.7%.

Our largest holding in this subsector is Canadian-based TC Energy, which accounts for 4.7% of the portfolio. A C\$70 billion company, TC Energy operates pipelines, storage facilities and power



generation assets across Canada, the US and Mexico. It is forecast to deliver an additional C\$8.5 billion in projects in 2025.

Subsector outlook

Global energy demand is projected to rise significantly, driven by trends such as the electrification of the global economy and rapid data centre growth.

These trends are set to fuel demand for energy infrastructure, with Midstream Energy well-positioned to facilitate this expansion.

Outlook

The current environment of stabilising growth supports a generally positive outlook for global listed infrastructure. However, inflation could re-accelerate under the new US administration, particularly if Trump's mooted trade and immigration policies are enacted, creating uncertainty for monetary policy and adding some uncertainty to the outlook.

Against this economic backdrop, Argo Infrastructure's Portfolio Manager, Cohen & Steers, maintains a balanced portfolio, with a defensive tilt, focusing on higher-quality businesses with the resilience to perform as the global economy recovers from slower growth.

Power demand remains at a positive inflection point, driven by the rapid expansion of AI processing capabilities. This increases the need for greater power generation capacity and enhanced grid reliability, requiring investment in energy infrastructure. Midstream Energy, Gas Distribution and Electric Utilities are among those subsectors set to benefit.

Other global investment themes, including the energy transition and urbanisation in emerging economies, will continue to benefit the asset class and are expected to drive substantial and sustained investment in infrastructure assets for many decades.

About us

At a glance

| | |
|-----------------------------|------------------|
| ASX code | ALI |
| Listed | 2015 |
| Manager | Argo Investments |
| Portfolio Manager | Cohen & Steers |
| Net assets | \$458m |
| Shareholders | 8,900 |
| Hedging | Unhedged |
| Management fee | 1.2% |
| Performance fee | Nil |
| Dividend yield ^a | 4.0% |

^a Historical yield of 5.4% (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\$110 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.

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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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