

Quarterly Investment Update September 2021



Market overview

Global equity markets rose over the September quarter, although the positive return belied considerable volatility during the quarter, particularly in September, which was driven by a multitude of concerns. Rising inflation, tapering of stimulus, rising bond yields and the health of the Chinese economy, particularly its property sector, all weighed on sentiment.

Against this backdrop, global listed infrastructure subsectors generated mixed returns with the asset class up +3.7%, modestly underperforming broader global equities. The more defensive infrastructure subsectors advanced, with water (+7.2%) and electric (+4.4%) utilities outperforming.

The airport subsector, which was one of the worst performers over the first six months of the 2021 calendar year, rallied during the September quarter (+10.1%) amid an improving outlook, the partial lifting of travel restrictions in the US and merger and acquisition activity.

Higher energy prices and rising volume assumptions saw midstream energy stocks continue their ascent, particularly in the last month of the quarter. As the vaccination rollout continued and enthusiasm for the reopening trade returned, some economically-sensitive subsectors outperformed, notably marine ports (+11.8%) which was a beneficiary of the rebound in global trade activity.

In contrast, freight railways (-4.7%) remained weak, hampered by freight disruptions and shipping issues. Communications (towers and data centres) stocks also lagged. While the fundamentals of the subsector remain intact, investors sought out investments that are more exposed to the pandemic recovery.

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Portfolio performance

In the September quarter, Argo Infrastructure's portfolio rose +3.9% in A\$ terms to outperform the benchmark index return of +3.7%.

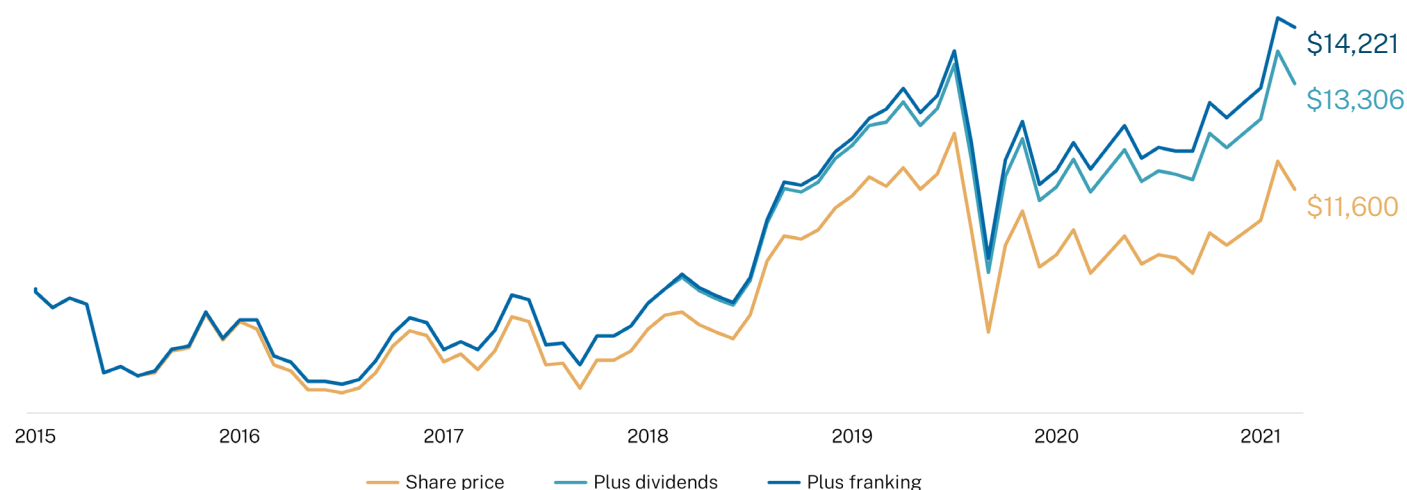
Exposure to the midstream energy sector again contributed positively to the portfolio's performance, particularly overweight positions in US stocks Cheniere Energy and Enbridge which are Argo Infrastructure's third and eighth largest holdings respectively. Both companies continued to indirectly benefit from advantageous supply/demand trends for energy commodities.

Utilities and renewable energy-related companies with higher growth potential also added to portfolio gains, including NextEra Energy – Argo Infrastructure's largest holding and the world's biggest utility. See page three for an overview of the company.

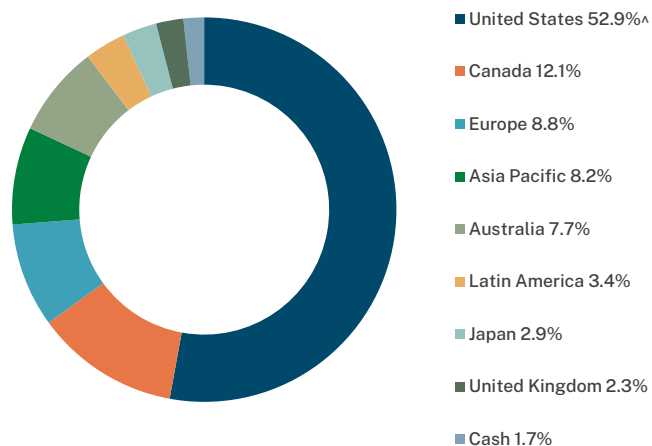
	3 months	1 year	3 years (p.a.)	Since inception (p.a.)
Portfolio	+3.9%	+15.6%	+9.2%	+8.3%
Benchmark*	+3.7%	+15.0%	+7.8%	+7.7%
S&P/ASX 200**	+1.7%	+30.5%	+9.6%	+8.8%

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

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

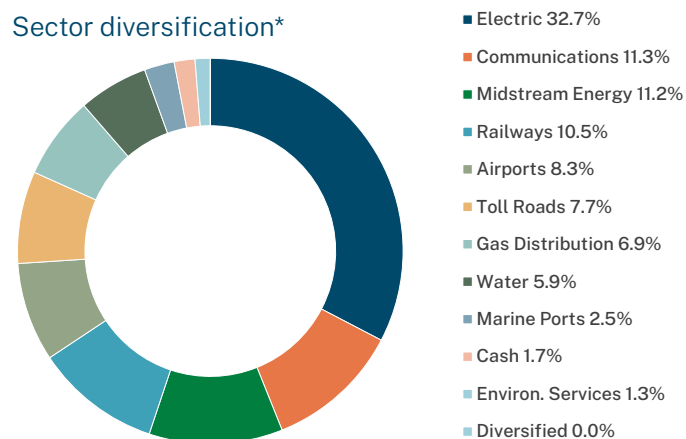


Portfolio Geographic diversification*



* 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 30 September 2021

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Integrated Electric	5.8	4.8
Transurban Group	AUS	Toll Roads	4.9	5.2
Enbridge	CAN	Midstream Energy	4.5	2.6
American Tower	US	Communication Tower	4.0	3.9
Canadian National Railway	CAN	Railways	4.0	1.1
Norfolk Southern	US	Railways	3.6	0.9
AENA	SPAIN	Airports	2.8	2.1
Cheniere Energy	US	Midstream Energy	2.8	0.7
Duke Energy	US	Midstream Energy	2.8	3.1
American Electric Power	US	Integrated Electric	2.6	1.7
			37.8	26.1

Stock Snapshot **NextEra Energy**

NYSE code	NEE
Founded	1984
Market capitalisation	\$US165 billion
Annual net income	\$US2.9 billion
Headquartered	Florida



- NextEra Energy is the world's largest utility company *and* the world's largest generator of renewable energy from wind and solar. It owns Florida Power & Light Company which is the largest regulated electric utility in the US, providing power to over 11 million Florida residents.
- A Fortune 200 company, NextEra Energy is listed on the New York Stock Exchange (NYSE) and included in the S&P 100 Index.
- The company recently beat its third quarter earnings forecast and will likely be a beneficiary of the Biden administration's clean energy plan which includes plans to allow cheaper access to federal land for the development of wind and solar power generation.
- Currently, NextEra Energy is Argo Infrastructure's largest holding, accounting for 5.8% of the portfolio.

Outlook

As the pandemic recovery continues – albeit at a moderating pace – a return to more normal levels of economic activity is expected in the months ahead. As the global economy strengthens, this could provide tailwinds for more cyclical stocks. However, several risks continue to confront investors including the growth in coronavirus cases, varying travel restrictions and reopening policies, inflationary pressures, supply chain challenges and regulatory uncertainties in China.

In this environment, Argo Infrastructure's Portfolio Manager, Cohen & Steers, maintains a balanced approach to positioning the portfolio, while also modestly adding back some more cyclical exposures.

Among the more defensive allocations, the portfolio remains overweight communications infrastructure, particularly US-focused tower companies which are well-positioned to benefit from the capital expenditure by US wireless companies to grow their networks.

Among transport-related infrastructure stocks, which tend to provide exposure to prevailing economic conditions, portfolio holdings are skewed towards North American freight railways based on expectations of increasing freight volumes. The portfolio is currently underweight airports, although it is expected there will be attractive opportunities to invest in the subsector as the successful distribution of vaccines is expected to drive a sustainable increase in air travel over the next 6-12 months.

Higher inflation and interest rates are being monitored closely and will be important drivers in asset allocations for the remainder of the 2021 calendar year and beyond. During periods of economic recovery and rising bond yields, there can be considerable performance dispersion among infrastructure subsectors. That said, infrastructure businesses can generally pass on rising costs to their users, for example by increasing tolls, and as a result, they tend to perform well during periods of unexpected inflation.

About us

At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$356m
Shareholders	9,400
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield [^]	3.4%

[^] Historical yield of 4.9% (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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