

# Quarterly Investment Update December 2022



## Market overview

In the December quarter, global infrastructure stocks rallied (up +3.3% in A\$ terms) along with broader global equity markets (up +4.1% in A\$ terms) with investors generally optimistic during October and November in response to moderating inflation, hopes for less aggressive monetary tightening and China's reopening. However, sentiment turned in December due to weakening economic data and rising interest rates which saw markets globally give back some of their earlier gains.

Overall, infrastructure stocks proved resilient with all subsectors, except communications (data centres and towers), generating positive returns for the quarter. Utilities (including water and electric) were among the strongest performers, especially in December due to their largely inelastic demand.

Global listed infrastructure ended the calendar year up +2.0%. This was well ahead of broader global equities which slumped -12.3% in A\$ terms as investors grappled with significant macroeconomic and geopolitical headwinds throughout 2022, including rising inflation, aggressive monetary policy and the significant energy security and supply chain impacts of the Ukraine War.

Global listed infrastructure's strong relative performance amid the considerable market volatility for much of 2022 reflects the inherently defensive nature of the asset class and its low correlation to broader global equity markets. As demonstrated during other volatile periods previously, infrastructure stocks can offer investors downside protection when broader equities fall, as well as some upside capture when they rise.

During particularly volatile conditions, global infrastructure stocks outperformed broader global equities by +14.3% (in A\$ terms) in 2022.

## Portfolio performance

In the December quarter, Argo Infrastructure's portfolio returned +3.6% in A\$ terms, slightly ahead of the benchmark index return of +3.3%.

The strong share price appreciation of Argo Infrastructure's second largest holding, Norfolk Southern (+18.0%), contributed positively to the portfolio's performance during the period. The US freight rail company saw its share price rally during the quarter as it reported solid earnings and increased volumes on its rail network. See page three for an overview of the company.

Exposure to marine ports also bolstered the portfolio's performance with optimism surrounding China's reopening helping to drive share prices higher. Stock selection among electric utilities was another positive contributor with the subsector delivering robust gains, particularly European utilities which reported good corporate results.

	3 months	1 year	3 years (p.a.)	Since inception (p.a.)
Portfolio <sup>1</sup>	+3.6%	+2.4%	+4.4%	+8.3%
Benchmark <sup>2</sup>	+3.3%	+2.0%	+2.8%	+7.6%
S&P/ASX 200 <sup>3</sup>	+9.4%	-1.1%	+5.5%	+7.4%

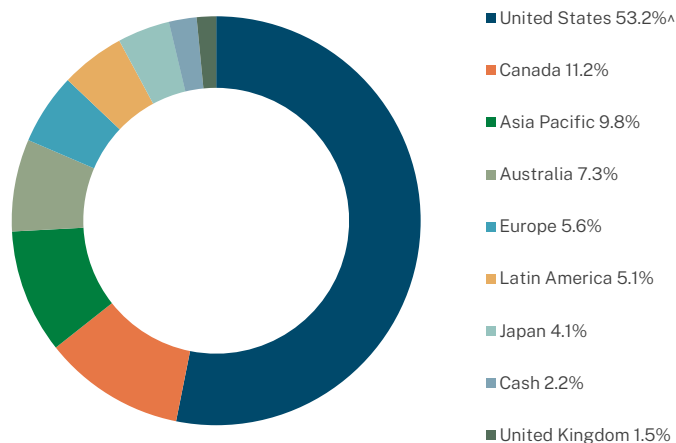
<sup>1</sup> Before Fees   <sup>2</sup> FTSE Global Core Infrastructure 50/50 Index (in A\$)   <sup>3</sup> Accumulation Index

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



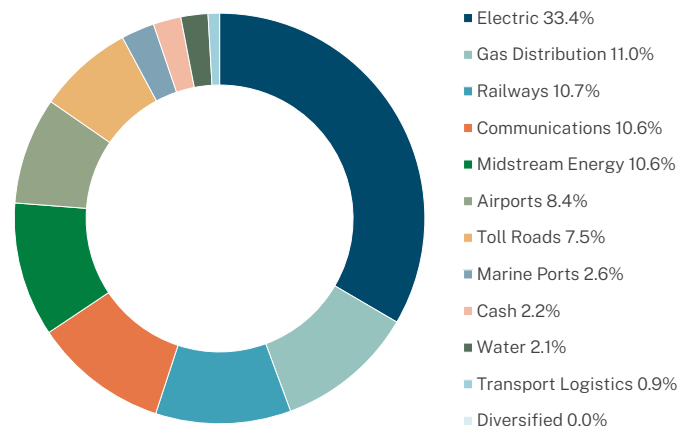
### Portfolio

#### 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 2022

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Electric	6.5	5.3
Norfolk Southern	US	Railways	4.8	1.0
Transurban	AUS	Toll Roads	4.7	4.9
Sempra Energy	US	Gas Distribution	3.9	2.0
American Tower	US	Communications	3.3	3.4
PPL	US	Electric	2.9	0.9
TC Energy	CAN	Midstream Energy	2.8	1.4
Airports of Thailand	THAI	Airports	2.7	0.0
DTE Energy	US	Electric	2.4	0.0
SBA Communications	US	Communications	2.4	1.0
			<b>36.4</b>	<b>19.9</b>



## Stock Snapshot **Norfolk Southern**

NYSE code	NSC
Headquarters	Atlanta
Market capitalisation	\$US59.4 billion
Annual net income	\$US3.0 billion
Total employees	~18,500
Founded	1982



- One of the largest US freight companies, Norfolk Southern Corporation operates approximately 19,300 miles of railway across 22 states transporting various materials including, industrial and agricultural products, chemicals, metals and construction materials.
- Its operations serve a range of facilities, including distribution centres, power plants and manufacturing facilities, and encompass every major container port on the east coast of the United States.
- Following the impacts of the global pandemic which saw earnings fall, the company's income rebounded supported by higher prices and increased volumes reflecting a resurgent economy.
- Since the COVID lows of March 2020, Norfolk Southern's share price has more than doubled.
- Norfolk Southern is Argo Infrastructure's second largest holding, accounting for 4.8% of the portfolio relative to the benchmark index weighting of 1.0%.
- For more information, visit: [nscorp.com](https://nscorp.com)

## Outlook

As we enter the new calendar year, investment conditions remain tough with returns to be further influenced by predominantly macro-economic factors, including high inflation, central bank tightening and slowing global growth. Against this backdrop, Argo Infrastructure's Portfolio Manager, Cohen & Steers, is maintaining a balanced portfolio weighted towards high quality infrastructure companies which are well-positioned to weather a possible economic downturn.

Although in many major economies, inflation and interest rates may have reached or are close to reaching their peaks, these economic indicators remain elevated. In this environment, some infrastructure subsectors may be challenged. However, the positive performance of global listed infrastructure over the last six to 12 months (in absolute terms and relative to broader global equities) is testament to the resilience of the broader asset class during periods of unexpected inflation and rising interest rates.

We believe global listed infrastructure is well-positioned in the current economic environment. Over the longer term, the outlook for the asset class is supported by historical demand for investment in major infrastructure projects across both emerging and developed economies, particularly building renewable power generation capacity. In addition, there remains strong investor demand for infrastructure exposure which is providing valuation support for listed and unlisted infrastructure assets.

## About us

### At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$419m
Shareholders	9,400
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield <sup>^</sup>	3.4%

<sup>^</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

BoardRoom Pty Limited

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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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