AUSTRALIAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Argo Global Listed Infrastructure Limited (ASX: ALI)

Initiating Coverage

August 2021

INDEPENDENT INVESTMENT RESEARCH

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1) The research process has complete editorial independence from the company and this is included in the contract with the company;

2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;

3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.

4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.

5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;

6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

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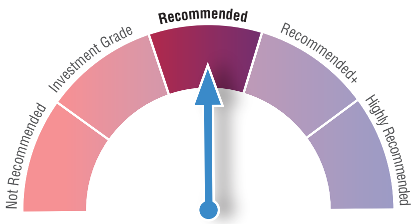
Argo Global Listed Infrastructure Limited (ASX: ALI)

Note: This report is based on information provided by the Manager and the Portfolio Manager as at April 2021.

Rating



Key Investment Information (as at 31 May 2021)	
ASX Code	ALI
Share Price ($)	2.14
Pre-tax NTA ($)	2.30
Post-tax NTA ($)	2.25
Shares on Issue (m)	153.4
Market Cap ($m)	328.3
Premium/Discount	-7.0%
Dividend Yield	3.7%
Listing Date	July 2015
Manager	Argo Service Company Pty Ltd
Portfolio Manager	Cohen & Steers
Benchmark	FTSE Global Core Infrastructure 50/50 Index
Investment Structure	LIC
Fees:	
Management Fee (p.a)*	1.20%
Performance Fee	na

*Decreases to 1.1% over $500m and 1.0% over $1.0b.

Key Exposure	
Underlying Exposure	Portfolio of global infrastructure securities and fixed income securities.
FX Exposure	The Company has direct FX exposure given the global nature of the investment mandate. The FX exposure will be unhedged and therefore the portfolio will be impacted by movements in the relevant currencies against the Australian dollar.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

Argo Global Listed Infrastructure Limited (ASX: ALI) is a Listed Investment Company (LIC) that listed on the ASX in July 2015, raising $286.1m through the issue of 143.1m fully paid ordinary shares at $2.00 per share. Argo Service Company Pty Ltd (ASCO) is the Manager of the Company. ASCO is a wholly-owned subsidiary of Argo Investments Limited (ASX: ARG). ASCO has appointed Cohen & Steers as the Portfolio Manager. Cohen & Steers is a global investment manager in long-life assets, including infrastructure, real estate securities, natural resource companies, commodity futures and fixed-income securities. Cohen & Steers has in excess of AUD$114b of AUM with AUD$10b invested across global infrastructure strategies.

ALI seeks to provide investors a total return, consisting of capital growth and dividend income, from a diversified long-only portfolio of global listed infrastructure securities. The Portfolio Manager will seek to outperform the benchmark over the long-term, however, given the nature of the underlying investments we expect any alpha generation to be moderate. The portfolio will be actively managed and comprise 50-100 securities and will typically be heavily weighted to the US. While stocks may be weighted to the US the underlying assets and operations are often global.

The Portfolio Manager has been successfully managing the underlying investment strategy since 2004 and does so with a focus on investing in companies that exhibit: relatively predictable, often inflation-linked cash flows; largely regulated and monopolistic businesses with concession-based, or contracted assets; and, high barriers to entry. The focus is on the owners and operators of infrastructure assets. Cohen & Steers has a long track record in listed infrastructure and is well resourced

The Manager is paid a management fee of 1.2%p.a of the gross value of the portfolio. The Manager is responsible for paying the Portfolio Manager from this fee.

INVESTOR SUITABILITY

An investment in ALI is suitable for those investors that are seeking a defensive-style investment that has the potential to diversify the risk/return profile of an investor's broader portfolio. The portfolio has delivered lower volatility returns than broader equities over the longer-term and has provided returns with a low to moderate positive correlation with capital preservation. The dislocation between the share price and the NTA has resulted in the return to shareholders not necessarily getting the benefits of the defensive characteristics of an infrastructure portfolio, with the share price experiencing greater levels of volatility than the pre-tax NTA and not providing the same level of capital preservation. We note however, the share price has generated better risk-adjusted returns than the pre-tax NTA in the short-term. The currency exposure of the portfolio is unhedged, meaning that the AUD performance is impacted by movements in the AUD against the relevant currencies. Currency movements may have a positive or negative impact on the AUD returns. The impact of adverse currency movements has been highlighted in the returns of the portfolio over the 12-months to 30 April 2021.

RECOMMENDATION

Independent Investment Research (IIR) has assigned Argo Global Listed Infrastructure Limited (ASX: ALI) a **Recommended** rating. The Company has delivered on its investment objective of generating a total return comprising of both capital and income. The Company has offered a growing fully franked dividend stream with a dividend yield ranging from 2.3%-4.3% over the two years to 30 April 2021. As at 30 April, the Company had a dividend yield of 3.7%. This is above the distribution yield offered by the passive ETF alternatives that offer exposure to listed infrastructure securities. ALI is the only LIC on the ASX that provides exposure to a portfolio of listed infrastructure securities. There are four other listed infrastructure options available to investors (two passively managed ETFs and two actively managed ETFs). Given the company structure, ALI is the only listed infrastructure portfolio that can pay franked dividends, providing investors access to a global portfolio of infrastructure securities in combination with the benefits of franking.

SWOT

Strengths

- ALI is the only listed investment company on the ASX that provides exposure solely to infrastructure. The only other listed alternatives are structured as Exchange Traded Products (ETPs). LICs have the advantage of being able to distribute franked dividends, control the dividend paid through the Profits Reserve and is governed by a Board of Directors.
- One of the benefits of the LIC structure is that it is a closed-ended fund with liquidity provided through the trading of shares on the secondary market. This means that investors have the benefit of market liquidity and the Manager has "captive capital" without the need to mange the portfolio for redemptions.
- The Company provides access to a portfolio managed by Cohen & Steers, a well regarded asset management firm with a stable, experienced and well resourced investment team.
- Cohen & Steers has a substantial market position in global listed infrastructure, having AUD$10b invested in the sector, representing one of the largest dedicated investors in the sector. Size and scale provides access to company management, regulators and other market participants.
- ESG is integrated into the investment process. Given the long-term nature of infrastructure investments, ESG is an important consideration for the longevity of the asset.
- The Company has paid a steadily increasing dividend since listing with the addition of being fully franked from the final FY18 dividend. In the event the Company maintains the previous interim and final dividend amount, the Company has over 4 years dividend coverage in the Profits Reserve. We note the dividend is predominantly paid from the income received from the portfolio.

Weaknesses

- The Company has traded primarily at a discount to pre-tax NTA since listing in July 2015. While the discount has narrowed in recent months, we note that there has been limited opportunity for shareholders to exit at NTA.
- The management fees are at the high end for the listed peer group. We note that the step down in fees as the size of the Company grows will bring the management fees more in line with peers.

Opportunities

- An investment in ALI offers the potential for an investor to diversify their existing portfolio with infrastructure as an asset class typically providing returns that are less volatile than the broader equities market with low to moderate positive correlated returns.
- The performance dispersion among sub sectors in the asset class provides an opportunity for an active manager to generate alpha.
- Infrastructure investments typically provide an inflation-hedged income stream, which is particularly relevant given the potential inflationary environment we are entering in to.

Threats

- The portfolio will be unhedged and therefore the portfolio value will be impacted by movements in the relevant currencies compared to the Australia dollar. While this may have a positive impact on the value of the portfolio, it may also have a negative impact. The impact of currency movements are highlighted in the Performance Analytics section of this report.
- The Company may trade at a premium or discount to the NTA. Trading at a discount can provide investors access to the portfolio of investments at a discounted price, which can add additional capital returns to the returns of the portfolio in the event the discount is narrowed. However, in the event the Company trades at a discount to NTA for sustained periods of time, investors may not be able to realise the value of the investment in the event they seek to exit.

PRODUCT OVERVIEW

Argo Global Listed Infrastructure Limited (ASX: ALI) is a Listed Investment Company (LIC) that listed on the ASX in July 2015, raising $286.1m through the issue of 143.1m fully paid ordinary shares at $2.00 per share. There was also the same number of options issued upon listing with an exercise date of 31 March 2017 and an exercise price of $2.00. Of the 143.1m options issued, 391,852 were exercised, raising an additional $0.78m in capital for the Company.

ALI seeks to provide investors a total return, consisting of capital growth and dividend income, from a diversified long-only portfolio of global listed infrastructure securities that outperforms the Benchmark (FTSE Global Core Infrastructure 50/50 Index, net total return, AUD) over the long-term.

Argo Service Company Pty Ltd (ASCO) is the Manager of the Company. ASCO is a wholly-owned subsidiary of Argo Investments Limited (ASX: ARG), the second largest LIC on the ASX with a market capitalisation of $6.4b as at 31 May 2021. ASCO has appointed Cohen & Steers as the Portfolio Manager. Cohen & Steers is a global investment manager in long-life assets, including infrastructure, real estate securities, natural resource companies, commodity futures and fixed-income securities. Cohen & Steers has in excess of AUD$114b of AUM with AUD$10b invested across global infrastructure strategies.

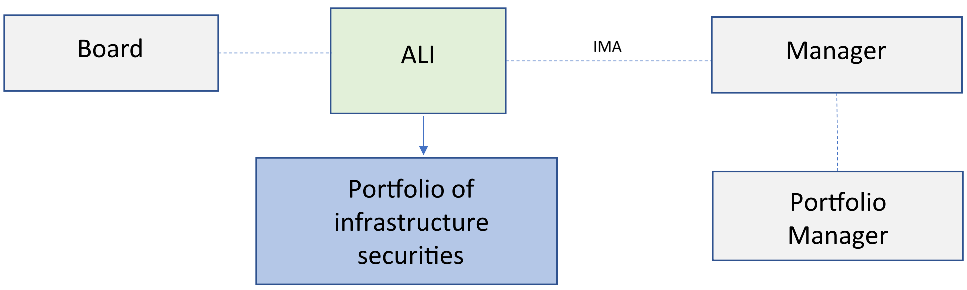
The portfolio is actively managed and typically hold 50-100 securities. At least 80% of the portfolio will be invested in global listed infrastructure securities, up to 20% can be invested in global infrastructure fixed income securities and up to 5% of the portfolio can be held in cash. Global infrastructure companies are defined as a company that derives at least 70%of its revenues from, or has at least 70% of its assets committed to, the construction development or financing of infrastructure assets, or the management, ownership and/or operation of infrastructure assets such as pipelines, toll roads, airports, railroads or ports.

The Portfolio Manager employs a disciplined investment process that combines a top-down approach for sub sector allocation with detailed bottom-up analysis to determine the investments made. The portfolio is managed in a benchmark unaware manner.

The Manager will receive a management fee of 1.20% p.a of the gross portfolio value of the Company. The Manager is required to pay the Portfolio Manager from this fee. No performance fee is applicable. While there is no performance fee applicable for the Company, the compensation of the investment team is directly tied to alpha generation, aligning the interests of the Portfolio Manager with the Company.

The portfolio is unhedged. Given the Company will invest in globally listed securities the portfolio value will be impacted, either positively and negatively, by movements in the relevant currencies against the Australian dollar. Foreign currency exposure may be hedged where the Board sees significant risk of currency weakness, however, the Company does not seek to add value through active management of currency exposure.

Investment Structure



BOARD & THE MANAGER

Board

The Board of ALI consists of five highly experienced Directors, two of which are independent from the Manager.

Board of Directors		
Name	**Position**	**Experience**
Russell Higgins AO	Chairman (Non-Executive, Non-Independent)	Russell was appointed as Chairman in July 2018. Russell has been an independent Non-Executive Director of ARG since 2011 and is has been Chairman of ARG since 2018. Russell is also Chairman of the Manager (ASCO). Russell has an extensive background in the energy and infrastructure sectors and in economic and fiscal policy, both locally and internationally. Russell is an experienced company director and has held senior government positions.
Jason Beddow	Managing Director (Executive)	Jason has been the Managing Director of ALI since its incorporation in 2015 and is the Managing Director of ARG. Jason has over 20 years' experience in the financial markets,and has been with ARG for 18 years.
Andrea Slattery	Director (Independent)	Andrea joined the Board in 2015. Andrea has an extensive career in the financial services industry including co-founding and growing rh SMSF Association as its Managing Director and CEO. Andrea also has experience in the infrastructure, property, renewable energy and resource sectors and in government advisory committee roles. Andrea is currently a Director of AMP Ltd, AMP Bank, Clean Energy Finance Corporation and Woomera Prohibited Area Advisory Board.
Mark Hall	Director (Independent)	Mark joined the Board in 2019. Mark has an extensive career with over 20 years with Telstra Corporation Ltd in the senior finance roles including Deputy Chief Financial Officer and Acting Chief Financial Officer, which included the planning, prioritisation and evaluation of Telstra's infrastructure program and Head of NBN Telstra Retail. Mark is a Director and Audit Committee Chair for a number of Telstra subsidiary companies in Australia and overseas, as well as for Telstra Super. More recently, Mark was Chief Financial Officer of Catapult Group Ltd from 2017 to 2019.
Joycelyn Morton	Director (Non-Executive, Non-Independent)	Joycelyn has been a Director of ALI since it was incorporated in 2015. Joycelyn is also a Director of ARG and has been since 2012. Joycelyn has a background in finance with expertise in taxation. Joycelyn has had a long executive career, initially in chartered accountancy, followed by senior management roles with Woolworths Limited and leadership roles both in Australia and internationally with the Shell Group of companies. Joycelyn has also held a number of government and international advisory positions. Joycelyn currently sits on a number of boards including Beach Energy Ltd, Felix Group Holdings and ASC Pty Ltd.

Manager

Argo Service Company Pty Ltd (ASCO) is the Manager of the Company. ASCO is a wholly owned subsidiary of Argo Investments Limited (ASX: ARG). Under the Management Agreement, the Manager is responsible for managing the affairs of the Company, including management of the portfolio and providing the services of the Managing Director and Company Secretary.

The Manager has appointed a Portfolio Manager, Cohen & Steers, who is responsible for the management of the investment portfolio.

The Manager receives a management fee of 1.20%p.a up to a portfolio value of $500m. The management fee will decrease to 1.10%p.a for a portfolio value of $500m-$1b and will decrease to 1.0% in the event the portfolio value exceeds $1b. The Manager is responsible for paying the Portfolio Manager from the management fee it receives from the Company.

The Management Agreement was renewed for a further five years after the initial five year term was completed in 2020.

Portfolio Manager

Cohen & Steers was founded in 1986 by Martin Cohen and Robert Steers and was the first US investment advisor to focus on real estate securities. Since inception, the business has focused on real asset strategies as a means of providing the potential for attractive total returns and overall portfolio diversification. In 2004, Cohen & Steers started investing in listed infrastructure to provide investors a value-added approach to investing in global infrastructure. Cohen & Steers listed on the New York Stock Exchange in 2004 (NYSE:CNS).

The Manager has 300+ employees across five cities and three continents and provides a range of strategies including global listed infrastructure, global and real estate securities, real assets, commodities, global natural resource equities, preferred securities and other offerings. The Manager currently has AUD$114.2b AUM across its mandates, an overview of which is provided below.

Cohen & Steers AUM (as at 31 March 2021)	
Asset Class	**AUM (AUD$b)**
Listed Real Assets	
US Real Estate Securities	45.4
Global/Non-US Real Estate Securities	21.5
Global Listed Infrastructure & MLPs	10.0
	76.9
Alternative Income Solutions	
Preferred & Income Securities	29.4
	29.4
Multi-Strategy Solutions	
Real Assets Multi-Strategy	2.0
Other Multi-Strategy Solutions	5.7
	7.7
Other	0.2

The firm has a strong strategic commitment to its global listed infrastructure capability, seeing it as a key part of the growth of the firm. The firm has supported its beliefs about the listed infrastructure space by dedicating the necessary resources to grow the team. Specifically, it has expanded and has indicated it will further expand its global infrastructure capabilities in both the developed and developing markets. Within the last three years, the firm has hired research analysts and associates in New York, London and Hong Kong to aid in the coverage of infrastructure securities in their respective regions.

With AUD$10b in global listed infrastructure and midstream energy & MLP assets, the team have a significant presence in the global markets and this offers strong access to information. The Portfolio Manager notes that it is viewed by company managements, sell-side analysts, infrastructure specialists, regulators, boutique research firms and other resources as a priority shareholder and client.

With respect to ALI, the investment strategy is the same that is applied to other institutional mandates in the global listed infrastructure sector, with all mandates managed in an identical manner.

Investment Team

Ben Morton is the Senior Portfolio Manager for Global Listed Infrastructure and works closely with the Portfolio Managers, Bob Becker, Tyler Rosenlicht and Thuy Quynh Dang. The Portfolio Manager's are supported by seven analysts and one associate (detailed below).

The global presence reflects a view that accessing investment opportunities around the world requires local knowledge and insight into specialised and regional markets. The Manager believes that the expanding and inter-dependent global economy makes it necessary to have locally-based offices when investing in global markets.

There are a number of aspects about the team that place the Portfolio Manager in a position of competitive strength. First, Cohen & Steers has been investing in listed infrastructure since 2004 with Bob Becker and Ben Morton having worked together that entire time and have been involved in listed infrastructure since 1996 and, respectively. The four Portfolio Managers average 20 years of experience in listed infrastructure investment management and research while the team as a whole have an average of 14 years of investment experience. As such, it represents an experienced investment team.

Second, there is a stability to the team, with the four Portfolio Manager's averaging 13 years with the Portfolio Manager. The firm has an excellent record of retaining key professionals and has in place a number of specific policies designed to support retention of key investment professionals, including key investment professionals receiving a significant part (35% for the most senior professionals) of their annual compensation in Restricted Stock Units ("RSUs") of Cohen & Steers, Inc.'s stock (which generally vest and convert to common stock ratably over four years). This stability facilitates a consistency of investment process and effective and collaborative investment decision process. It also means that past performance is likely to be more indicative of potential future performance than may otherwise be the case.

Third, three of the senior analysts, specifically Thuy Quynh Dang, Grace Ding, and Umberto Medina, grew up in local markets, speak the language of those markets, and have significant experience in their respective local market. Thuy Quynh Dang, who covers European infrastructure, is French-Vietnamese, speaks five languages, and has invested in listed infrastructure for almost 20 years. Grace Ding is a Chinese national and grew up in Shanghai. She was a top ranked analyst on the sell side. Umberto Medina worked at Macquarie as a buy side analyst. He covers Latin America and grew up in South America. There is a high degree of formal and informal interaction between the investment team. On a daily basis, morning meetings are attended by all portfolio managers and the 30 strong global equities research team, providing a collaborative forum in which to share and discuss issues impacting the various sectors. On a weekly basis, the two portfolio managers have a structured, formal meeting with each individual analyst, which serves to both set the research agenda as well as serving as a means to hold all parties accountable.

The key members of the investment team are:

- **Ben Morton: Senior Portfolio Manager, Head of Global Listed Infrastructure-** Ben joined the Manager in 2003 and has 23 years' experience in infrastructure-related investments. Prior to joining the Manager, Ben worked at Salomon Smith Barney as a Research Associate, covering the Utility sector. Ben also worked at New York Mercantile Exchange as a Research Analyst. Ben holds a BA from the University of Rochester and an MES from Yale University. Ben is based in New York.
- **Bob Becker: Portfolio Manager, Global Listed Infrastructure -** Bob joined the Manager in 2003 and has over 25 years' experience in infrastructure-related investment markets. Prior to joining the Manager, Bob was a Portfolio Manager and Analyst for the Franklin Utilities Fund at Franklin Templeton Investments. Bob also previously was a equity analyst at Salomon Smith Barney covering the Utilities sector and as covered the Utilities and Transport sector at Sudden, Stevens & Clark. Bob holds a BA in Political Economy of Industrial Societies from the University of California. Bob is based in New York.
- **Tyler Rosenlicht: Portfolio Manager, Head of Midstream & MLPs -** Tyler has 12 years' of investment experience. Prior to joining the firm in 2012, Tyler was an investment banking associate with Keefe, Bruyette & Woods and an investment banking analyst with Wachovia Securities. Tyler has a BA from the University of Richmond and an MBA from Georgetown University. Tyler is based in New York.
- **Thuy Quynh Dang: Portfolio Manager, Global Listed Infrastructure-** Thuy is a Portfolio Manager and has analyst coverage responsibilities for Europe. She is also a member of the firm's ESG Investment Committee and is the ESG Captain for the Global Listed Infrastructure team. She has 21 years of infrastructure related investment experience. Prior to joining the firm in 2011, Thuy was an analyst with Barclays Wealth in London, where she covered the pan European utility, energy and materials sectors. Previously, Thuy was a European utility equity research analyst with Merrill Lynch in London, where she had also served as a member of the company's European energy and utility investment banking group. Thuy has an MA from HEC Paris and is based in London.

In addition to the four Portfolio Managers in the Global Listed Infrastructure team, the team is supported by Analysts and Associates as well as a broader team of resources.

Global Listed Infrastructure Investment Team				
Name	**Position**	**Location**	**Years at Firm**	**Industry Experience (years)**
Ben Morton	Head of Global Listed Infrastructure, Senior Portfolio Manager	New York	18	23
Bob Becker	Portfolio Manager, Global Listed Infrastructure	New York	17	25
Thuy Quynh Dang	Portfolio Manager, Global Listed Infrastructure	London	10	21
Tyler Rosenlicht	Portfolio Manager, Head of Midstream & MLPs	New York	9	12
Grace Ding	Senior Analyst	Hong Kong	11	15
Humberto Medina	Senior Analyst	New York	11	21
Andrew Burd	Senior Analyst	New York	3	11
Saagar Parikh	Analyst	New York	7	12
Joao Monteclaro Cesar	Analyst	Hong Kong	2	12
Christopher DeNunzio	Analyst	New York	4	6
Trent Mangold	Senior Associate	New York	1	3

INVESTMENT PROCESS

Investment Philosophy

The investment philosophy of the Portfolio Manager is underpinned by the following principles:

- Inefficient markets provide opportunity for active management - the Portfolio Manager believes markets are inherently inefficient at pricing in company fundamentals, which are the primary drivers of long-term returns. This creates opportunities for active managers to add value.
- Universe definition is critically important - the Portfolio Manager focuses on the core owners and operators of infrastructure assets that demonstrate the key infrastructure characteristics of predictable and inflation-linked cash flows through ownership of largely regulated, concession-based or contracted assets and businesses with high barriers to entry.
- A comprehensive relative value process that marries vigorous bottom up fundamental research with a top down overlay can deliver a sustainable advantage.
- Attracting and developing a deep bench of talent is critical to long-term success.

Investment Process

The Manager uses a combination of a top-down research to determine the relative attractiveness of each sub-sector within the investable universe and a bottom-up analysis to determine the relative value within the sub-sectors and countries.

The process can be broken down into four key steps: (1) Research Inputs; (2) Sub sector Allocation; (3) Security Selection; and (4) Portfolio Management and Risk Controls.

1) Research Inputs

The investment process begins with a screen for sectors and companies that exhibit the key infrastructure characteristics -- stable cash flows, largely regulated and monopolistic businesses, and high barriers to entry.

Using its screens, the Portfolio Manager has identified a global listed infrastructure investment universe that includes approximately 350 companies totalling AUD$3.7 trillion of market capitalisation.

Analysts conduct research on all companies in the universe, formulating independent views on fundamentals, regulatory trends and company financials. In support of this, the research analysts spend a meaningful amount of their time in the local markets meeting with company management teams, visiting assets, and spending time with regulators. The analysts develop proprietary projections for each company's earnings, cash flow and dividend growth potential.

The team's valuation models utilise several metrics, including price-to-earnings ratio ("P/E"), P/E vs. long-term growth rate, private market value, discounted cash flow, enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA"), EV/EBITDA vs. long-term growth rate, and price-to-fair value, selecting the most effective metrics for each infrastructure sub sector. These metrics are inputs for the proprietary valuation models, which rank the relative attractiveness of all securities within each sub sector.

Head of Global Infrastructure and Senior Portfolio Manager, Ben Morton, leads the global infrastructure research and investment efforts and works closely with the other Portfolio Managers to manage the Global Listed Infrastructure portfolios. They provide macro (economic and commodity) assumptions that the analysts use as inputs when developing financial forecasts for the companies in the infrastructure sub sectors. They have many internal sources of input, including the firm's macroeconomic research team, led by Michael Penn, who provides the formal economic research and view of the firm, and the Best of Energy group, which is comprised of Portfolio Managers and analysts from the Infrastructure & MLP, Commodity, Natural Resource Equity, Preferred, Macro, Real Estate, and Real Assets teams and provides the firm's official view on energy supply/demand trends and pricing forecasts.

2) Sub sector Allocation

The Portfolio Manager employs its proprietary macro sector overlay, which ranks the attractiveness of the infrastructure sub sectors based on its current view for several key drivers—industry fundamentals, economic sensitivity, credit cycle, valuation, and regulatory cycle. This sub sector macro framework identifies the most and least attractive sub sectors based on the team's macro views, and drives the sub sector allocations in the Portfolio Manager's portfolio.

Sectors are scored 1 through to 5 based on relative valuation attractiveness. The Portfolio Manager views sub sector allocation process as a significant contributor to excess returns.

The Portfolio Manager's current sub sector allocation framework is illustrated below. This framework is used as a tool for deciding sub sector weights; the portfolio is generally overweight the sub sectors that screen favourably on both a fundamental basis and valuation basis, and are neutral weight, underweight or do not own those that screen poorly on either or both.

Sub sector Screening Process

	Regulatory Cycle 25%	Economic Cycle 40%	Credit Cycle 10%	Industry Fundamentals 25%	Macro Score 100%	Valuation Score
	Heightened Regulatory Risk	Recovery with Uncertain Path	Low Rates / Credit Stable			
Freight Rails	2.0	2.0	2.5	2.5	2.2	2.3
Towers	1.0	4.0	3.5	1.0	2.5	2.8
Data Centers	1.0	4.0	3.5	1.5	2.6	5.0
Passenger Rails	3.5	2.0	2.0	3.5	2.8	3.4
Marine Ports	4.0	2.0	2.0	3.0	2.8	1.0
Water	3.0	3.5	3.5	1.0	2.8	3.6
Toll Roads	3.5	2.5	4.0	2.5	2.9	4.0
Midstream	3.5	2.5	3.5	3.0	3.0	3.5
Satellites	2.0	3.0	2.0	4.5	3.0	2.8
Electric	4.0	3.5	4.0	2.0	3.3	2.8
Airports	4.5	2.0	4.0	4.5	3.5	4.0
Gas Distribution	4.0	4.0	4.0	3.5	3.9	2.5

1	Positive	3	Neutral	5	Negative
2	Modestly positive	4	Modestly negative		

3) Security Selection

Once the Portfolio Manager has determined its sub sector positioning, the PMs use the outputs from the security-level relative valuation models generated by the analysts to quantify relative value within each sub sector, using the most appropriate valuation metrics for the respective sub sector. This model is run on a daily basis and diagrammatically presented below. The model ranks all stocks in each sub-sector based on relative value. Typically (but not invariably, with discretion with respect to aspects like catalysts being an important input, for example), the portfolio's largest overweights are securities that are the most undervalued according to the models. Companies that are most overvalued are typically significant underweights or are not owned in the portfolio. As valuations change, capital is re-allocated between individual securities.

Sub Sector Model Example

Fair Value

	Fair Value (+/-)	Standard Deviations to Mean	Binary Score
Company A	-29%	(1.68)	1
Company B	-25%	(1.38)	1
Company C	-18%	(0.78)	0
Company D	-18%	(0.71)	0
Company E	-16%	(0.60)	0
Company F	-14%	(0.43)	0
Company G	-14%	(0.38)	0
Company H	-13%	(0.28)	0
Company I	-5%	0.36	0
Company J	-5%	0.41	0
Company K	-2%	0.60	0
Company L	7%	1.42	-1
Company M	7%	1.44	-1
Company N	14%	1.97	-1

Multiple-to-Growth

Company	Multiple to Growth	Standard Deviations to Mean	Binary Score
Company B	0.90	(0.91)	1
Company D	1.26	(0.81)	0
Company F	1.38	(0.77)	0
Company C	1.45	(0.75)	0
Company I	1.60	(0.71)	0
Company E	2.21	(0.54)	0
Company N	2.83	(0.37)	0
Company J	3.20	(0.26)	0
Company A	3.66	(0.14)	0
Company G	3.98	(0.04)	0
Company M	4.48	0.10	0
Company H	9.05	1.37	-1
Company K	10.32	1.73	-1
Company L	11.68	2.11	-1

Combined Multi-Factor Ranking

Company	Fair Value Score	Multiple to Growth Score	Total Score
Company B	1	1	2
Company A	1	0	1
Company E	0	0	0
Company D	0	0	0
Company I	0	0	0
Company F	0	0	0
Company C	0	0	0
Company G	0	0	0
Company J	0	0	0
Company N	-1	0	-1
Company K	0	-1	-1
Company M	-1	0	-1
Company H	0	-1	-1
Company L	-1	-1	-2

4) Portfolio Management & Risk Controls

The portfolio is constructed in accordance with the investment guidelines, tabled below. The portfolio will be long-only and no gearing is permitted to be used. The Portfolio Manager may use derivatives such as options and futures, with call options on up to 20% of the portfolio and put options on up to 10% of the portfolio. These products are primarily used for currency settlement purposes.

The Portfolio Manager is permitted to invest in infrastructure securities, which are defined as a company that derives at least 70%of its revenues from, or has at least 70% of its assets committed to, the construction development or financing of infrastructure assets, or the management, ownership and/or operation of infrastructure assets such as pipelines, toll roads, airports, railroads or ports.

The Portfolio Manager will seek to remain largely fully invested with the Company seeking to provide investors exposure to the infrastructure sector throughout the market cycle. Decisions in terms or portfolio allocation and cash levels can be made by each individual investor to suit their desired overall portfolio outcome and/or market view at any given time.

Investment Guidelines	
Expected Tracking Error	1.5%-3.0%
Number of holdings	Typically 50-100
Position Weight Range	0.5%-6.0%
Maximum Allocation to Individual Security	10%
Maximum Weighting to Emerging Markets	15%
Average Annual Turnover	40%-60%

The Portfolio Manager has proprietary risk tools that assist the Portfolio Managers with identifying risk exposures and can assist with portfolio optimisation.

The Portfolio Manager’s sell discipline is typically driven by its valuation models, which quantify relative value within the universe. Positions are reduced at relative value determinants — either through a change in relative performance or a change in fundamentals — among industry groups or within infrastructure sub sectors. Any positive or negative fundamental development is reflected in the valuations and the position is reevaluated in the context of the process. In addition, judgements with respect to risk control, diversification, liquidity and other factors may trigger a sale.

PORTFOLIO

The portfolio is typically heavily weighted to the US from a geographical perspective. While the securities may be listed on US stock exchanges, the operating assets and earnings are often global.

When compared to the benchmark index, the portfolio is concentrated. As at 31 March, the portfolio comprised 61 stocks compared to the benchmark index which comprised 248 stocks.

Sub Sector Allocation as at 31 March 2021

Sector	Portfolio Weighting	Benchmark Weighting
Electric	37.0%	40.4%
Communications	12.1%	10.0%
Railways	12.4%	8.0%
Mainstream Energy	11.1%	10.7%
Airports	9.2%	8.8%
Toll Roads	7.5%	8.6%
Gas Distribution	3.6%	6.5%
Water	5.4%	3.4%
Marine Ports	0.9%	2.7%
Diversified	0.0%	1.0%
Cash	0.9%	0.0%

Geographic Allocation as at 31 March 2021

Country/Region	Portfolio Weighting	Benchmark Weighting
US	55.2%	52.7%
Canada	10.8%	8.9%
Europe	11.4%	11.8%
Asia Pacific	17.9%	22.3%
Australia	5.6%	6.5%
Latin America	3.9%	4.1%
Japan	3.0%	3.5%
UK	1.2%	2.9%
Cash	0.9%	0.0%

The Company provides a quarterly update which provides detail regarding the top 10 holdings in the portfolio. As at 31 March 2021, the portfolio's largest holding was in NextEra Energy with a 6.1% holding. NextEra Energy is the largest company in the benchmark index. The largest overweight position in the top 10 holdings was in Norfolk Southern.

Top 10 Holdings as at 31 March 2021

Sector	Country of Listing	Portfolio Weighting	Benchmark Weighting
NextEra Energy	US	6.1%	5.1%
Transurban Group	Australia	4.7%	4.3%
Norfolk Southern	US	4.4%	0.9%
American Tower	US	3.6%	4.0%
Enbridge	Canada	3.0%	2.8%
Public Service Enterprise Group	US	2.9%	1.3%
SBA Communications	US	2.8%	1.2%
The Southern Company	US	2.7%	2.8%
AENA	Spain	2.6%	1.8%
FirstEnergy Corporation	US	2.4%	0.8%
		35.2%	**25.0%**

PERFORMANCE ANALYTICS

The Company is approaching six years of performance history, providing a good sample to assess the performance of the strategy and the ability of the Portfolio Manager to achieve the investment objectives of the Company. The key objective of the Company being to deliver a total return consisting of dividend income and capital growth over the long-term.

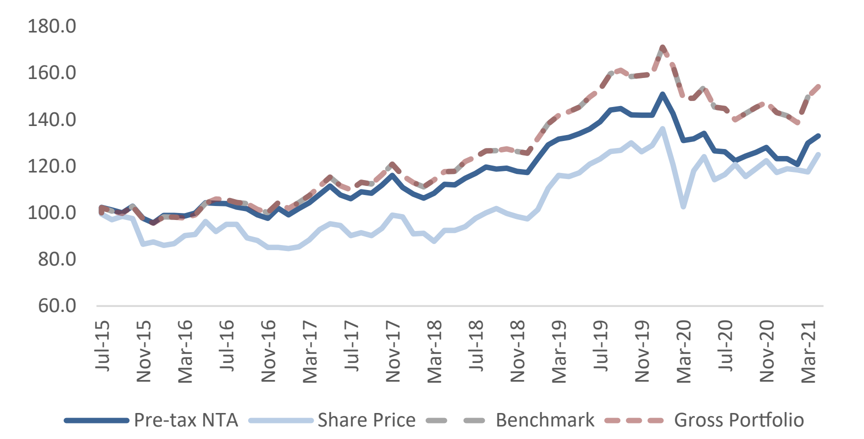
To 30 April 2021, the pre-tax NTA (including dividends) has underperformed the benchmark index across all periods. We note that the pre-tax NTA is net of fees, expenses and after tax paid on realised gains. This compares to the benchmark index returns which are effectively on a gross basis. As such, we have also included the gross returns of the ALI portfolio to determine the performance of the portfolio on a like-for-like basis with the benchmark index.

On a gross basis (before fees, tax and expenses), the ALI portfolio has outperformed the benchmark index across all time periods on both an absolute and risk-adjusted basis.

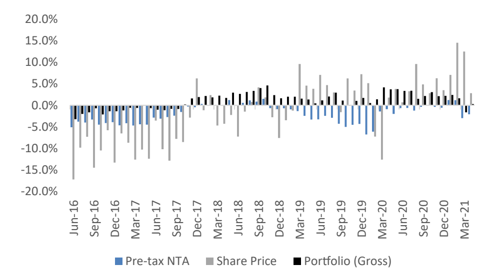
Performance Analytics (as at 30 April 2021)

	Pre-Tax NTA	Share Price	Gross Portfolio	Benchmark
Cumulative Returns (incl. dividends)				
1 year	0.97%	5.88%	3.32%	3.04%
3 year (p.a)	5.84%	10.59%	9.42%	7.60%
5 year (p.a)	5.92%	6.62%	9.23%	7.81%
Since Inception (p.a)	5.02%	3.90%	7.70%	7.18%
Standard Deviation				
1 year	12.1%	14.8%	12.6%	13.1%
3 year (p.a)	11.0%	18.3%	11.5%	12.4%
5 year (p.a)	10.4%	16.4%	10.8%	11.2%
Since Inception (p.a)	10.2%	16.1%	10.5%	10.8%
Sharpe Ratio				
1 year	-0.06	0.29	0.13	0.11
3 year (p.a)	0.38	0.49	0.67	0.48
5 year (p.a)	0.41	0.30	0.71	0.55
Since Inception (p.a)	0.33	0.14	0.58	0.51

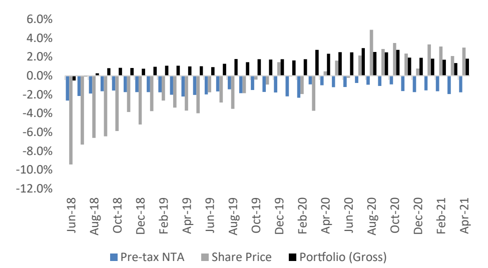
Indexed Historical Pre-tax NTA & Share Price Performance Compared to the Benchmark Index



Rolling 12-month Excess Returns over the Benchmark



Rolling 3-year Excess Returns over the Benchmark



Infrastructure investments are expected to offer a differing risk/return profile to investors, providing an element of diversification to broader equities. The below performance analytics of ALI compared to other equity indices shows the difference in the Company's returns compared to broader market indices. The analysis shows that the Company's pre-tax NTA returns have experienced a lower volatility than broader equity markets, a low to moderate positive correlation with other broad based equity markets and capital preservation with the portfolio falling less than the market during down periods.

While the pre-tax NTA has provided the defensive characteristics expected of infrastructure investments, the share price has not with the share price return being more volatile than broader equity indices and falling greater than the market in down markets. This is a result of the dislocation between the share price and the NTA.

Performance Analytics of ALI Compared to Broader Equity Indices (as at 30 April 2021)

	Pre-Tax NTA	Share Price	S&P/ASX 200 Acc. Index	MSCI World Index (AUD$)
Cumulative Returns (incl. dividends)				
1 year	0.97%	5.88%	30.75%	23.15%
3 year (p.a)	5.84%	10.59%	9.49%	13.22%
5 year (p.a)	5.92%	6.62%	10.27%	13.76%
Since Inception of ALI (p.a)	5.02%	3.90%	8.27%	11.00%
Standard Deviation				
1 year	12.1%	14.8%	11.1%	9.5%
3 year (p.a)	11.0%	18.3%	17.6%	12.2%
5 year (p.a)	10.4%	16.4%	14.6%	11.0%
Since Inception of ALI (p.a)	10.2%	16.1%	14.6%	11.2%
Sharpe Ratio				
1 year	-0.06	0.29	2.62	2.27
3 year (p.a)	0.38	0.49	0.45	0.95
5 year (p.a)	0.41	0.30	0.59	1.10
Since Inception of ALI (p.a)	0.33	0.14	0.45	0.84

Down Market Capture Compared to Broader Equity Indices (as at 30 April 2021)

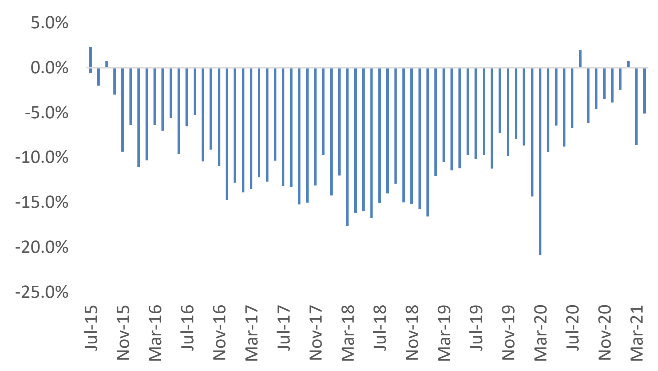
1 year	**S&P/ASX 200 Acc. Index**	**MSCI World Index (AUD)$**
Pre-tax NTA	0.08	-0.09
Share Price	1.19	3.71
3 year		
Pre-tax NTA	0.26	0.61
Share Price	0.57	1.21
5 year		
Pre-tax NTA	0.30	0.73
Share Price	0.78	1.28

Correlation of ALI Compared to Broader Equity Indices (as at 30 April 2021)

1 year	**S&P/ASX 200 Acc. Index**	**MSCI World Index (AUD)$**
Pre-tax NTA	0.11	0.51
Share Price	0.42	0.50
3 year		
Pre-tax NTA	0.56	0.62
Share Price	0.75	0.64
5 year		
Pre-tax NTA	0.50	0.63
Share Price	0.69	0.62

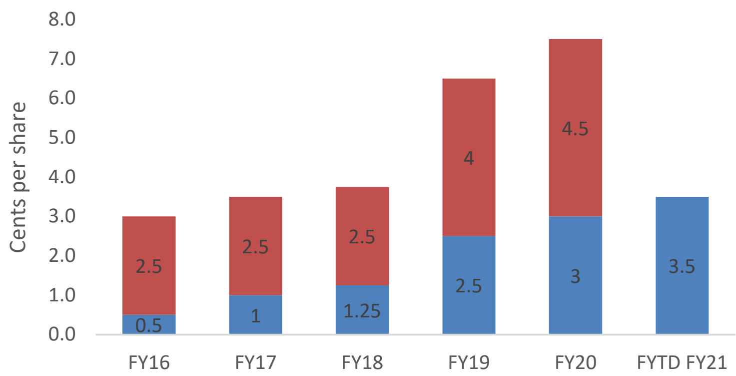
ALI has largely traded at a discount to pre-tax NTA since listing with an average discount since listing of 9.8%. In recent months, the discount has narrowed with the Company trading above its 3-year average discount. With the exception of the dislocation event in March 2020 as a result of the COVID-19 pandemic, the discount has been narrowing since the Company started paying fully franked dividends in September 2018. Prior to this dividends were unfranked.

Historical Premium/Discount to Pre-tax NTA



The Company has paid an increasing dividend since listing. From the final dividend declared for FY18, dividends have been fully franked. According to the 1H'FY21 accounts, as at 31 December 2020,the Company had 4.2 years of dividend coverage based on the FY21 final dividend and the FY21 interim dividend being maintained.

Historical Dividends (declared for the respective FY periods)



PEER COMPARISON

ASX-Listed Peers

ALI is the only listed investment company that provides exposure solely to infrastructure. In the listed environment, there are four Exchange Traded Products (ETPs) that provide exposure to a portfolio of infrastructure assets - two Exchange Traded Funds (Passive ETFs) and two Exchange Traded Managed Funds (Active ETFs). ALI was the first listed investment option available to investors.

From a fee perspective, the management fee is the highest of the peer group. Although we note that as the size of the fund grows the annual management fee will decline to be more in line with the other actively managed infrastructure funds (MICH and MCSI). MICH is the only fund that has a performance fee. IFRA and VLBD are passive ETFs and therefore the fees are lower.

ASX-Listed Peer Group						
LIC/ETF	**Ticker**	**Exchange**	**Listing Date**	**Market Cap ($m)***	**Management Fee**	**Performance Fee**
VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	IFRA	ASX	May 2016	417.6	0.52%	na
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	ASX	July 2016	807.6	1.05%	10% above higher of the Benchmark (S&P Global Infrastructure Net Total Return Index) and the Australian 10 year gov bond yield
MFG Core Infrastructure Fund (Managed Fund)	MCSI	Chi-X	December 2020	344.4	0.50%	na
Vanguard Global Infrastructure Index ETF	VBLD	ASX	October 2018	143.4	0.47%	na
Argo Global Listed Infrastructure Limited	**ALI**	**ASX**	**July 2015**	**328.3**	**1.20%**	**na**

*As at 31 May 2021.

The portfolios of the actively managed funds (ALI, MICH and MCSI) all have portfolios that are more concentrated than the benchmark index, which is to be expected given stock selection is where the Manager is expected to add value to the index. ALI has a moderately concentrated portfolio compared to the other actively managed funds with 61 stocks in the portfolio at March-end.

Given the infrastructure universe is limited to some degree there is going to be some overlay between portfolios. Looking at the top 10 holdings of ALI's portfolio and MICH's portfolio, there were 5 common stocks in the top 10 of both portfolios.

Number of Stocks in the Portfolio		
LIC/ETF	**Ticker**	**Number of Stocks in Portfolio (as at 31 March 2021)**
VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	IFRA	137
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	31
MFG Core Infrastructure Fund (Managed Fund)	MCSI	85
Vanguard Global Infrastructure Index ETF	VBLD	138
Argo Global Listed Infrastructure Limited	**ALI**	**61**

From a performance perspective, over the 12-months to 30 April 2021, ALI was the second worst performer of the peer group with a total pre-tax NTA (including dividends) return of 1.0%.

The two hedged funds were the best performers with the rise in the AUD/USD negatively impacting the AUD performance of the unhedged funds. This is highlighted by the performance of VBLD. Over the longer-term the currency movements have had less of an impact on the performance figures.

The performance figures highlight an important factor of the global nature of the investments being foreign currency exposure. Hedged exposure removes the impact of currency movements but the hedging contracts come at a cost to the fund. Unhedged exposure can either positively or negatively impact the AUD performance but over the long-term the currency exposure has the potential to even out.

NTA/NAV Performance Analytics (as at 30 April 2021)	IFRA	MICH	MCSI	VBLD	ALI
Cumulative Returns (incl. dividends)					
1 year	13.5%	8.5%	5.0%**	0.3%	1.0%
3 year (p.a)	6.7%	5.4%	na	na	5.8%
Since July 2016 (p.a)*	6.4%	6.1%	na	na	5.2%
Standard Deviation					
1 year	11.3%	9.8%	9.8%**	13.4%	12.1%
3 year (p.a)	14.3%	12.8%	.	na	11.0%
Since July 2016 (p.a)*	12.3%	11.5%	na	na	10.6%
Sharpe Ratio					
1 year	1.06	0.70	0.34	-0.10	-0.06
3 year (p.a)	0.36	0.30	na	na	0.38
Since July 2016 (p.a)*	0.39	0.39	na	na	0.34

*This provides the longest period of performance comparison for ALI, IFRA and MICH.
**Based on performance from listing in December 2020.

An important aspect of infrastructure investments is the dividend income. The below provides the dividend/distribution yield as at 30 April 2020 of the peer group. ALI's yield is competitive at 3.7%. An important aspect of the Company structure that sets ALI apart from it's ASX-listed peers is that it has the ability to pay franked dividends. The other funds are structured as a trust and therefore cannot pay franked distributions, although any franking is passed through. This is a key point of differentiation between ALI and its listed peers.

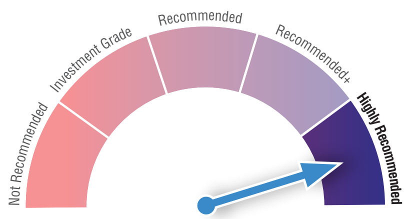
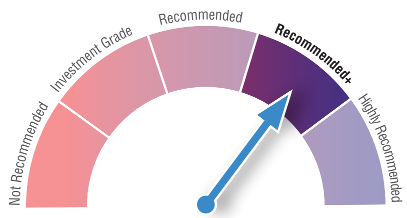
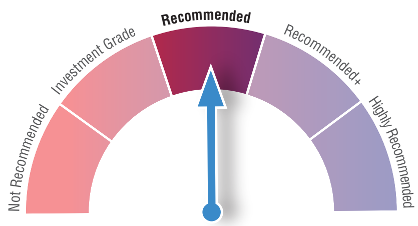
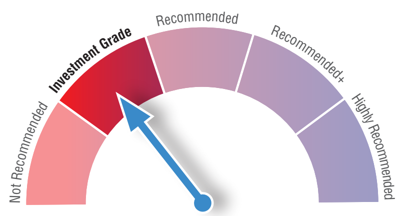
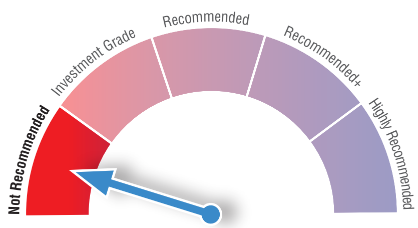
Dividend/Distribution Yield (as at 30 April 2021)	Yield as at 30 April 2021
IFRA	3.1%
MICH	4.4%
MCSI	na
VBLD	3.2%
ALI	3.7%

Note: Yield is based on the share/unit price as at 30 April 2021 and the dividend/distributions paid over the preceding 12-months.

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

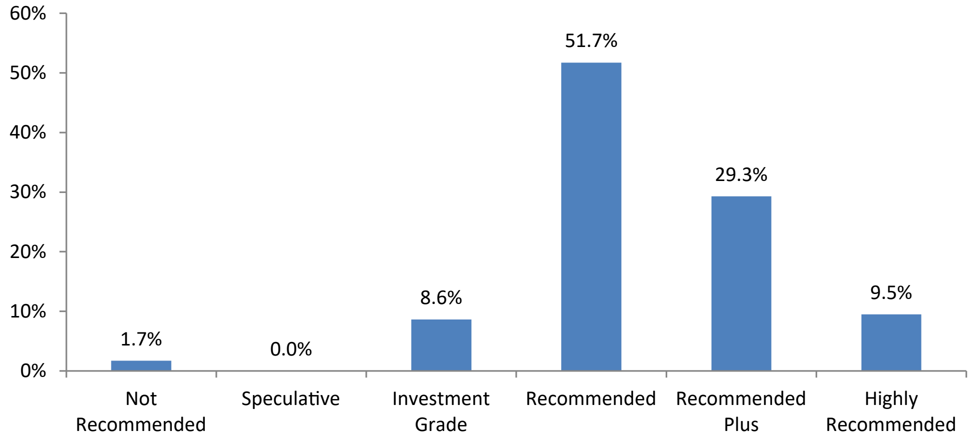
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

<table>
<tr><th>LMI Ratings</th><th>SCORE</th></tr>
<tr><td>Highly Recommended</td><td>83 and above</td></tr>
<tr><td>
</td><td>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</td></tr>
<tr><td>Recommended +</td><td>79–83</td></tr>
<tr><td>
</td><td>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</td></tr>
<tr><td>Recommended</td><td>70–79</td></tr>
<tr><td>
</td><td>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</td></tr>
<tr><td>Investment Grade</td><td>60-70</td></tr>
<tr><td>
</td><td>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</td></tr>
<tr><td>Not Recommended</td><td><60</td></tr>
<tr><td>
</td><td>This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</td></tr>
</table>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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