

# Quarterly Investment Update March 2022



## Market overview

Against a challenging global economic and geopolitical backdrop, global listed infrastructure proved resilient in the March quarter, gaining +0.4% in A\$ terms, while broader global equities plunged -8.2%. Elevated market volatility was driven by uncertainties associated with the war in Ukraine, sharply higher commodity prices and the spectre of decelerating global growth.

Adding to investors' concerns, US interest rates rose amid the highest inflation readings in 40 years and the US Federal Reserve began to tighten monetary policy for the first time since 2018.

There was considerable dispersion in performance across the various listed infrastructure subsectors. Communications (towers and data centres) fell -11.5% with higher-growth stocks lagging as the market favoured value-oriented investments, particularly in January and February.

The particularly defensive characteristics of utilities saw these companies generally post solid returns with electricity utilities enjoying a sizeable rally during the period. However, with energy commodity prices soaring, in part due to supply disruptions in Eastern Europe, midstream energy stocks were the best performing subsector over the quarter surging +20.3%.

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## Portfolio performance

In the volatile March quarter which saw negative returns across many global equity markets, Argo Infrastructure's portfolio returned +0.1% in A\$ terms, slightly trailing the benchmark index return of +0.4%.

The very strong performance of midstream energy stocks contributed to the portfolio's performance, particularly holdings in North American companies, including Canadian-based Enbridge – Argo Infrastructure's second largest holding. See page three for an overview of the company.

Exposure to US gas distribution businesses also supported performance amid growing demand in Europe for US-sourced natural gas.

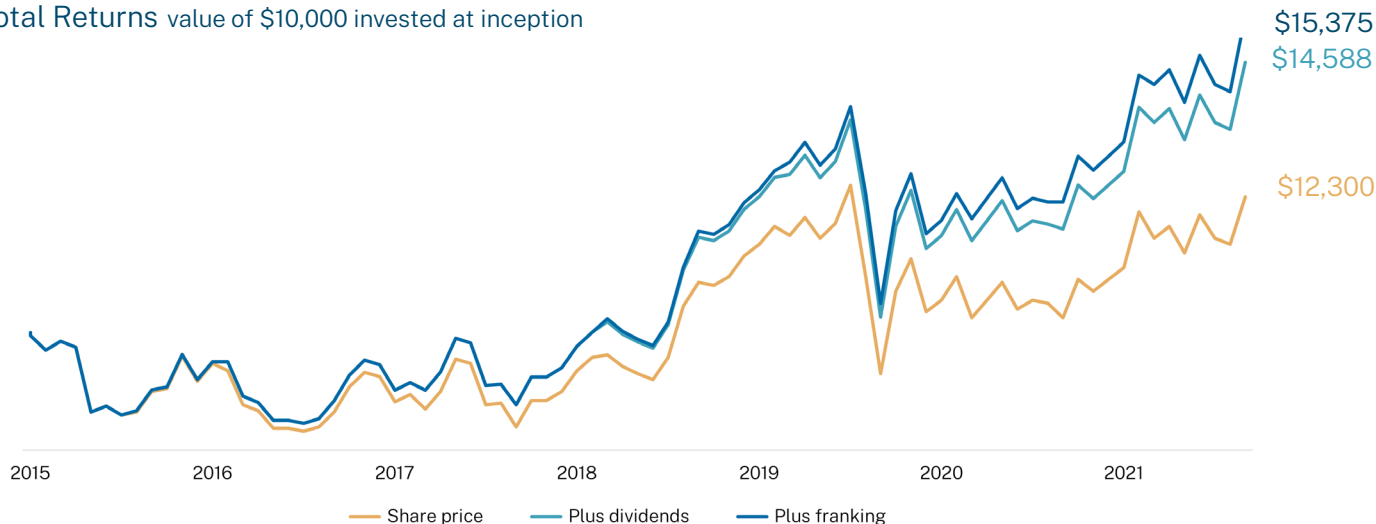
We saw weaker performance among European-based infrastructure companies as the Russian invasion of Ukraine led to economic disruption across the continent.

For the 12 months to 31 March 2022, Argo Infrastructure's share price returned a remarkable +24.1%, comprehensively outperforming broader Australian and global equities which gained +15.0% and +11.7% respectively.

	3 months	1 year	3 years (p.a.)	Since inception (p.a.)
Portfolio	+0.1%	+18.3%	+7.7%	+8.8%
Benchmark*	+0.4%	+16.1%	+6.2%	+8.2%
S&P/ASX 200**	+2.2%	+15.0%	+10.6%	+8.8%

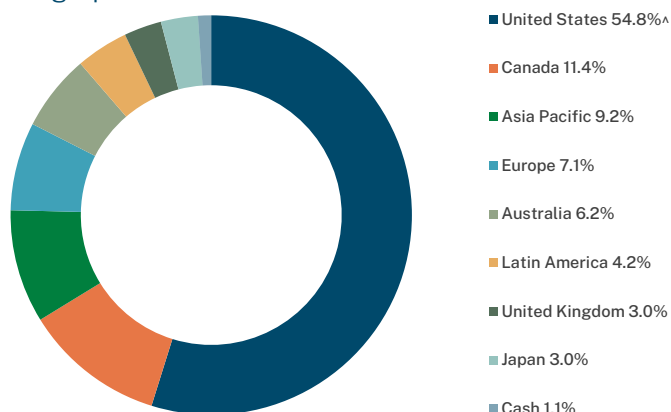
\*FTSE Global Core Infrastructure 50/50 Index (in A\$) \*\*Accumulation Index

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

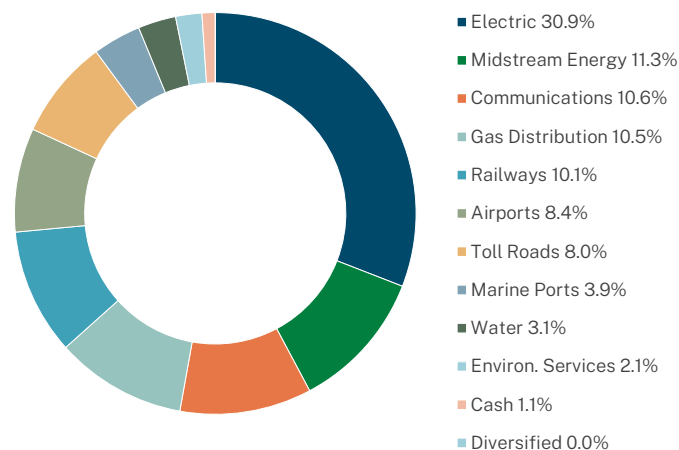


### Portfolio

#### Geographic diversification\*



#### Sector diversification\*

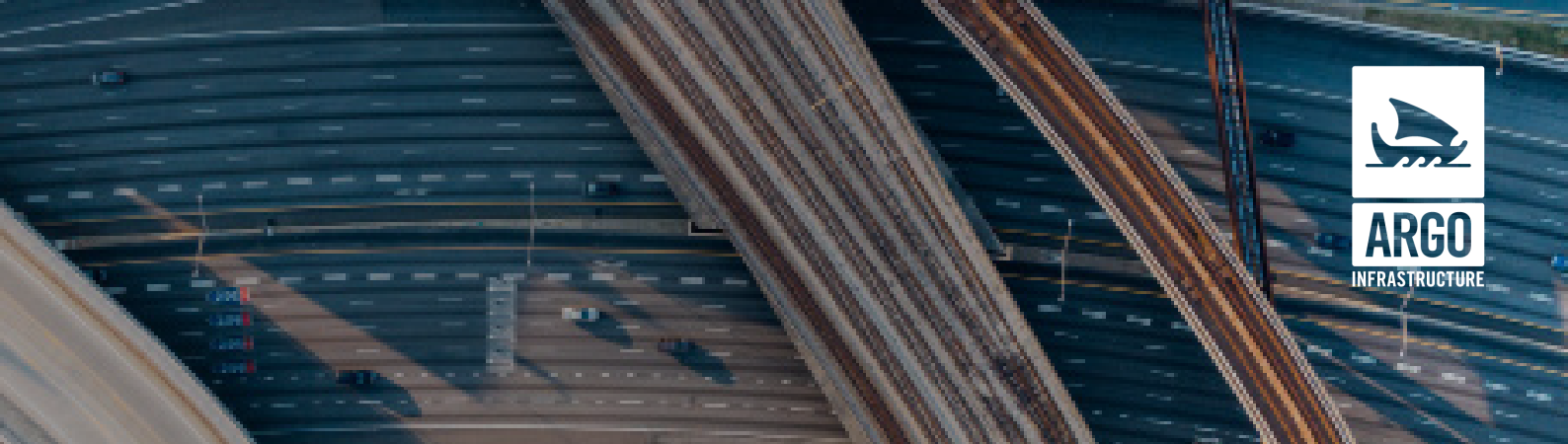


\* As a percentage of investment portfolio

<sup>^</sup> Many of the largest infrastructure companies are listed in the US, although their operations and earnings are often global.

### Top 10 Holdings at 31 March 2022

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Electric	5.6	5.0
Enbridge	CAN	Midstream Energy	4.5	2.8
Norfolk Southern	US	Railways	4.2	0.9
American Tower	US	Communications	4.1	3.4
Transurban Group	AUS	Toll Roads	4.0	5.2
Canadian National Railway	CAN	Railways	4.0	1.2
Sempra Energy	US	Gas Distribution	3.9	1.9
Duke Energy	US	Electric	3.5	3.1
American Electric Power	US	Electric	3.0	1.8
Cheniere Energy	US	Midstream Energy	2.4	1.0
			<b>39.2</b>	<b>26.3</b>



## Stock Snapshot **Enbridge**

Subsector	Midstream Energy
Founded	1949
Market capitalisation	\$C114.0 billion
Annual profit	\$C5.8 billion
Total employees	~12,000
Headquartered	Calgary, Canada



- Enbridge transports, distributes and generates energy. Notably, the company operates the world’s longest pipeline transporting oil and gas with approximately 28,661 km of pipeline across the US and Canada. Its pipeline network transports 30% of North American oil.
- The company predominantly owns crude oil and natural gas assets and also has a burgeoning renewables business.
- Enbridge has committed to net zero emissions by 2050 with strategies focused on innovation, carbon offsets and investment in renewable power generation and lower carbon infrastructure.
- Over the last year, Enbridge’s share price has gained approximately +20% with profit almost doubling in calendar year 2021.
- Dual-listed (on the Toronto and New York stock exchanges) Enbridge is Argo Infrastructure’s second largest holding, accounting for 4.5% of the portfolio relative to the benchmark index weighting of 2.8%.
- For more information, visit: [enbridge.com](https://enbridge.com)

## Outlook

The economic and geopolitical impacts of the Russia-Ukraine war continue to reverberate globally and could have an ongoing impact on several infrastructure subsectors, with Europe most vulnerable to the repercussions of the conflict. European companies account for 7.1% of Argo Infrastructure’s holdings and the portfolio has no direct exposure to companies domiciled in either Russia or Ukraine. Our portfolio manager, Cohen & Steers, is closely monitoring political and regulatory risks, including the potential for windfall taxes on some utilities as mooted by the EU, to provide customers with relief from soaring electricity prices.

Conversely, supply disruptions could lead to increased oil and gas production from the US which in turn could lead to increased throughput volumes for midstream energy stocks. As low-cost suppliers help meet European energy needs, this could also provide a tailwind for liquified natural gas exporters.

While uncertainties triggered by the war in Ukraine persist, the global economy continues to expand with higher interest rates and inflation remaining the dominant investment themes. In this economic environment, performance among infrastructure subsectors can be expected to vary in the short-term. However, most infrastructure businesses can pass rising costs on to consumers and historically have tended to perform well overall during periods of inflation.

## About us

### At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$412m
Shareholders	9,400
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield <sup>^</sup>	3.3%

<sup>^</sup> Historical yield of 4.6% (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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