

# Quarterly Investment Update

## June 2022

### Market overview

Global infrastructure stocks withstood considerable volatility in the June quarter gaining +1.0% (in A\$ terms) to strongly outperform broader equities which struggled amid the challenging macro-economic climate. Fear dominated as investors reacted to persistently elevated inflation, sharply rising interest rates, the ongoing repercussions of the war in Ukraine and the prospect of weaker global growth. This confluence of factors sent the broader global and domestic equity markets plunging -8.5% and -11.9% respectively.

Performance across the asset class varied with the more economically-sensitive infrastructure subsectors weaker due to the prevailing global macroeconomic conditions.

Railways was the worst performing subsector with expectations for freight volumes moderating and work force shortages weighing on share prices. Similar factors impacted marine port stocks.

Midstream energy companies also saw their share prices decline as oil prices rolled off their mid-June peaks, although this was the best performing subsector for the 12 months to 30 June.

Despite the continued re-opening of economies, travel stocks were mixed. Airports fell -4.9% due to higher oil prices and a weaker outlook for air passenger volumes. In sharp contrast, toll roads surged +10.1% reflecting merger and acquisition activity in the space and increased traffic volumes.

The communications (towers and data centres) subsector was another positive performer (up +3.9%) largely on the back of better-than-expected earnings by US tower companies during the quarter.

The more defensive subsectors generally outperformed with electric utilities gaining +2.8% and gas distribution companies up +5.5%. For more on gas utilities, see our Subsector Snapshot on page 3.

**Global infrastructure stocks withstood considerable volatility to strongly outperform broader global and domestic equities.**

### Portfolio performance

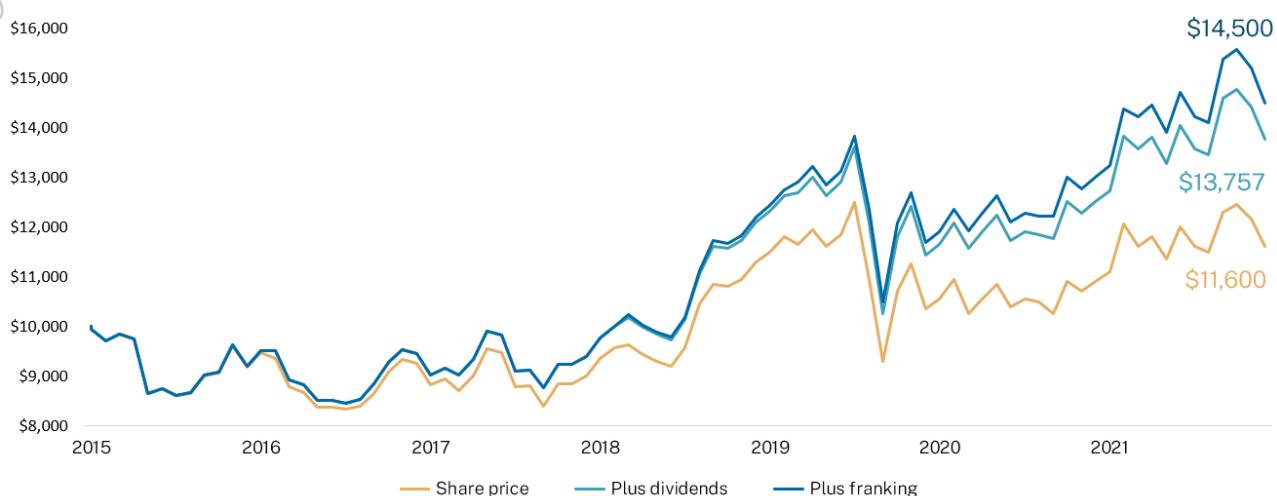
Despite the sharp drops across broader equity markets, Argo Infrastructure's portfolio generated a positive return for the quarter (up +1.4%) which was slightly ahead of the benchmark index. The strong performance of gas utilities contributed to the portfolio's positive performance more than any other subsector over the June quarter.

For the 12 months to 30 June 2022, Argo Infrastructure's portfolio gained +13.2% to outperform both broader global and Australian equities by a remarkable +19.7%. We believe this highlights the diversification benefits and downside protection offered by the asset class.

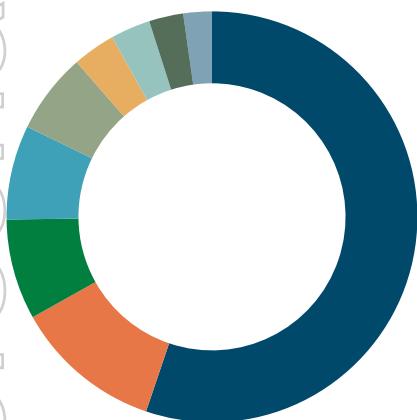
	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Portfolio	+13.2%	+6.3%	+10.0%	+8.7%
Benchmark*	+12.3%	+4.6%	+8.2%	+8.1%
S&P/ASX 200**	-6.5%	+3.3%	+6.8%	+6.5%

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

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



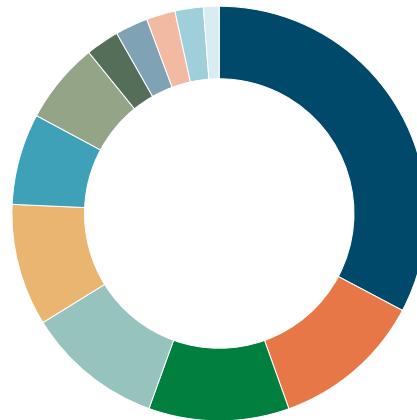
## Portfolio Geographic diversification\*



\* As a percentage of investment portfolio.

- United States 55.2%<sup>▲</sup>
- Canada 11.7%
- Asia Pacific 7.9%
- Europe 7.4%
- Australia 6.3%
- Latin America 3.4%
- Japan 3.1%
- United Kingdom 2.7%
- Cash 2.3%

## Sector diversification\*



- Electric 32.7%
- Communications 11.8%
- Midstream Energy 11.0%
- Gas Distribution 10.7%
- Toll Roads 9.5%
- Railways 7.1%
- Airports 6.3%
- Water 2.6%
- Marine Ports 2.6%
- Cash 2.3%
- Environ. Services 2.2%
- Diversified 1.2%

<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 30 June 2022

Security name	Country of listing	Subsector	Portfolio (%)	Index (%)
NextEra Energy	US	Electric	6.1	5.0
American Tower	US	Communications	5.9	3.8
Transurban	AUS	Toll Roads	4.4	5.5
Enbridge	CAN	Midstream Energy	3.9	2.8
Duke Energy	US	Electric	3.7	3.2
Sempra Energy	US	Gas Distribution	3.5	1.9
American Electric Power	US	Electric	2.8	1.9
Wisconsin Energy	US	Electric	2.5	1.2
CenterPoint Energy	US	Electric	2.5	0.7
NiSource	US	Gas Distribution	2.5	0.5
			37.8	26.5



## Subsector Snapshot Gas distribution

### What is gas distribution?

A network distributing gas to customers from transmission pipelines. These utilities typically earn regulated returns with allowances for inflation, operating expenses and interest rates. The regulated nature of returns, the potential for inflation protection and the provision of an essential service (energy) give these businesses defensive characteristics.

### Recent performance

The subsector has generated solid returns in recent months gaining +5.5% over the quarter. Amid the considerable market volatility, investors have been attracted to the relative inflation protection and stable cashflows these utilities offer. In addition, some gas distribution businesses have diversified operations which include LNG production and transportation and have benefited from higher gas prices in recent months.

### Argo Infrastructure's portfolio

The subsector currently makes up 10.7% of Argo Infrastructure's portfolio, including companies with operations across the US, Japan, China, Mexico and Hong Kong.



Our top 10 holdings include New York Stock Exchange-listed gas utilities Sempra Energy and NiSource which account for 3.5% and 2.5% of the portfolio respectively.

Our sixth largest holding, Sempra Energy is a US\$50 billion company with US\$72 billion worth of assets, including gas distribution assets. The company also owns gas export and transmission assets.

The portfolio's tenth biggest holding is NiSource. It supplies gas to 3.2 million customers across six US states. The company's latest quarterly revenue increased by +21.2% to US\$1.9 billion.

### Outlook

We expect major global macro-economic trends will continue to influence the performance of global listed infrastructure, including higher inflation, increasing interest rates, supply chain disruptions, the continuing impacts of the pandemic and the potential for slower global growth. Over recent months, the asset class has proven resilient in this challenging environment, providing downside protection amid considerable volatility.

The ongoing political and economic impacts of the Russian-Ukrainian war could continue to impact several global infrastructure subsectors in particular.\* For example, in the midstream energy subsector, supply disruptions may lead to increased US oil and gas production to meet European energy demand.

Private investor interest in listed infrastructure assets is set to continue with several significant transactions recently announced or pending across different subsectors. This trend may provide further valuation support for listed infrastructure. In Australia, the number of ASX-listed infrastructure companies continues to dwindle through takeovers by private consortiums seeking exposure to their underlying assets.

\* The portfolio has no exposure to Russia or Ukraine.

## About us

### At a glance

ASX code	ALI
Listed	2015
Manager	Argo Investments
Portfolio Manager	Cohen & Steers
Market cap.	\$388m
Shareholders	9,400
Hedging	Unhedged
Management fee	1.2%
Performance fee	Nil
Dividend yield <sup>^</sup>	3.4%

<sup>^</sup> 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

BoardRoom Pty Limited  
1300 389 922  
[investorserve.com.au](http://investorserve.com.au)  
[argo@boardroomlimited.com.au](mailto:argo@boardroomlimited.com.au)

### 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