Argo Global Listed Infrastructure

COHEN & STEERS

Quarterly Investment Report / 31 March 2018

Argo Global Listed Infrastructure Limited (AGLI) is a listed investment company which was established in 2015 to provide investors with exposure to a diversified portfolio of securities in the global listed infrastructure sector, contained within the simple and easily tradeable structure of an ASX-listed investment company. The investment objective is to provide a total return for long-term investors, consisting of capital growth and dividend income, and to provide important diversification benefits for Australian investors.



Overview

The March quarter saw global equity markets encounter turbulence after a long period of steady gains. Although infrastructure sector returns were negative for the quarter, the month of March itself was a useful reminder of the benefits of diversification. The NASDAQ index fell 2.9% for the month, the MSCI World index fell 2.4% and the Australian market fared even worse, with the S&P/ASX 200 index falling 4.3%. At the same time, AGLI's portfolio value increased and was up 2.7% in March, with the infrastructure sector up 1.0% and the weaker Australian dollar adding the rest. This was a +7.0% outperformance versus the Australian market in just one month.

The infrastructure story is a really interesting one as it combines the short-term resilience exhibited in March with excellent longer-term prospects. Population growth, urbanisation and rising standards of living will continue to occur all over the world and will therefore require massive and ongoing infrastructure spending, leading to investment opportunities in developed and emerging markets. AGLI's portfolio manager, Cohen & Steers is a leading global infrastructure specialist and is delivering above-index returns, significantly outperforming the benchmark infrastructure index for the past 12 months.

Since the end of the March quarter, AGLI has commenced an on-market buy-back of its own shares. This opportunity is being taken due to AGLI's shares trading on the ASX at around a 15% discount to their underlying NTA value. By buying back shares at a discount and cancelling them, we can improve the value of the remaining shares on issue. This also should help to reduce the discount to NTA, so that the share price better reflects the value of the AGLI investment. The amounts bought back are relatively small and are reported daily to the ASX.

AGLI was established to allow diversification for Australian retail investors who predominantly hold domestic equities, in a relatively conservative sector, with a strong long-term growth thematic, via an easily traded, administratively simple ASX-listed stock.

Outlook comments

The first quarter was a challenging period for equities, with interest rate sensitive securities generally suffering the most as bond yields in the U.S. moved higher. Amid the possibility that economic strength may result in more pronounced inflation and further central bank monetary tightening. Concerns regarding possible regulation of large technology related companies and increased global trade tensions also hindered broad sentiment. In this environment, global infrastructure stocks also declined, hindered by weakness in the group's large utilities and midstream energy companies.

Notwithstanding recent heightened market volatility in general, we believe the landscape remains favourable for global infrastructure and for the global economy as a whole. However, tight labour markets and early signs of wage growth could cause the market to adjust its inflation expectations higher through the year, potentially leading to a faster pace of rate hikes and further market volatility in 2018.

Infrastructure valuations remain slightly above the long-term average; however, we believe this is justified given the upward pressure on valuations as private capital is deployed. Facing a competitive environment for the relatively few assets available for sale, private transactions have generally occurred at significant premiums to the market implied multiples of listed infrastructure companies.

The sectors of infrastructure that we find most interesting at present include;

U.S. water utilities, with critical pipeline replacement projects across the U.S. driving significant growth for water utilities, with the consolidation of the largely municipally owned sector a further tailwind.

Telecommunication Towers, U.S. and European tower owners, in our view, are well-positioned to benefit from strong long-term secular demand growth for wireless data services and the adoption of 5G, small cells and other technologies to handle the increasing data usage.

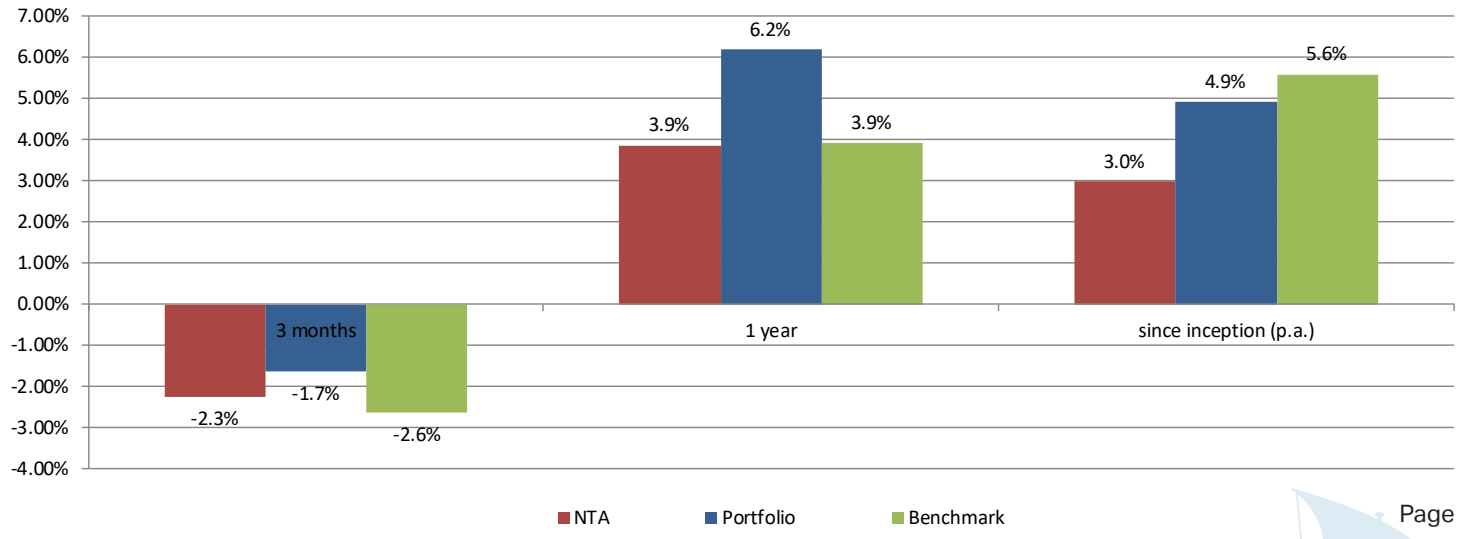
Midstream energy sector, the growth in North American energy production volumes is driving a positive shift in the fundamental cycle for midstream energy companies, which we believe will translate into continued cash flow growth. While competitive conditions remain challenging, more companies are taking steps to reduce risk.

Electric utilities, where we generally maintain a cautious stance toward electric utilities, due to their modest growth prospects, company-specific regulatory issues and vulnerability to rising interest rates.

Total Returns

The chart below shows that AGLI's NTA decreased by 2.3% over the March quarter. The portfolio manager continues to perform well, with the portfolio returning 6.2% for the year to date, 2.3% above the benchmark.

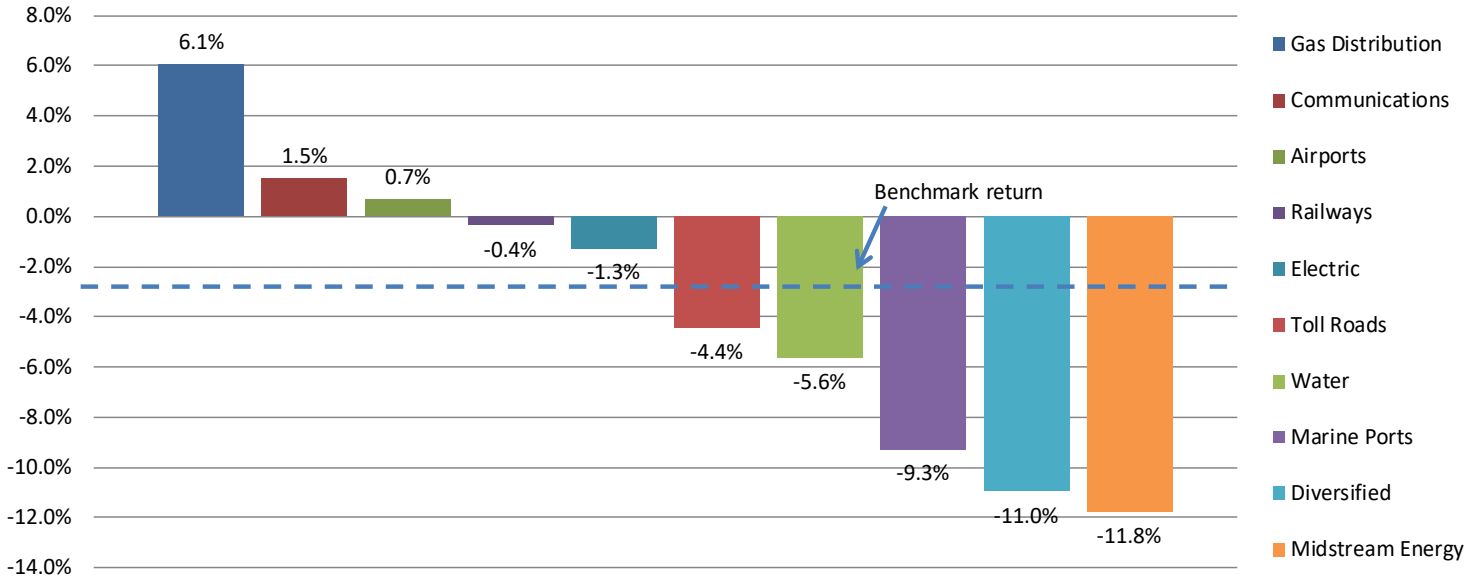
AGLI's investment performance is updated as part of the monthly NTA release to the ASX and on the website www.argoinfrastructure.com.au, which remains the best source for information on the company.



AGLI Benchmark - the FTSE Global Core Infrastructure 50/50 Index. Inception date is 3 July 2015.

Index performance by subsector (A$)

for the quarter ended 31 March 2018



Index: The FTSE Global Core Infrastructure 50/50 (net total return AUD)

Source: BI-SAM Technologies, Inc. This analysis is to provide insight into the various factors contributing to the total return against results of the index. These are not the official results of the index. The information presented above does not represent the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance listed above. An investor cannot invest directly in an index, and index performance does not reflect the deduction of fees, expenses or taxes. Data quoted represents past performance, which is no guarantee of future results.

Top 10 portfolio holdings

as at 31 March 2018

Security Name	Country of listing	Subsector	Portfolio %	Index %
NextEra Energy	US	Integrated Electric	5.6	3.9
Crown Castle	US	Communication Towers	5.5	2.5
American Tower	US	Communication Towers	4.4	3.5
Enbridge	CAN	Midstream- C Corp	4.0	3.0
Union Pacific	US	Freight Rails	3.7	2.0
Xcel Energy	US	Regulated Electric	3.0	1.2
Kinder Morgan	US	Midstream- C Corp	2.7	1.6
AENA SA	SPAIN	Airports	2.5	1.7
Wisconsin Energy	US	Regulated Electric	2.5	1.0
American Water Works Company	US	Water	2.4	0.7
			36.3	**21.1**

Past performance is no guarantee of future results. The views and opinions in the preceding commentary are as of the date of publication and are subject to change. There is no guarantee that any market forecast set forth in this presentation will be realized. This material should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict the performance of any investment.

Sector classification of securities in the index determined by the investment advisor.

This index information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index.

Stock snapshot

AGLI currently has a $300m portfolio with approximately 60 stocks across 16 countries. The portfolio is spread across 4 basic areas of infrastructure – Utilities, Transport, Telecommunications and Energy.

While these assets are very different, they often have similar characteristics such as:

- Stable cash flows - often inflation linked or regulated
- Long duration assets - allows a long-term investment horizon
- Inelastic demand – assets often provide essential services that tend to be resilient to the economic cycle
- High barriers to entry – assets often monopolistic in nature

A selection of holdings within the top 10 are highlighted below:



Crown Castle International

AGLI's second largest holding and is a leading US operator of wireless communications towers. These assets have high barriers to entry and great operating leverage to the increasing data intensity of wireless traffic.

NEXTera Energy

Currently AGLI's largest holding at 5.6% of the portfolio. It has a market cap of approximately US$56bn; which is about the same size as CSL, Australia's sixth largest stock. NEXTera Energy is an integrated power company combining a high-quality utility with a growing power generation portfolio being mostly renewable. They own Florida Power & Light which is the third biggest utility in the US, located in a growing market and is also the largest operator of solar and wind power generation assets in the US.

Union Pacific

Operates North America's premier railroad franchise covering 23 states in the Western two-thirds of the US. In the last 10 years, Union Pacific invested approximately US$34bn in its network and operations to support US transportation infrastructure. Union Pacific services over 10,000 customers across 32,000 miles of track with 8,600 locomotives; making it bigger than Australia's largest company, Commonwealth Bank of Australia.

Aena

Manager of 46 airports in Spain including Madrid and Barcelona. Aena transported almost 250 million passengers in 2017. By comparison Australia's largest airport, Sydney, transported around 43 million passengers in the same year.

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