Argo Global Listed Infrastructure

COHEN & STEERS

Quarterly Investment Report / 31 December 2015

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 shareholders with a mix of long-term capital growth and dividend income.



Investment review from the portfolio manager

The following commentary from the portfolio manager covers the global listed infrastructure universe for the full 2015 calendar year. This is followed by specific commentary for the period since AGLI listed and for the December quarter.

Global listed infrastructure had a negative overall return for the year, as significant declines within the pipelines subsector overwhelmed generally positive returns in other categories. Developed economies showed modest improvement, with Europe in particular gaining momentum amid aggressive monetary easing by the European Central Bank. However, concerns over the slowdown in China and other emerging markets - as well as uncertainty leading up to the Federal Reserve's first interest-rate hike in years - led to a generally risk-averse market environment.

Crude oil prices continued to fall precipitously in 2015, pressured by rising inventories, slowing demand from emerging markets and a strengthening U.S. dollar. The response from suppliers was relatively muted, particularly with OPEC (the Organization of Petroleum Exporting Countries) maintaining production levels in a fight for global market share at the expense of prices.

Falling energy prices were detrimental to the pipelines subsector (-38.2% total return for the calendar year[1]), which makes up roughly a third of our benchmark index. As energy producers slashed capital spending plans for 2016, markets anticipated slower pipeline volumes and reduced cash flow growth. Pipeline companies also faced difficulties in accessing capital and the challenge of balancing cash flows with refinancing needs and distribution expectations.

Also losing ground during the year were marine ports, (-15.9%), which were sensitive to the continued deceleration in China's economy, along with slowing global trade.

Other infrastructure subsectors fared much better, with transportation performing exceptionally well. Airport owners (+26.6%) led the advance throughout the year, reporting strong passenger volumes resulting from increased tourism fuelled in part by more-attractive foreign-exchange rates. Toll roads (+19.5%) likewise had a good year, especially those in Europe, which benefited from lower fuel prices and improving economic conditions buoyed by quantitative easing. The railways subsector (+8.7%), represented in the index by Groupe Eurotunnel, advanced for similar reasons.

Water utilities (+7.3%) were led by U.S. companies, which demonstrated resilient cash flows and reaffirmed capital expenditure programs. Electric utilities (+4.0%), which are frequently considered to be defensive in nature, advanced as investors sought refuge from market volatility in assets with predictable revenues. The gas distribution sector (+3.9%) benefited from industry consolidation as well as accommodative monetary policy actions. Within the communications subsector (+2.3%), wireless tower companies enjoyed healthy earnings growth in 2015, with revenues that are relatively insulated from economic uncertainty.

Portfolio performance

Since inception

Contributing positively to the portfolio's relative performance since it became fully invested on 31/7/15 was our stock selection and overweight allocation in communications, primarily tower companies. Leading the subsector was Crown Castle International, which delivered results that were above expectations throughout the year.

The largest detractor to relative performance was an out-of-index position in Teekay Corp. The liquefied natural gas and crude oil shipping company declined sharply late in the year upon taking steps to manage its capital needs in the context of the fundamental energy market downturn and its rising cost of capital. Investors were generally caught off guard by the size of its dividend cut and decision to forego near-term general partner cash flows from its limited partnerships. Also hindering the portfolio's relative performance were stock selection and underweights in the electric utilities, one of the more defensive subsectors in the asset class. Stock selection and an overweight allocation to railways detracted from relative performance as well.

December quarter

The largest positive contributor to relative performance in the December quarter was our overweight allocation to the communications sector, specifically in wireless tower companies. Our underweight in pipelines also contributed to relative performance, although this was partially offset by stock selection. Finally, our stock selection in electric utilities and airports contributed positively.

Detracting from relative performance in the quarter was our out-of-index allocation to shipping stock Teekay. In addition, stock selection in railways detracted as well.

Investment outlook

We believe the infrastructure sector is well positioned for steady growth, despite subsector-specific challenges and what is likely to be relatively slow global economic growth in 2016. Investors are likely to continue to be drawn to the sector for its predictable cash flows, compelling valuations and yields, and diversification potential. Monetary and fiscal policy should remain supportive for the sector, with continued easing in Europe and Japan. In the U.S., we anticipate interest rate increases will be modest and executed at a very gradual pace.

With modest growth forecasted for the U.S. and Continental Europe, we continue to favor those regions. Asia Pacific countries, we believe, will continue to be adversely impacted by China's slowing growth.

The steady increase in wireless data demand, along with consolidation potential among southern European tower operators, is likely to continue to support tower companies in the communications subsector. Towers are also one of the infrastructure subsectors least sensitive to economic conditions.

The medium-term outlook for pipelines remains challenging. The businesses face fundamental headwinds, and we expect further downward revisions in growth guidance. Access to equity, the cost of capital and the ability to tap alternative sources of financing are likely to distinguish winners from losers. In the meantime, valuations appear attractive, with cash flow multiples well below historical averages. Fundamentally, we believe the biggest driver for the space will be the stabilization of crude oil prices - we expect the oil market to begin to balance in late 2016 / early 2017 as supply eventually responds to uneconomically low prices and demand continues to grow modestly.

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.

(1) 2015 calendar year sector returns are in local currencies. Sector classification of securities in the index determined by the investment advisor.

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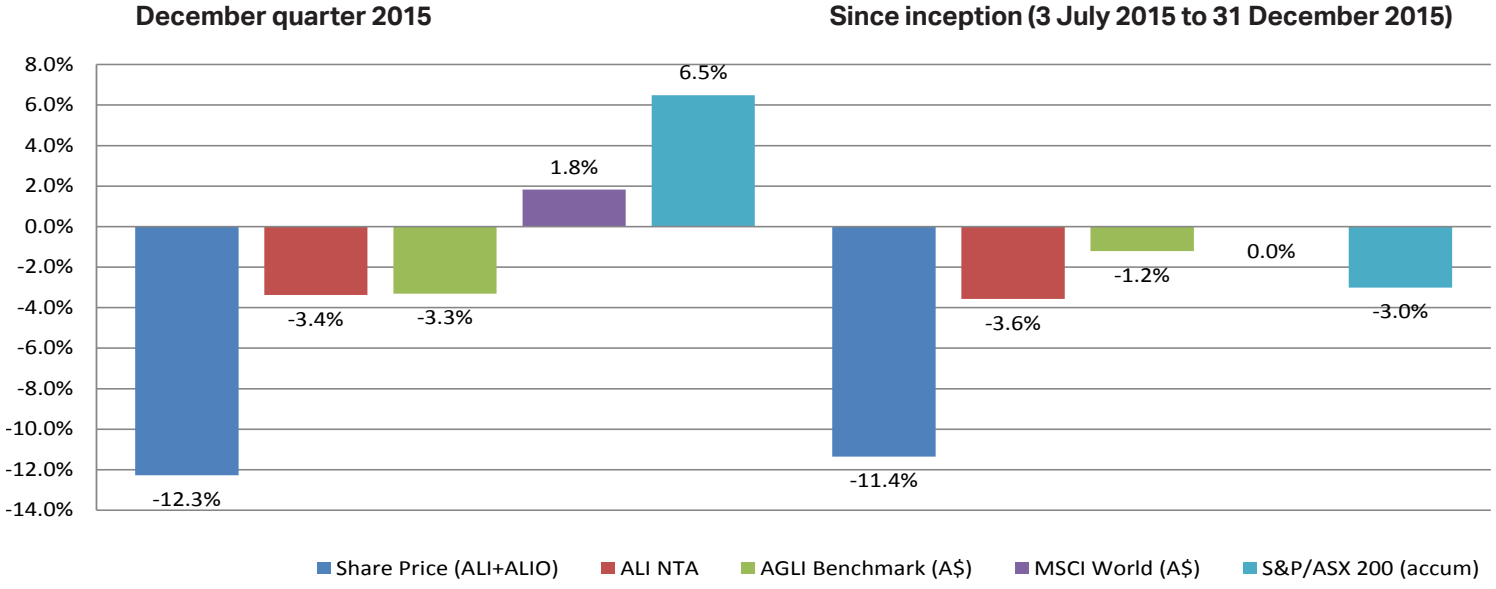
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Investment performance

During the December quarter, AGLI's net tangible asset backing (NTA) fell 3.4%, in line with its benchmark index (the A$ blended benchmark of 90% of the FTSE Global Core Infrastructure 50/50 Index and 10% of the BofA Merrill Lynch Fixed Rate Preferred Securities Index), which returned -3.3%. Volatile and uncertain markets triggered some selling in AGLI shares, however this has pushed the share price to what we feel is an attractive discount to the underlying NTA of AGLI. The stronger A$ reduced the relative returns versus the broader Australian S&P ASX 200 Accumulation Index.

It should be noted that in accordance with prospectus intentions, the initial investment of the portfolio was made progressively over the month of July, resulting in higher than normal cash allocation for most of that month. This negatively impacted the relative performance since listing date, as the benchmark index performed strongly in July.



Top 10 portfolio holdings

as at 31 December 2015

Security Name	Country of listing	Sector	Portfolio %	Index %
Transurban Group	AU	Toll Roads	3.9	3.2
Crown Castle International Corp.	US	Tower	3.7	1.8
Sempra Energy	US	Gas Distribution	3.4	1.3
Dominion Resources Inc.	US	Integrated Electric	3.1	2.2
PG&E Corporation	US	Regulated Electric	3.0	1.5
National Grid PLC	UK	Regulated Electric	2.9	2.9
TransCanada Corp.	US	Pipelines- C-Corp	2.9	1.4
Union Pacific Corporation	US	Freight Rails	2.8	1.5
NextEra Energy Inc.	US	Integrated Electric	2.6	0.0
CMS Energy Corporation	US	Regulated Electric	2.6	0.6
			30.9	**16.3**

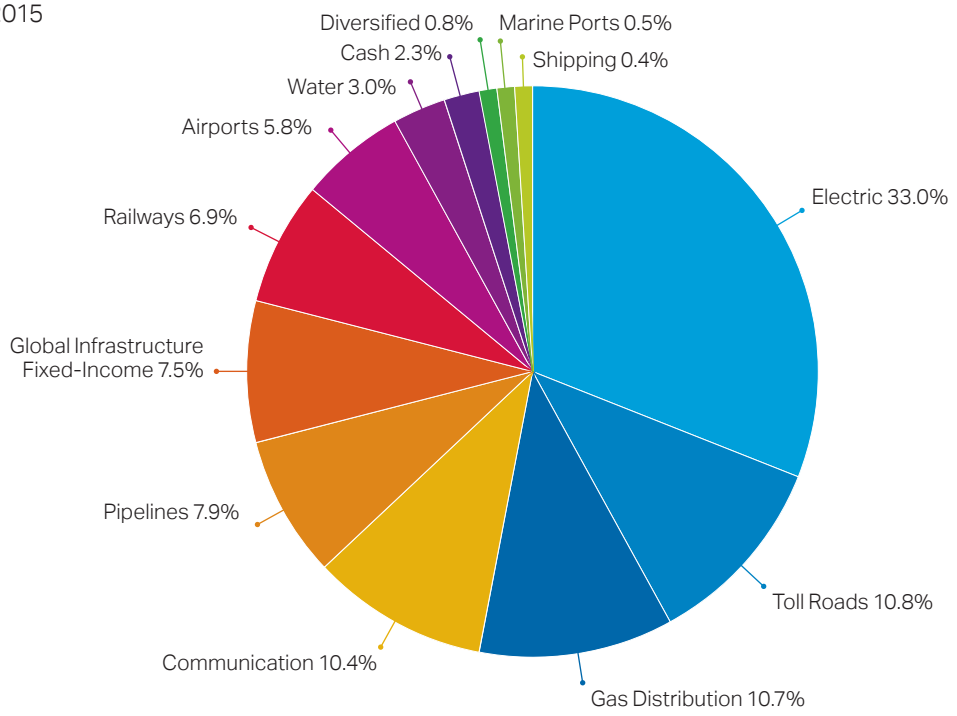
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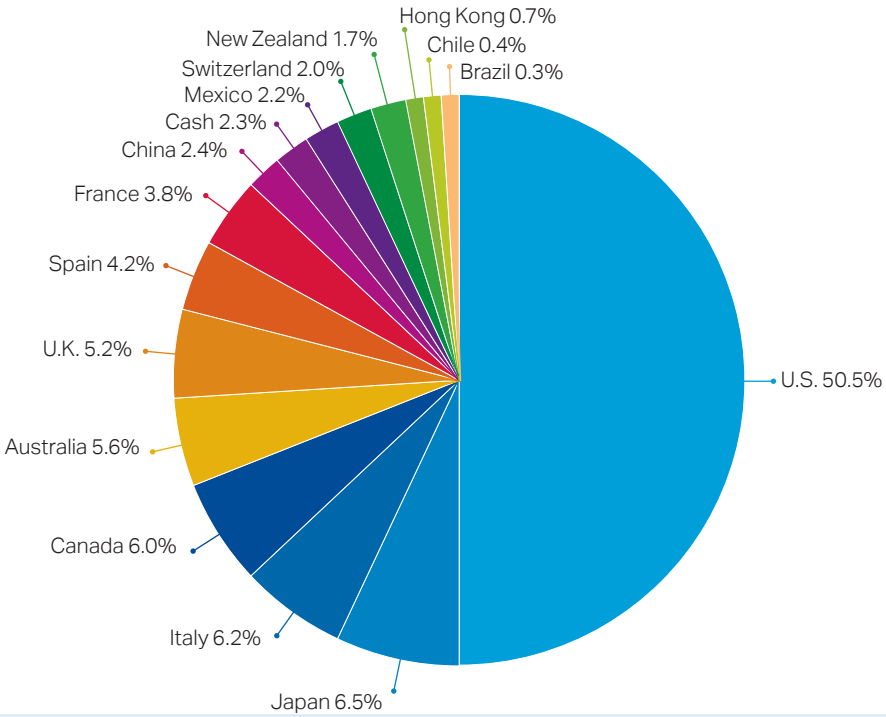
Sub-sector diversification

as at 31 December 2015



Geographic diversification by country of listing

as at 31 December 2015



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