AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Pinnacle BNY Mellon Global Infrastructure Yield Fund
(APIR Code: WHT6597AU)

August 2018

INDEPENDENT
INVESTMENT RESEARCH

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

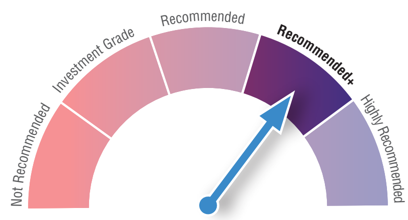
1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, 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.

Pinnacle BNY Mellon Global Infrastructure Yield Fund

Note: This report is based on information provided by the company as at August 2018

Rating



Key Investment Information

Name of Fund	Pinnacle BNY Mellon Global Infrastructure Yield Fund
APIR Code	WHT6597AU
Sub-Investment Manager	BNY Mellon Asset Management North America Corporation
Responsible Entity	Pinnacle Fund Services Limited
Investment Type	Managed investment scheme
Redemptions	Daily
Min Investment	$25,000
Distribution Policy	Quarterly
Benchmark	S&P Global Infrastructure Index (net) unhedged to AUD
FX Exposure	Unhedged
MER	1.15%
Buy/Sell Spread	0.15% / 0.15%

Fees Commentary

The Fund's annual management fee are broadly in-line / at the lower end relative to the peer group average.

Portfolio Characteristics

Number of stocks	28
Europe	56.2
North America	35.7
Asia/Pacific	4.1
Africa/Middle East	4.0
Latin America	0.0

OVERVIEW

The Pinnacle BNY Mellon Global Infrastructure Yield Fund ('the Fund') was launched in August 2018 as an Australian registered managed investment scheme. The manager is BNY Mellon Investment Management Australia Ltd (the Manager) who in turn will appoint BNY Mellon Asset Management North America Corporation as the sub-investment manager (the Portffolio Manager). Entities associated with Pinnacle Investment Management Limited will act as Responsible Entity and product distributor in the Australian market. The Fund is based on a value oriented, high conviction, actively managed portfolio of globally listed infrastructure securities. It aims to achieve a gross yield of 6% p.a. and a total return above the benchmark over a full business cycle. It seeks to achieve this by balancing the trade-off between high-income characteristics attributed to mature, stable cash flow businesses and capital growth potential of businesses in earlier stages of growth. The Portfolio Manager has been successfully managing the investment strategy for in excess of six years (inception August 2011). At the outset of the investment strategy, the Portfolio Manager established the view that investors in globally listed infrastructure were seeking three key attributes: stability of underlying cashflows, regulatory predictability, and businesses that are asset owners (rent collectors). A critical differentiating factor to other global infrastructure sector investment strategies is the broader view the Portfolio Manager adopts of the infrastructure sector universe. Rather than purely focusing on traditional economic sectors such as utilities, energy and transport, the Portfolio Manager holds that a broadening of the infrastructure universe to also include non-traditional, social infrastructure sectors such as aged care, hospitals, real estate and telecommunication assets provides a superior opportunity set to deliver a strong income stream through all market cycles.

INVESTOR SUITABILITY

The broader investment opportunity set has been critical to the Portfolio Manager maintaining a strong valuation discipline in managing the portfolio and, in turn, consistently delivering on the 6% dividend yield performance objective. Additionally, the balance between mature and emerging companies has contributed to capital growth and ensured the absolute level of income has more than kept up with inflation. As such, we view the Fund as a suitable candidate for inclusion in an equity income component of a broader portfolio. Furthermore, the value-bias investment style and strong valuation discipline has served to preserve capital in less benign market environments. Investors should note, however, that the value style will typically contribute to periods of relative out- and under-performance in certain market environments. We would expect the investment strategy to underperform in strong market environments, and vice versa. Additionally, the Fund is unhedged. While this will have no impact on the Portfolio Manager's ability to deliver on a 6% running yield it may impact the absolute level of income investors receive and as a function of their invested capital. The portfolio is high conviction and is very actively managed (annual portfolio turnover of approximately 50%). Investors should have confidence in the Portfolio Manager's ability to consistently deliver on the stated performance objectives. In this regard, we believe team, process, and near seven-year track-record holds the investment strategy in a strong position.

RECOMMENDATION

IIR ascribes a "RECOMMENDED PLUS" rating to the Pinnacle Global Infrastructure Yield Fund. The investment strategy is managed by an experienced, highly stable and proven investment team. The fundamental investment process is well established and proven by way of a track-record of alpha generation, capital preservation and consistently delivering on the Portfolio Manager's target yield objective. The Portfolio Manager has consistently delivered on its performance objective. What sets this investment strategy a part from many other global infrastructure investment strategies is the broader opportunity set which has enabled the Portfolio Manager to deliver a consistent and high yield and preserve capital in down markets.

SWOT ANALYSIS

Strengths

- Over the investment strategy's near seven year track-record, the Portfolio Manager has consistently generated a gross yield of at least 6% (200 basis points above benchmark), generated total returns approximately 250 basis points above benchmark, has particularly outperformed in down markets, and has generated positive performance in both rising and declining interest rate environments.
- A highly stable, experienced and incentivised team with a proven track record. The investment team has been largely unchanged since the inception of the investment strategy in August 2011.
- A broader infrastructure sector investment opportunity set has enabled the Portfolio Manager maintaining a strong valuation discipline which, in turn, has facilitated a consistently high comparative yield. While the portfolio is generally differentiated to the peer group infrastructure sector beta is nevertheless high, with the Portfolio Manager seeking to maintain a factor neutral portfolio.
- A focus on the sustainability of yield through an assessment of company business models and the sustainability of payout ratios provides IIR with confidence that the Portfolio Manager can continue to deliver on the 6% dividend yield target. The Portfolio Manager constantly holds itself to a weighted average dividend payout ratio of between 75% to 85%. It has been able to maintain this level as the expanded opportunity set presents a greater number of better valued investment opportunities.

Weakness

- The Fund is unhedged. While the foreign exchange exposure may not impact the Portfolio Manager's ability to maintain a particular running yield, it may impact the dividend yield on the investor's invested capital amount. We view this as more a threat than a weakness per se.
- In comparison to many sector peers, the Portfolio Manager's portfolio construction parameters allow it to take more meaningful positions in emerging markets companies. While this may provide investors with increased opportunities in the sector, investors should be comfortable with the risk / return characteristics of emerging markets relative to developed markets.

Opportunities

- The Portfolio Manager draws from a much broader universe of infrastructure stocks based on a broader definition of infrastructure. The advantage of this larger opportunity set is it has enabled the Portfolio Manager to maintain a strong valuation discipline which, in turn, has been integral to generating a yield well above the peer group average.
- Many domestic investors exhibit a home country equities bias and an equity income bias heavily concentrated to certain sectors, such as banks. The Fund presents the prospect of a stable and high income yield with the benefit of diversification by region, country, and sector.

Threats

- Investing in assets denominated in a currency other than the Fund's base or reporting currency may cause capital and income returns variations resulting from exchange rate fluctuations. In the Performance Analytics section of the report, the historic returns of the investment strategy have been restated to remove the impact of hedging to illustrate the additionally volatility foreign exchange risk can introduce into the overall investment mandate.
- In a rising interest rate environment the utilities sector has exhibited an historic tendency to experience periods of a significant sell off. While acknowledging this risk, we note the Portfolio Manager has a track-record of generating positive returns in such environments, in part due an investment process designed to maintain factor neutrality within the portfolio.

PRODUCT OVERVIEW

The Fund seeks to provide investors with access to a high conviction, actively managed globally diversified investment in listed infrastructure securities. It aims to achieve a gross yield target of 6% p.a. and a total return above the benchmark over a full business cycle. It proposes to achieve this by balancing the trade-off between high-income characteristics attributed to mature, stable cash flow businesses and capital growth potential of businesses in earlier stages of growth.

The Fund's investment strategy is based on the Portfolio Manager's broader view of infrastructure, which also includes what is known as "social infrastructure" such as aged care, hospitals, real estate and telecommunications sectors. These sectors exhibit the same characteristics as traditional infrastructure assets, namely underlying asset ownership, stable cash flows and regulatory predictability.

The investment strategy was first launched by the Portfolio Manager in August of 2011, as a hedged United States Dollar (USD) strategy. As of 31 March 2018, the investment strategy had a total of US$1.3 billion in assets under management across four country-based mandates.

The Portfolio Manager will generally seek to achieve the investment objective through investment in a diversified portfolio of listed equities, expected to be high yielding and issued by companies in infrastructure related sectors including but not limited to the following sectors - telecommunication services, utilities, energy and industrials and materials. These could include companies which provide services and facilities to support infrastructure development and those which may benefit from investment in infrastructure development. Historically, the majority of the portfolio (50-70%) has been represented by two sectors, utilities and telecommunications. The Portfolio Manager may invest in either developed or developing markets.

The portfolio will comprise between 20 - 40 stocks, with the actual number typically being in the higher twenties and never having exceeded 30 to date. It is very much a high conviction portfolio at the security level, with this characteristic augmented by the fact that the Portfolio Manager seeks to maintain a factor neutrality in the overall portfolio.

The Portfolio Manager will generally seek to invest in entities that demonstrate high, sustainable dividend yields and dividend growth potential, are characterised by solid business momentum at an attractive valuation, as well as high quality, stable and strong cash flows.

As noted, the Portfolio Manager will target a 6% p.a. gross yield target over a full investment cycle. For investors in the Fund, the intention is to pay distributions quarterly starting 31 December 2018. Total returns are intended to exceed the benchmark over a full investment cycle.

The Manager has made a considered decision to have the Fund unhedged. While doing so exposes investors to foreign exchange risk in relation to income and capital returns, hedging the Fund would also expose investors to income risk. Were the Fund hedged, and should the Australian dollar fall significantly, distributions could be adversely impacted by foreign exchange losses incurred by the Fund (as experienced by many global infrastructure funds in Australia during the GFC period).

The MER is 1.15% and a buy / sell spread of 0.15% / 0.15% applies.

MANAGEMENT GROUP PROFILE

The Manager is a wholly owned subsidiary of The Bank of New York Mellon Corporation and provides Australian investors with access to a wide range of The Bank of New York Mellon Corporation's investment management services.

The Bank of New York Mellon Corporation is a global financial services company in its third century of business, manages approximately US$1.9 trillion in assets and is a publicly listed company on the New York Stock Exchange.

The Manager has appointed an affiliated sub-investment manager, BNY Mellon Asset Management North America Corporation, to manage the assets of the Fund. The Portfolio Manager is a wholly owned subsidiary of The Bank of New York Mellon Corporation.

Headquartered in Boston, Massachusetts, the Portfolio Manager is a specialist multi-asset investment management firm serving investors globally with approximately US$579.5 billion in assets under management (as at 31 December 2017)]. The Portfolio Manager was formed on 31 January 2018 when three of The Bank of New York Mellon Corporation's largest U.S. investment managers – Mellon Capital Management, Standish Mellon Asset Management, and The Boston Company Asset Management combined into one entity. This strategic shift created an asset manager with the combined scale and investment capabilities to offer a broad range of specialist investment solutions across several product lines, backed by the expertise of the combined boutiques.

Pinnacle Fund Services Limited is the responsible entity of the Fund. The Responsible Entity is wholly owned by Pinnacle Investment Management Limited, the latter of which will also act as distributor of the Fund in Australia.

INVESTMENT TEAM

The 14 member investment team is well resourced, experienced, highly stable and proven over market cycles. The leadership of the team consists of Lead Portfolio Manager James Lydotes, Portfolio Manager Brock Campbell and Global Investment Strategist William Adams. Collectively, these three have over 53 years investment experience and worked together for over 12 years.

Mr Lydotes and Mr Campbell have managed the global infrastructure strategy since its inception in August 2011. Mr Adams, the portfolio strategist, while not directly involved in portfolio investment decisions per se, is integrally involved in all team meetings and is very aware of portfolio positioning and changes.

While the investment process is a collaborative one, final say and ultimate accountability for every portfolio position rests with Mr Lydotes, providing an important single point of accountability for the strategy. Mr Campbell, as second in charge, provides a second set of eyes, monitoring the final decision maker and is engaged to act as devil's advocate and challenge portfolio decisions made by Mr Lydotes.

The portfolio management and research analyst team are part of a broader 30 person Boston-based global equities research team. While all members have responsibilities with other investment strategies, the global infrastructure mandate nevertheless utilises a significant proportion of each team members' time and the portfolio management team is very much able to drive the research efforts undertaken by each analyst. The compensation structure for the research analysts is set up to encourage that collaboration.

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 detailed below.

- **James A. Lydotes, CFA.** Managing Director, Senior Portfolio Manager. James (Jim) is the lead portfolio manager of the Global Infrastructure Dividend Focus Equity and Global Healthcare REIT strategies and a senior research analyst on the Global Equity team, primarily focused on the International Equity and International Small Cap Equity strategies. He is responsible for research coverage of the non-US health care, utilities, information technology and telecommunication services sectors, in addition to assisting in the development and enhancement of the team's quantitative security selection models. Before joining the Portfolio Manager, Jim served as a fixed income business analyst at Wellington Management Co.
- **Brock A. Campbell, CFA.** Director, Portfolio Manager. Brock is a portfolio manager on the Global Infrastructure Dividend Focus Equity strategy and also serves as a senior research analyst on the Global Research team, covering global utilities and industrials. Previously, he was a research associate, supporting senior analysts covering the energy, utilities and materials sectors. He has also served as a portfolio assistant, responsible for generating a diverse range of analytical data and creating performance attribution reporting materials.

- **William J. Adams.** Managing Director, Global Investment Strategist. William (Bill) is a global investment strategist for the Portfolio Manager's active equity non-US and Emerging Markets investment disciplines, responsible for communicating the teams' strategies to clients, prospective clients and consultants, serving as the critical interface between client-facing staff and investment teams. Before joining the Portfolio Manager, amongst other roles, Bill was an associate at Deutsche Bank, where he was responsible for European equity research sales.

A team of twelve research analysts supports Jim, Brock and Bill, key members of which include:

- **Rick R. Rosania, CFA.** Director, Senior Research Analyst Rick covers the health care sector for the Portfolio Manager's global infrastructure investment team and is also a senior research analyst on the Portfolio Manager's global research team. Before joining the Portfolio Manager, Rick worked at Mellon Institutional Asset Management as vice president of strategic planning and business development. Previously, Rick was vice president of acquisitions for Harborside Healthcare Corp., where he focused on acquisitions of long-term health-care facilities and ancillary service providers. Before that, Rick was a manager of business development and financial analysis in the risk services division of Liberty Mutual, where he was responsible for the corporate development function for property and casualty insurance-related opportunities.
- **Justin R. Sumner, CFA.** Director, Senior Research Analyst Justin covers the non-US telecommunications sector for the Portfolio Manager's global infrastructure investment team and is also a senior research analyst on the Portfolio Manager's global research team. Before joining the Portfolio Manager, Justin was an equity analyst covering the technology, media and telecommunications sectors for Sentinel Asset Management. Previously, Justin served as a senior equity analyst at AmSouth Asset Management on the AmSouth Capital Growth and AmSouth Large Cap funds, and as an associate investment analyst at American Century Investment Management on the American Century Technology Fund.
- **Matthew D. Griffin, CFA.** Managing Director, Senior Research Analyst Matt covers the US networking, wireless and telecommunications industries for the Portfolio Manager's global infrastructure investment team and is also a senior research analyst on the Portfolio Manager's global research team. Matt also serves as lead portfolio manager of the Portfolio Manager's Core Research Technology Sector Equity strategy. Before joining the Portfolio Manager, Matt served as a technology analyst at a long/short equity hedge fund, was a portfolio manager and analyst at Putnam Investments (covering technology, hardware and semiconductors), was a portfolio manager and analyst at Harbor Capital Management and was a technology analyst at Colonial Management and Arkwright Mutual.
- **Robin Wehbé, CFA, CMT.** Managing Director, Senior Research AnalystRobin covers the North American Energy Infrastructure sector of the Portfolio Manager's global infrastructure investment team and is also a senior research analyst on the Portfolio Manager's global research team. Robin is also the lead portfolio manager of the Portfolio Manager's global natural resources strategy (which takes a bottom-up macro approach to investing). Robin also serves as a member of the global insight team, a group of the Portfolio Manager's investment leaders. Robin joined the Portfolio Manager in 2006 as a global basic materials analyst. Since then, Robin designed and launched the Portfolio Manager's global natural resources strategy in 2008, became the lead manager of the Dreyfus Natural Resources mutual fund in 2009 and launched the Portfolio Manager's long/short natural-resources strategy in 2013.

Investment Personnel

Name	Position	Sector Focus	Years at Firm	Ind. Exp. (yrs)
James Lydotes, CFA	Senior Portfolio Manager	Utilities, Healthcare, Tech & Telcoms	19	19
Brock Campbell, CFA	Portfolio Manager	Utilities, Industrials	12	12
William Adams, MBA	Global Investment Strategist	Investment Strategy	12	22
Matthew Griffin, CFA	Research Analyst	Tech & Telcoms	11	26
Barry Mills, CFA	Research Analyst	Tech & Telcoms	18	31
Erik Swords, BS	Research Analyst	Tech & Telcoms	12	17
Justin Sumner, CFA	Research Analyst	Tech & Telcoms / Utilities	10	19
Tim McCormick, CFA	Research Analyst	Industrials & Utilities	19	34
Robin Wehbe, CFA	Research Analyst	Natural Resources	11	18
Richard Bullock, CFA	Research Analyst	Natural Resources	2	13
Jason Gibson, MBA	Research Analyst	Natural Resources	10	10
Karen Miki Behr, MBA	Research Analyst	Health Care	10	18
Rick Rosania, CFA	Research Analyst	Health Care	18	22
Matthew Jenkin, MBA	Research Analyst	Health Care	8	23

INVESTMENT PROCESS

Investment Philosophy

At the outset of the investment strategy, the Portfolio Manager established the philosophy that investors in global listed infrastructure were seeking three key attributes: stability of underlying cashflows, regulatory predictability, and businesses that are asset owners (rent collectors).

Adopting a broader view of "infrastructure" is the keystone to the Portfolio Manager's investment philosophy and has enabled the strategy to deliver a strong income stream through all market cycles. The Portfolio Manager finds the historic norms of publicly listed infrastructure investing – namely the pure focus on traditional economic sectors such as utilities, energy and transport – is too narrow a definition and only paints part of the investment opportunity picture.

Instead, the Portfolio Manager believes a broadening of the infrastructure universe to also include non-traditional, social infrastructure sectors such as aged care, hospitals, real estate, prisons and telecommunication assets provides a more holistic opportunity set.

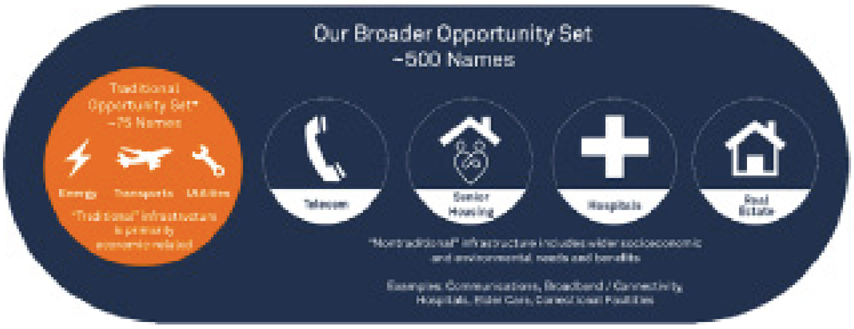
Traditionally, many fund managers in the listed infrastructure sector have focused on a relatively narrow subset of the market, specifically economic infrastructure. Globally, at a large market cap level, that focus limits many of the Fund's peers to an investible universe of approximately 75 stocks. In contrast, the Manager has always adopted a broader sector view, believing it can get the three key attributes (that investors seek from a listed infrastructure mandate) from a much broader set of business models. At inception of the strategy, the Portfolio Manager established a universe of approximately 350 stocks globally that fulfilled the key attributes and that it believed were viable for the strategy. Over the last seven years that list has grown to a universe of approximately 500 securities, or roughly seven times as large as the universe for the average peer in the sector.

It is this broader opportunity set, while still being loyal to the key attributes of the infrastructure segment, that ultimately generates the key point of difference between the investment strategy and its peer group. Given the Portfolio Manager's concentrated portfolio of (historically) no more than 30 stocks (28 currently), the broader opportunity set has enabled the Portfolio Manager to maintain a strong valuation discipline in managing the portfolio. The valuation discipline has been fundamental to the Portfolio Manager consistently delivering on its targeted 6% dividend yield over the seven year track-record of the strategy, in addition to preserving capital in down market environments.

Investment Strategy

The Portfolio Manager's approach to managing a concentrated, global portfolio of infrastructure and real asset-related businesses is to bridge the trade-off between high-income characteristics attributed to mature, stable businesses and capital growth potential of businesses in earlier stages of growth.

This is an important element related to security selection and portfolio management as the Portfolio Manager seeks to deliver a 6% gross yield target while incorporating an element of capital growth over a full market cycle (a period of five or more years).



While the Portfolio Manager taps into a much wider breadth of infrastructure opportunities, the portfolio nevertheless consistently delivers all the characteristics that investors typically seek in the asset class; notably:

a) Asset Ownership: these businesses act as rent collectors on the underlying assets. Some businesses are building the asset to collect rents later or currently harvest the income from developed assets.

b) Stable Cash Flows: the underlying assets are capable of creating stable cash flows for an extended period. Additionally, experienced business management teams balance reinvestment into new projects with distributing cash to investors.

c) Regulatory Predictability: traditional infrastructure businesses are regulated, providing cash flow visibility; however, understanding the regulatory construct is an important characteristic of the operating environment.

The Portfolio Manager needs to see all three attributes present in a stock to be considered for inclusion in the portfolio. Again, with a highly concentrated portfolio that consists of approximately 6% of the Portfolio Manager's investible universe, the Portfolio Manager has the opportunity to actively manage the portfolio based on valuation discipline, yet remain true to its ideals, and only invest in companies with all three characteristics.

This aspect is borne out by the historical performance of the strategy. While the strategy has a highly differentiated portfolio to it peers, historically the strategy has recorded a relatively high correlation to the global infrastructure sector, specifically 92%. This is by design, with the Portfolio Manager monitoring the portfolio's factor exposure relative to infrastructure as an asset class. The intention is to avoid tilting the portfolio towards a top down call and to maintain factor neutrality to key market sensitive factors such as the direction of U.S. treasuries, european soveriegn credit exposure, oil prices, for example.

The track-record of delivering on a 6% dividend yield target has rested on a strong valuation discipline and very active portfolio management (annual portfolio turnover is approximately 50%). Periods of positive performance, leading to a yield compression within the portfolio, have necessitated a requisite amount of portfolio turnover to return the expected yield in line with the 6% target. With a broad investment universe, the Portfolio Manager has been able to consistently move at the regional, sector and stock level to where it has found the most compelling valuations. This strict valuation discipline, or adherence to a 'value' investment style, has however meant the investment strategies has forgone a degree of positive returns in strong market environments in which valuation multiples have materially appreciated.

The investment approach incorporates two distinct drivers to create a portfolio that combines yield and growth. While the strategy has a portfolio yield characteristic of a target 6%, the strategy does not have a portfolio entirely comprising 6% yielding stocks. A larger portion of the portfolio comprises more mature businesses predominantly in developed markets and which tend to pay out attractive free cash flow due to a more limited opportunity to invest back into the business. This is complemented by a smaller number of businesses often concentrated in developing economies where real asset businesses are still under development, but with potential for future growth. The Portfolio Manager is willing to accept a lower yield based on the view it will be compensated by higher expected growth. The two components are weighted to deliver on the 6% dividend target, while the growth aspect is critically important to NAV appreciation and maintaining real income levels over time (inflation hedge).

Investment Process

The investment team seeks to answer three questions as a critical element of the investment strategy and as part of developing the investment universe:

1. What is the nature of the regulatory environment?
2. What is the sustainability of cash flow and dividend growth?
3. What are the barriers to entry for doing business?

The investment process is multi-faceted and at each stage analyses a number of factors including: stable cash flows; consistent dividend yield; stability and growth of dividends; the robustness of the business and balance sheet strength; security-price valuation; business momentum; and liquidity. At each stage of the process, the number of securities is narrowed.

Stage 1 – Custom universe

The Portfolio Manager identifies approximately 500 infrastructure and real asset-related securities for inclusion in its investible universe using criteria that includes liquidity, research or stock analyst coverage and publicly available company and industry data and information, which fit within the Portfolio Manager's predetermined definition of infrastructure.

Stage 2 – Quantitative assessment

The Portfolio Manager then uses sector-specific quantitative model to screen the possible universe of securities down to approximately 100 securities. This model is based upon a set of fundamentally based factors that have historically been important in determining the best relative investments in each respective sector. The use of the model ensures that human biases are minimised in security selection and focusing the investment team on a smaller subset of potential businesses for inclusion in the portfolio. The quantitative process is managed by a six person team which is in addition to the 30 person fundamental research team.

Stage 3 – Optimisation process

The Portfolio Manager then employs an optimization process, with a goal towards evaluating the 100 securities derived from our quantitative model against the existing portfolio and index relative risk factor exposures. The objective is to arrive at a further focused list of securities that are both quantitatively attractive, as well as risk reducing in the overall portfolio. This stage of the investment process typically culls the most attractive opportunity set down to approximately 20 to 40 securities.

Stage 4 – Fundamental Support

After paring down the most attractive current opportunities within their custom investible universe, the portfolio managers work alongside the industry and sector experts within the global research department to employ fundamental analysis and review portfolio holdings with an emphasis on determining whether any of the list of optimized securities have full fundamental support. This process ultimately reduces the number of eligible securities to between 20 to 40 names, and generally no more than 30 securities.

Portfolio Construction

The portfolio managers then meet to discuss recommendations in the context of risk and reward within the context of the broader portfolio, resulting in a holdings range of between 20 to 40 securities.

From a valuation discipline perspective, the Portfolio Manager has price targets set for each of the stocks held in the portfolio. The Portfolio Manager will also have an active watch list, and associated price targets, of stocks not held in the portfolio but under consideration.

Portfolio weightings will be set partly on fundamental upside to the risk adjust price target. For two holdings with the same price target upside, the weighting will be higher for the business deemed as lower risk (based on business model, sector, regulation, etc).

The Portfolio Manager also implements a risk-management process that strives to minimise macro risk exposures so that the portfolio's primary risk exposure is security-specific risk. The investment team is constantly assessing macro risk factors such as interest rates, commodity prices and sovereign credit exposures, to name a few. When combined with the Portfolio Manager's investment approach, this risk management process has resulted in a track record of consistent portfolio returns in both rising and falling markets. In addition the team monitors country, sector and market-cap relative weights, and risk models are used to identify other systematic exposures.

The portfolio of the investment strategy as at 31 March 2018 is detailed below.

Top 10 Active Over-weights	Sector	Weight
FirstEnergy Corp.	Utilities	7.6
SSE plc	Utilities	6.6
Targa Resources Corp.	Energy	5.6
Enagas SA	Energy	5.0
Endesa S.A.	Utilities	4.2
Severn Trent Plc	Utilities	4.0
Telenor ASA	Telecom Services	4.0
EDP-Energias de Portugal	Utilities	4.0
NRG Yield, Inc. Class C	Utilities	4.0
Bezeq The Israel Telcom	Telecom Services	4.0
TOTAL		49.0

Sector Weights	%
Utilities	50.8
Energy	17.5
Industrials	13.7
Real Estate	10.0
Telco Services	8.0

Region Weights	%
Europe	56.2
North America	35.7
Asia/Pacific	4.1
Africa/Middle East	4.0
Latin America	0.0

PERFORMANCE ANALYTICS

As noted, the Portfolio Manager launched the investment strategy in August of 2011 as a hedged United States Dollar strategy and had a total of US$1.3billion in assets under management as of 31 March 2018.

The performance of the strategy since inception has been solid and very much in-line with the performance objectives. Income has consistently met or slightly exceeded the 6% target yield, the Portfolio Manager has generated strong alpha in down markets yet tracked in-line with the infrastructure sector in positive environments, and recorded positive performance in both rising and falling bond yield environments. Total returns have exceeded the benchmark by a material margin, notwithstanding the fact that the 'value' investment style has arguably been out of favour in recent years. The pattern of relative returns over time has been consistent with the value biased investment process, which is what one ideally likes to see. That is, the Portfolio Manager is being 'true to style'.

Composite Returns (USD Hedged) as at 30 April 2018 (% p.a.)					
	YTD	1-yr	3-yrs	5-yrs	Since Incept*
Global Infrastructure Dividend Focus	1.77	7.59	5.50	9.65	11.00
S&P Global Infrastructure USD Hedged	-2.75	1.93	3.05	7.45	8.38
Alpha	4.52	5.66	2.45	2.2	2.62

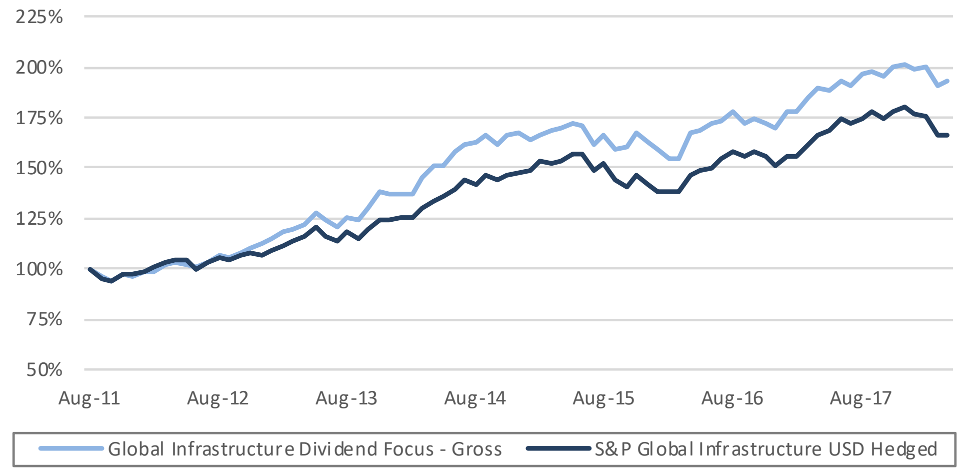
* August 2011.

Annual Composite Returns (USD Hedged)							
	2017	2016	2015	2014	2013	2012	2011*
Global Infrastructure Dividend Focus	11.75	11.65	-2.86	20.07	19.45	16.24	-1.64
S&P Global Infrastructure USD Hedged	13.59	13.28	-7.38	18.66	15.37	9.94	-1.30
Alpha	-1.84	-1.63	4.52	1.41	4.08	6.3	-0.34

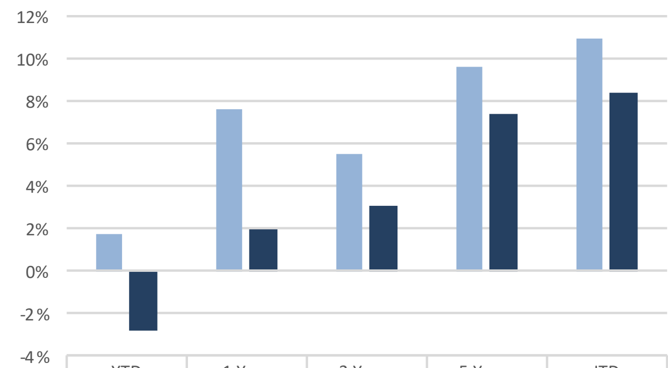
* 1 August 2011 - 31 Dec 2011.

The chart on page 11 below entitled "Unhedged Composite Returns" restates the historic returns to remove the impact of hedging, calculating the Australian dollar return and to simulate with-holding tax reclaims that this portfolio would have historically been entitled to if the investment strategy were managed as a domestic Australian based fund. The point of including this restatement is to highlight the additionally volatility foreign exchange exposure can introduce into an investment mandate.

Cummulative Returns (USD Hedged) since Inception (As of April 2018)

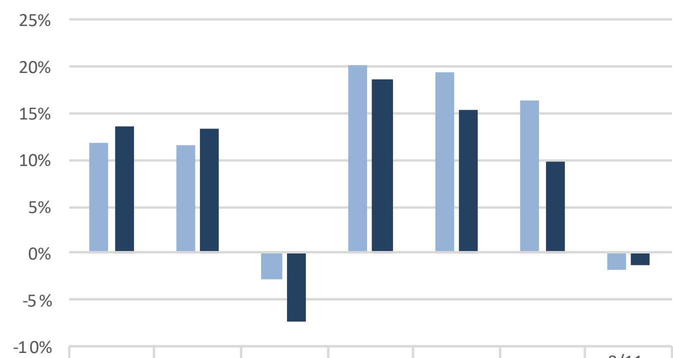


Composite Returns (USD Hedged) (As of April 2018)



	YTD	1 Year	3 Years	5 Years	ITD
Global Infrastructure Dividend Focus	1.77%	7.59%	5.50%	9.65%	11.00%
Benchmark	-2.75%	1.93%	3.05%	7.45%	8.38%

Annual Composite Returns (USD Hedged) (As of April 2018)



	2017	2016	2015	2014	2013	2012	8/11-12/11
Global Infrastructure Dividend Focus	11.75%	11.65%	-2.86%	20.07%	19.45%	16.24%	-1.64%
Benchmark	13.59%	13.28%	-7.38%	18.66%	15.37%	9.94%	-1.30%

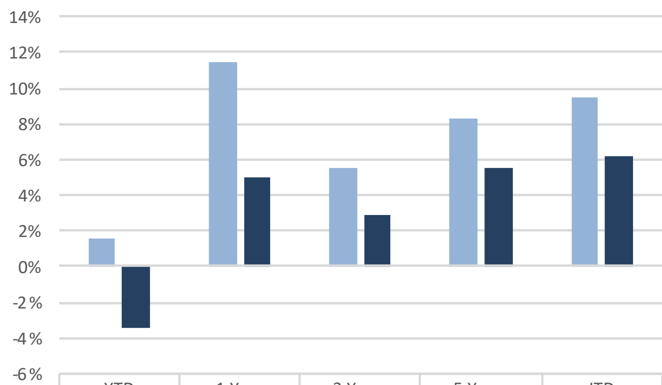
The key performance points:

- The income yield has consistently met or exceeded the investment objective, ranging in a narrow band of 6% to 7%, and has materially exceeded the benchmark and the peer group average. A key underpinning of the sustainability of this yield over time has been that the portfolio has consistently tracked a weighted average payout ratio of between

75-85%. The broader investment opportunity set, enabling the Portfolio Manager to maintain a strict valuation discipline, has been integral to maintaining the high yield.

- The investment strategy has performed relatively well in both rising and declining interest rate environments. As noted, the Portfolio Manager endeavours to be factor neutral at all times, which includes interest rates. Historically, the strategy has outperformed benchmark in both rising and declining interest rate environments, but it has particularly outperformed peers in unexpectedly sharp declining interest rate environments (the taper tantrum 2HCY13 and the mini taper tantrum Sept 2017 - Feb 2018). Additionally, the growth component of the portfolio has likely held the investment strategy in good stead in a rising rates environment.
- Volatility has marginally exceeded benchmark (a more concentrated portfolio) but drawdown measures have been marginally superior to benchmark. Risk-adjusted returns have been superior. The investment strategy has recorded a down market capture of only 80% yet and up-market capture of approximately 100%, with the Portfolio Manager generating alpha and preserving capital in down market environments. In these market environments, the Portfolio Manager's valuation discipline has served it well in mitigating downside risks.
- In terms of the pattern of relative returns, the high conviction, concentrated nature of the portfolio tied with the value-biased investment style has naturally translated to performance differential to the broader listed infrastructure space. The Portfolio Manager has done a strong job in protecting the downside and generated greatest alpha in less benign market environments. Underperformance has generally been a function of the Portfolio Manager maintaining its valuation disciplines in strong market environments. However, this underperformance has typically reverted as valuations have eventually re-adjusted. In this sense, the underperformance reflects the Portfolio Manager being true to its investment style.

Unhedged Composite Returns (As of April 2018)



	YTD	1 Year	3 Years	5 Years	ITD
Global Infrastructure Dividend Focus	1.54%	11.44%	5.59%	8.23%	9.46%
Benchmark	-3.41%	4.98%	2.88%	5.54%	6.18%

PEER COMPARISON

- We have compared the Fund to four of the largest Australian domiciled global listed infrastructure managed funds for the purpose of comparing fees and performance, as detailed in the tables below.
- The Fund's annual management fee level is broadly in-line / at the lower end of the peer group average. However, two of the four peer strategies also incorporate a performance fee. In the absence of a performance fee combined with the MER, the Fund is at the more competitive end of the cost spectrum.

Peer Comparison - Key Facts

Name	Code	Inception Date	Management Fee (% p.a)	Performance Fee (%)	Performance Fee Hurdle
RARE Infrastructure Income Fund	TGP0016AU	Oct 2010	1.025%	None	N/a
RARE Infrastructure Value Fund – Unhedged	TGP0034AU	Aug 2006	0.974%	10%	OECD G7 Inflation Index + 5.5%
Lazard Global Listed Infrastructure Fund	LAZ0014AU	Oct 2005	0.980%	None	N/a
Magellan Infrastructure Fund - AUD Hedged	MGE0002AU	July 2007	1.050%	10%	S&P Global Infra Index
Global Dividend Yield Focus	**GIY**	**Aug 2011**	**0.95**	**None**	**N/a**

- The table below summarises historic peer group performance. Investors should bear in mind that some strategies are AUD hedged while others are not.
- The investment strategy has recorded periods of out- and under-performance relative to the peer group. In our view, a key driver of this has been the Portfolio Manager being true to its value investment style by maintaining strict valuation disciplines. This during a historic period during which value style investing has generally been a head wind as valuations began to extend (a dynamic that has reverted over the last 12-months, or so).
- The investment strategy has maintained a greater degree of consistency with respect to dividend yield amounts. Several strategies have varied significantly over time. Additionally, particular strategies, while paying a significant income amount, have recorded periods of capital depreciation, which has the potential to undermine longer term real returns.

Peer Group Performance to 30 April 2018

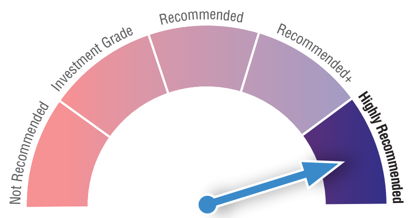
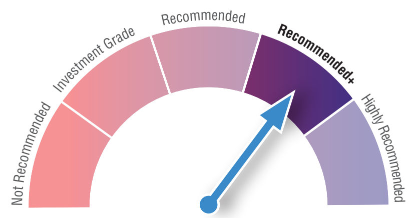
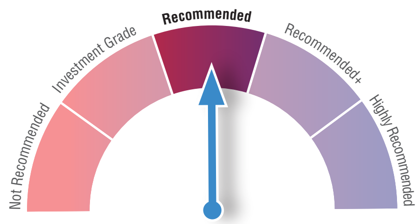
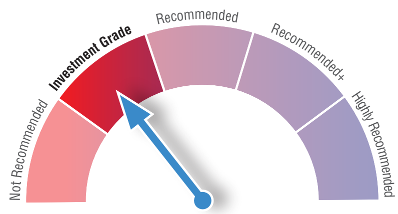
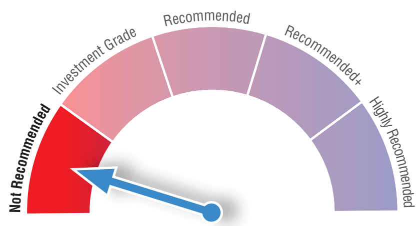
		Total Portfolio Returns*			
Name	**Code**	**1 year**	**3 year**	**5 year**	Inception
RARE Infrastructure Income Fund	TGP0016AU	-2.4%	3.0%	8.1%	10.9%
RARE Infrastructure Value Fund – Unhedged	TGP0034AU	1.4%	3.4%	10.2%	10.3%
Lazard Global Listed Infrastructure Fund - AUD Hedged	LAZ0014AU	9.1%	12.4%	17.5%	12.8%
Magellan Infrastructure Fund - AUD Hedged	MGE0002AU	6.6%	8.9%	12.1%	8.4%
Global Infrastructure Dividend Focus - AUD Hedged	**GIY**	7.6%	5.5%	9.7%	11.0%
Global Infrastructure Dividend Focus - Unhedged	**GIY**	11.4%	5.6%	8.2%	9.5%

* Gross returns

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

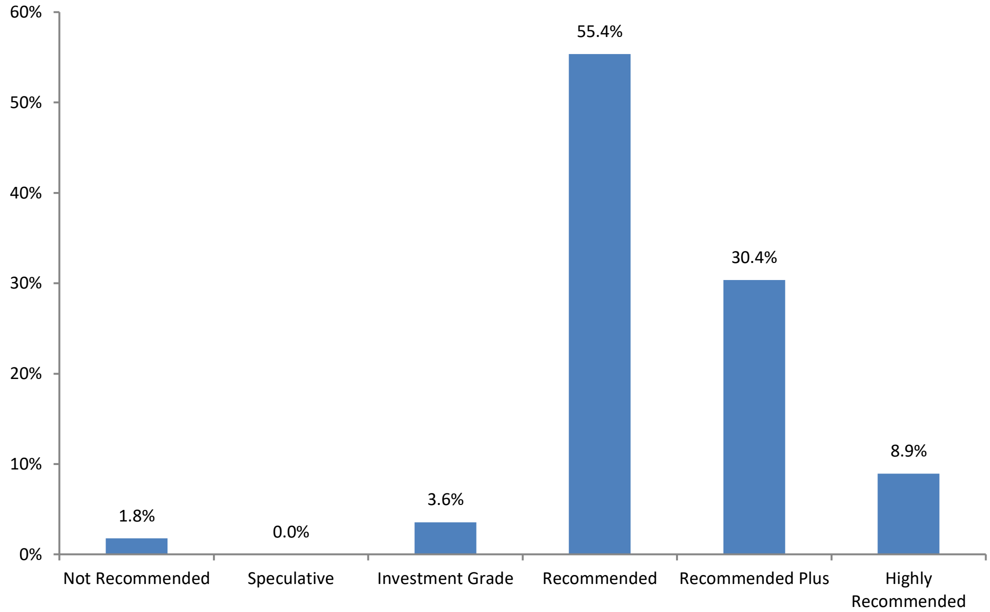
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction;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

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	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.
Recommended +	**79–83**
	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.
Recommended	**70–79**
	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.
Investment Grade	**60-70**
	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.
Not Recommended	**<60**
	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.

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



DISCLAIMER

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR", Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE
Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE
Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE
1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE
200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215