Pinnacle BNY Mellon Global Infrastructure Yield Fund

February 2019

About Us

The Pinnacle BNY Mellon Global Infrastructure Yield Fund invests in companies that demonstrate high, sustainable dividend yields and dividend growth potential, solid business momentum at an attractive valuation, quality, stability and strong cash flows. The Fund aims to deliver better capital preservation characteristics than the index, with up-market capture strong enough to translate into compelling risk-adjusted returns. It seeks to execute on a rigorous risk-management process that strives to limit macro risk exposures to ensure the vast majority of performance is derived from stock-specific risk.

Fund Performance to 28 February 2019

	Fund[1]	Benchmark[2]	Excess
1 month (%)	3.18	4.82	-1.64
3 months (%)	5.28	10.47	-5.19
6 months (%)	3.11	5.88	-2.77
Inception (%)[3]	6.61	10.01	-3.40

[1] Pinnacle BNY Mellon Global Infrastructure Yield Fund
[2] Benchmark is the S&P Global Infrastructure Index (Net) Unhedged
[3] Inception date is 9 August 2018

Market Commentary

Performance Review

The portfolio underperformed the S&P Global Infrastructure Index on an unhedged basis during the period. With a focus on high-dividend-yielding stocks, 88% of the strategy's exposure is in holdings in the top three dividend quintiles. The Industrials sector was the best relative performer, while the Real Estate, Energy, Utilities and Communication Services sectors detracted most from relative performance.

Outlook

From a sector perspective, we continue to believe utilities are attractively valued. UK water opportunities, as well as continued value within European utilities and, more recently, a shift into US utilities have us very enthusiastic around the attractiveness of this sector. In addition, we are finding more value in the US energy infrastructure space, and we have recently added to our exposure.

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Investment Environment

Equity markets continued to post positive results in February although momentum slowed from last month. Among major benchmarks, the Standard & Poor's 500 Index led performers, up 3.21%. The MSCI EAFE Index, a measure of non-US developed markets, returned 2.55%, while the MSCI Emerging Markets Index posted a gain of 0.23%.

In the US, Federal Reserve (Fed) Chairman Jerome Powell reiterated a "patient" approach to rate hikes when he addressed Congress at the end of February. Mixed headline data and uncertainty surrounding US-China relations remain an overhang. US consumer confidence soared to 131.4 in February, markedly beating expectations as the end of the government shutdown and last month's impressive job report boosted sentiment. Meanwhile, the US dollar rose slightly against a basket of major currencies.

The British pound rallied at the prospect of a possible Brexit deadline extension proposed by Prime Minister Theresa May if her revised terms do not pass parliament. Meanwhile, the European Commission revised down its 2019 growth forecast across the European Union amid challenges ranging from political uncertainty in Italy to slowing growth in China. Meanwhile, inflation in Japan moved up slightly but remained meaningfully short of the Bank of Japan's 2% goal.

Emerging markets posted positive results after a challenging 2018, buoyed by a pause in global rate hikes. China's official manufacturing Index was reported at 49.2 in February, missing expectations and marking the third straight month in contractionary territory. Elsewhere, Brazil reported worse-than-expected GDP for fourth quarter and 2018, highlighting the need for possible rate cuts ahead. Meanwhile, oil prices rose following positive trade developments.

Sector Review

Industrials: Industrials performance was driven by solid stock selection. Our position in Actividades de Construccion y Servicios SA (ACS) rose following solid results with key metrics in line with expectations. We believe ACS is an attractive play on global infrastructure buildout. Additionally, the company has a much more stable mix of concession based businesses following its transformative deal with Abertis, which we believe is not being reflected in valuations. Shares of VINCI SA outperformed after announcing mixed results with better-than-expected cash flows, but light operating metrics. The businesses suffered from continued "yellow vest" protests, which drove traffic down. We expect notable growth and normalization of traffic trends going forward.

Communication Services: Our position in Orange SA weighed on sector performance. Despite a quarterly revenue and EBITDA beat, shares fell as investors were disappointed with a slightly lower growth outlook and a flat dividend in 2019. Our position in Verizon was a bright spot as shares rebounded following its recent Analyst Day where management reiterated its strategy. Verizon has seen notable wireless trends and we believe it is poised to generate robust earnings and free cash flow growth.

Utilities: Challenging stock selection weighed on relative performance. An investment in Clearway Energy, Inc. continued to fall during the month as investor worries about the risks associated with PG&E contracts overshadowed in line quarterly results. Positively, shares of Dominion Energy Inc and NextEra Energy, Inc traded higher as investors rewarded the stocks following positive quarterly results and guidance. In addition, positions in UK water utilities Pennon Group Plc and Severn Trent Plc continued to trade higher following favorable Business Plan Assessment results from the UK's water regulator Ofwat.

Energy: Challenging security selection weighed on Energy performance during the period. Targa Resources Corp. reported in line quarterly results and announced a partial sale of its Badlands assets. However, investors were disappointed with management's updated guidance due to a lower commodity outlook. Our position in Enagas SA fell as investors overlooked solid quarterly results and focused on the company's outlook and possible regulation and reinvestment risk.

Real Estate: Our overweight allocation weighed on relative returns during the month. Shares of Omega Healthcare Investors, Inc. declined following a fourth-quarter miss due to a rent deferral by one of their tenants. We continue to see upside in the name as it benefits from stabilizing trends, reduced tenant issues and its acquisition of MedEquities Realty Trust. Shares of Medical Properties Trust, Inc. underperformed despite reporting in line quarterly results and increased 2019 acquisition guidance. We remain bullish as its tenant concentration is improving and growth opportunities from its deal pipeline are notable.

Positioning Changes

Key Buys

- No new positions were initiated during the period.

Key Sells

- Exelon Corporation: We sold our position as the company has been facing headwinds, which we expect to pressure margins. We reallocated the capital to better potential risk/reward opportunities.

Pinnacle BNY Mellon Global Infrastructure Yield Fund

Fund Name	Pinnacle BNY Mellon Global Listed Infrastructure Yield Fund
Fund Structure	Registered Managed Investment Scheme
Responsible Entity	Pinnacle Fund Services Limited
Investment Manager	BNY Mellon Investment Management Australia Ltd
Benchmark	S&P Global Infrastructure Index (Net) Unhedged
Return objective	Returns above the Benchmark over a full cycle
Yield objective	Gross yield target of 6% per annum
Distributions	Paid quarterly
Portfolio allocation	Global equities 95-100% / Cash 0-5%
Stock numbers	Approximately 20 to 40 securities
Target investment timeframe	Full cycle 5 years or more
Derivatives	None
Borrowing to invest	Not permitted
Management fee	1.15% p.a.
Performance fee	Nil
Minimum initial investment	$25,000

For further information, please visit http://www.pinnacleinvestment.com/funds/pni/global-infrastructure-yield/ or contact Pinnacle Investment Management on 1300 010 311 or email distribution@pinnacleinvestment.com

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Note: Past performance is for illustrative purposes only and is not indicative of future performance.

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