Pinnacle BNY Mellon Global Infrastructure Yield Fund

March 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 31 March 2019

	Fund[1]	Benchmark[2]	Excess
1 month (%)	2.47	2.55	-0.08
3 months (%)	9.24	12.82	-3.58
6 months (%)	6.84	9.75	-2.91
Inception (%)[3]	5.20	8.60	-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 performed in line with the S&P Global Infrastructure Index on an unhedged basis during the period. With a focus on high-dividend-yielding stocks, 89% of the strategy's exposure is in holdings in the top three dividend quintiles. The Energy and Communication Services sectors contributed positively to relative returns, while the Utilities and Real Estate sectors detracted.

Outlook

From a sector perspective, we continue to believe utilities are attractively valued and are maximum weight. In fact, this is the highest weighting that the sector has enjoyed in the fund since inception. UK water opportunities, continued value in European utilities and, more recently, a shift into US utilities have us very enthusiastic around the attractiveness of this sector.

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Investment Environment

Equity markets posted moderately positive results in March supported by cautious sentiment from central banks broadly. Among major benchmarks, the Standard & Poor's 500 Index led performance, up 1.94%. The MSCI EAFE Index, a measure of non-US developed markets, returned 0.63%, while the MSCI Emerging Markets Index posted a gain of 0.86%.

In the US, the Federal Reserve (Fed) held rates steady and Chairman Jerome Powell indicated there would likely be no further rate hikes in 2019. Although employment remained at record lows at 3.8%, February new jobs data disappointed with nonfarm payrolls rising only 20,000. US consumer confidence dropped to 124.1 in March from 131.4 in February, indicating waning optimism for economic growth. Meanwhile, the US dollar rose slightly against a basket of major currencies.

In the UK, Prime Minister Theresa May's request for a Brexit delay was ultimately granted, buoying market optimism for a soft exit. February inflation in the country was reported at 1.9% on higher food prices, marking the first increase since August of last year. The European Central Bank (ECB) delayed its planned rate hike and pushed out expectations to year end. The announcement by President Mario Draghi came against a backdrop of slashed growth and inflation projections for 2019. In Japan, consumer inflation rose 0.7% year over year in February, missing expectations and the Bank of Japan's target.

Emerging markets posted positive gains for the third consecutive month in a reversal of last quarter's decline. After several months of contractionary manufacturing data, China posted a significant rebound in March with an official manufacturing report of 50.5, besting expectations by a wide margin. Elsewhere, Brazil's inflation rose but remained in range of the central bank's target and rates remained unchanged during the month. Meanwhile, oil prices rose following extended output cuts from OPEC.

Sector Review

Positive Impacts

Energy: Effective security selection drove relative performance as oil prices continued to trend higher. Shares of ONEOK, Inc. rose almost 9% in this environment. Additionally, the company reported in line fourth-quarter results driven by robust volume growth. A position in Targa Resources Corp. traded higher after reporting in line quarterly results and announcing a partial sale of its Badlands assets. Our overweight position in Inter Pipeline Ltd. also rose during the month.

Communication Services: Our overweight exposure to Communication Services benefitted the portfolio. Shares of Orange SA rallied as investors fled to the stock for its perceived safety characteristics. We remain bullish on the stock due to the benign competitive environment, and we believe positive business trends will persist. Shares of Verizon Communications Inc. continued to perform well after the company reiterated its strategy at its recent Analyst Day. The company has been seeing notable wireless trends and we believe it will be able to generate robust earnings and free cash flow growth.

Negative Impacts

Real Estate: Our overweight allocation to the Real Estate sector weighed on relative returns during the month. Our position in GEO Group Inc fell after JPMorgan announced that it would stop funding private operators of prison and detention centers. Meanwhile, shares of Omega Healthcare Investors, Inc. rebounded. We continue to see upside in the name as it benefits from stabilizing trends, reduced tenant issues, and its acquisition of MedEquities Realty Trust.

Utilities: Challenging stock selection in the Utilities sector detracted from relative performance. Despite strong fundamentals, shares of UK water utilities Pennon Group Plc and Severn Trent underperformed on Brexit worries. Positively, our position in Enel SpA outperformed following in-line 2018 results and reaffirmed 2019 guidance as renewable growth continues to be a growth engine for the company. We continue to believe the company's growth and yield characteristics are best-in-class among infrastructure peers. Investors rewarded shares of NextEra Energy Partners LP following the announcement of its acquisition of 611 MW of renewable assets, recapitalization of $220 million of existing debt, as well as a financing agreement with KKR & Co. Inc.

Positioning Changes

Key Buys

- No new positions were initiated during the period.

Key Sells

- **Edison International:** We sold our position following a solid rally in shares as we felt the risk/reward was more balanced given the California litigation risk.

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/
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