Pinnacle INVESTMENT MANAGEMENT BNY MELLON

Pinnacle BNY Mellon Global Infrastructure Yield Fund

June 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 30 June 2019

	Fund[1]	Benchmark[2]	Excess
1 month (%)	2.75	4.00	-1.25
3 months (%)	1.65	6.22	-4.57
6 months (%)	11.05	19.84	-8.79
Inception (%)[3]	6.93	15.36	-8.43

[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
Past performance is not a reliable indicator of future performance

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, 92% of the strategy’s exposure is in holdings in the top three dividend quintiles. The Utilities sector contributed positively to relative returns, while the Industrials and Real Estate sectors detracted.

Outlook

From a sector perspective within the traditional economic infrastructure sectors, we are finding the most value in both Utilities and Energy. Specifically, UK water, European Utilities and US Utilities remain compelling. As such, Utilities continue to be the highest-weighted sector in the portfolio at around 40%. Additionally, we continue to find value in US energy infrastructure, and remain constructive on our off-benchmark exposure to social infrastructure assets within Health Care REITs and telecommunications infrastructure. On a year-to-date basis, US 10-year yields have dropped sharply along with rotation fixed income assets, globally, which has rewarded the most sensitive “bond proxy” sectors within the asset class. Our strategy’s focus on compelling valuation attributes and more attractive, higher-yielding securities tend to lag in such an environment. As the market broadens out with some stability in global rates, we would expect such trends to normalize, benefiting our portfolio positioning.

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Investment Environment

Equity markets moved higher in June amid optimism for continued global trade discussions and the US Federal Reserve (Fed) meeting. Among major benchmarks, the Standard & Poor's (S&P) 500® Index, jumped 7.05% followed by the MSCI Emerging Markets Index, up 6.32%. Finally, the MSCI EAFE Index, a measure of non-US developed markets, rose 5.93%.

In the US, the Federal Reserve held interest rates steady. Inflation picked up slightly but remained below the Fed's 2% goal. US stocks were up at the end of the month, bolstered by hopes of favorable trade outcomes and more accommodative Fed policy. Despite the stock market rally, both consumer sentiment and consumer confidence dropped in June. Treasury yields and the US dollar also fell slightly during the month.

Among developed markets, UK inflation edged lower to 2% year-on-year in May 2019 reflecting a tight labor market and changes in energy tariffs. Eurozone annual inflation was unchanged in June and came in below the European Central Bank's (ECB's) 2.0% target. The ECB adjusted guidance to maintain rates at current levels, while incorporating more dovish language regarding the trajectory of rates looking forward. The German bund yields slid to record lows in June amid global growth concerns. Meanwhile, the Bank of Japan kept rates steady and joined other central banks in hinting at easing against a backdrop of low inflation and wage growth.

Emerging markets performed positively for the month in anticipation of a favorable outcome to US-China trade discussions. China's official manufacturing PMI remained unchanged at 49.4, missing expectations for the third month since March's rebound. Mexico reached an agreement on immigration controls with the US in June, avoiding US-threatened tariffs.

Commodities gained 3.24%, as measured by the Thomson Reuters Core Commodity CRB Index, buoyed by concerns over global trade. Oil prices recovered as the global market awaited pivotal trade discussions during the G-20 Summit in Japan.

Sector Review

Positive Impacts

Utilities: European Utilities contributed positively to relative performance during the month led by Italian electric utility group, Enel. Investors reacted positively to the stock in anticipation of the company benefiting from key investments in Latin American grids and renewables over the next few years. The ongoing decline in long-term sovereign interest rates remained a continued tailwind for the group. Clearway Energy, Inc. was also a top-line performer, up nearly 11% during the month on positive sentiment due to expectations for an interest rate cut from the US Federal Reserve.

Negative Impacts

Industrials: The portfolio's continued underweight to Asia Pacific Industrials, continued to create headwinds for the portfolio, specifically with index heavyweight, Transurban Group Ltd., in Australia. The stock is one of the top bond proxy beneficiaries in the Index as interest rates continue to decline. Positioning in Chinese airport operator, Beijing Capital International Airport Co., Ltd., did not keep pace with the Australian toll road group, Transurban, as shares rose just 2% versus 7%.

Real Estate: Our off-benchmark allocation to social infrastructure assets continued to serve as a headwind during the period. Specifically, US Healthcare REIT, Medical Properties Trust, Inc., declined modestly during the month after trading ex-dividend and lagged the Index. The sector did not respond as favorably to the stepdown in the US 10-year rate compared to the Utilities and Industrials groups over the past few months.

Positioning Changes

Key Buys

Edison International (USA): During the period, we purchased shares in US electric utility group, Edison International, as we believe there will be forthcoming legislative fix in California that could cause a positive re-rating in the valuation of the shares. Governor Newsome recently announced a reform package that includes a liability cap going forward with wording around 'prudent manager.' This effectively establishes the idea that if the utility acted prudently, there would not be the open-ended liability to the next wildfire that exists today. With majority odds of passing, we believe the sector becomes investable in California once again.

Key Sells

No new sells were initiated during the period.

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