



INVESTING AWAY FROM THE CROWDS

Listed Infrastructure

Stability through physical assets

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INTRODUCTION

Since March, 2012, the lion's share of the capital of Argos's Real Assets Fund has been allocated to the infrastructure sector.

The allocation is currently 65%, and this is envisaged to gradually shift over the coming months to 100%.

The remainder of this presentation sets out the rationale for investing in quoted infrastructure and how Quaero intends to manage the Real Assets Fund as a listed infrastructure fund in future.



Source: Wikipedia.org

Sydney Airport



WHAT ARE INFRASTRUCTURE INVESTMENTS?


- Infrastructure companies typically provide the physical framework that society requires to function on a daily basis. Our universe includes:

Quaero Listed Infrastructure Sub-sectors

- Toll Roads, Bridges, Tunnels, Ports, Airports, Rail, Bus
- Electricity transmission and distribution, renewable energy
- Communication towers, satellites, cable and telephone networks
- Social infrastructure: Education facilities, healthcare projects
- Oil and gas pipelines and storage
- Water and waste water



INVESTMENT OPTIONS FOR INFRASTRUCTURE

	Structure	Advantages	Disadvantages
Liquid  illiquid	Listed infrastructure funds	Active management High liquidity Relatively low fees	
	Infrastructure ETF's	Low fee structure High liquidity	Cap weighting High beta Inferior performance
	Quoted, closed ended funds	Good ones have superior performance	Not all are good Cash drag Often trade at discounts to NAV
	Private equity funds	Good ones have superior performance	Not liquid; long lock-ups
	Direct investments	Control	Require dedicated management Illiquid Low diversification



Source: 2b1st.consulting.com

**Vopak storage facilities,
Saudi Arabia**



DEFENSIVE CHARACTERISTICS OF INFRASTRUCTURE

Infrastructure investments are underpinned by physical assets. Cash flows are a function of the fixed asset base which reduces significantly the cyclicalities of revenues and variation of operating margins.

- Infrastructure subclasses provide services that are vital to the fluid, effective functioning of societies, demand for such assets is highly inelastic.
- Infrastructure investments preserve monetary value in an inflationary environment.
- Revenue base is governed by tariffs which are inflation-linked: returns should meet and / or beat inflation over the long-term.
- Low correlations to equities, bonds, commodities and hedge funds.



Source: CK Hutchison

CK Hutchison Water Infrastructure Project



RISING RATES MAY PRESENT BUYING OPPORTUNITIES

- Infrastructure companies are often perceived as more sensitive to interest rates in the short term due to their high dividend yields and capital-intensive business models.
- This sensitivity has been magnified recently
- We expect interest rates and bond yields will continue to have a heightened influence on short-term returns.
- Because of the strong fundamentals for listed infrastructure businesses, we believe interest-rate-driven corrections may present attractive entry points.

*Cohen & Steers (2015) Listed Infrastructure in a Rising-Rate Environment. Available from:
<https://www.cohenandsteers.com/insights/read/listed-infrastructure-in-a-rising-rate-environment>*



Source: International Business Times

Eutelsat satellite launch



RISING RATES MAY PRESENT BUYING OPPORTUNITIES

- The table shows average returns during the 10 largest spikes in the 10-year US Treasury yield since 2000. After an initial reaction, infrastructure stocks subsequently produced strong absolute and relative performance.

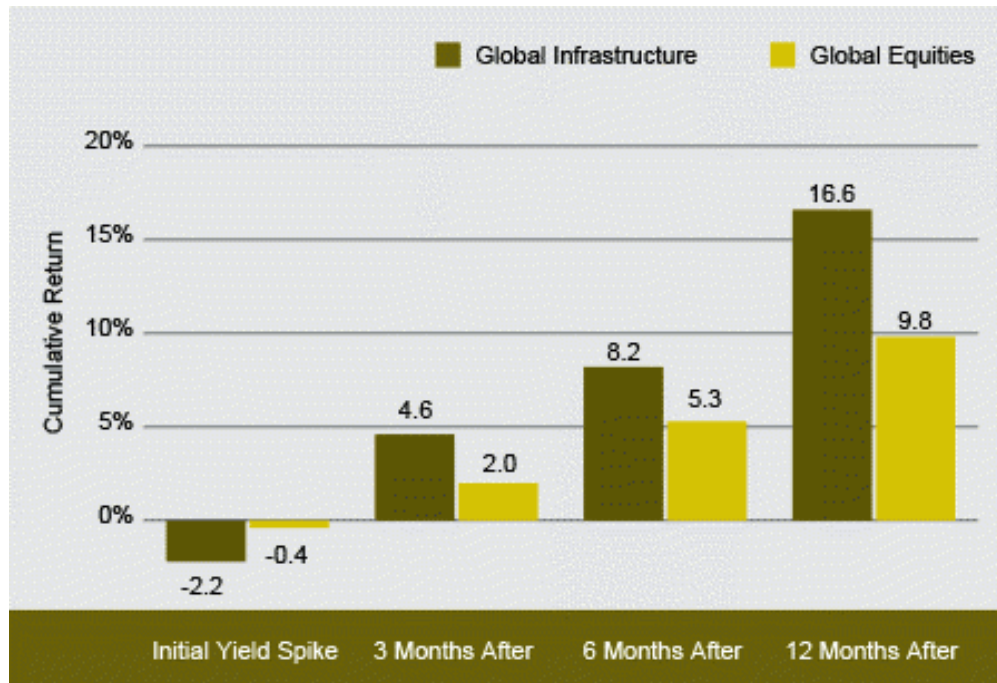


Table: Cohen & Steers (2015) Listed Infrastructure in a Rising-Rate Environment. Available from: <https://www.cohenandsteers.com/insights/read/listed-infrastructure-in-a-rising-rate-environment>



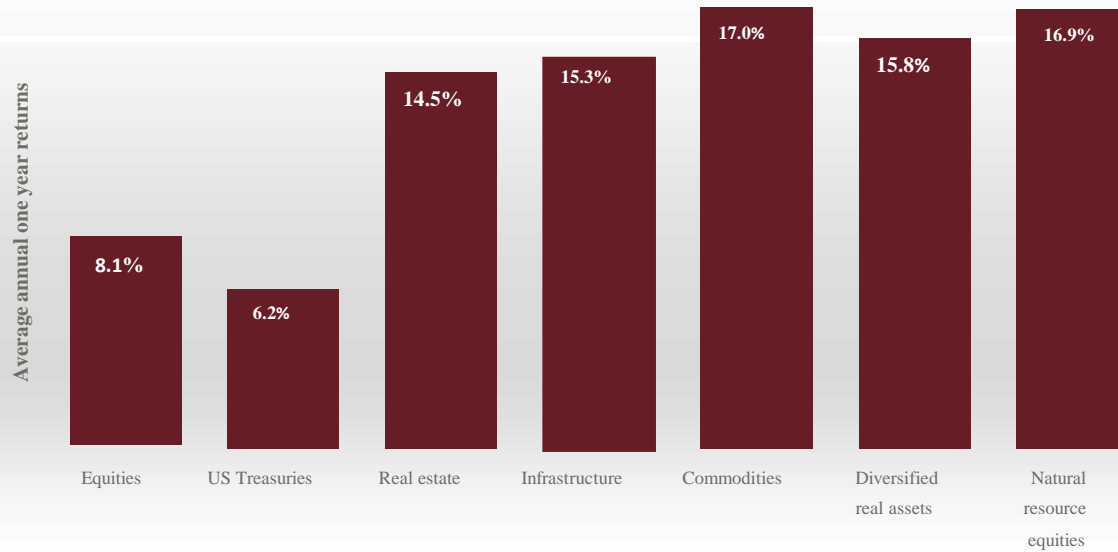
Photo: Ibermatica.com

Iberdrola Wind Farm



REAL ASSETS & INFLATION

Annual returns in times of unexpected inflation, May 1991 – March 2105



Source: BofA Merrill Lynch, Bloomberg, Dow Jones, FTSE, S&P, Thomson Reuters Datastream and Cohen & Steers (2015)



Source: CK Hutchison

Hutchison Ports: Hong Kong



QUAERO APPROACH TO LISTED INFRASTRUCTURE

- Most listed infrastructure funds have a high proportion of electrical utilities, preferred stocks and bonds.
- Quaero's fund is a long-only, fully invested, large cap equity fund – there are no preferred stocks, MLP's or bonds.
- Our conservative approach to listed infrastructure is to invest in companies that have constructed and operate one-off, difficult to replicate assets, renting out capacity.
- This approach avoids exposure to commodity prices and production margins.

*Cohen & Steers (2015) Listed Infrastructure in a Rising-Rate Environment. Available from:
<https://www.cohenandsteers.com/insights/read/listed-infrastructure-in-a-rising-rate-environment>*



Source: American Tower

American Tower Telephone Tower



QUAERO INFRASTRUCTURE INVESTMENT PROCESS





PORTFOLIO CHARACTERISTICS

- We invest in companies that generate recurring cash flows from rents arising from owned, difficult to replicate infrastructure assets.
- Well diversified by geographic region and infrastructure subsector.
- We invest principally in developed markets.
- Strategy will consist of approximately 45-50 securities with a maximum position size of 6%.
- Avoid excessive correlation with interest rates, and so tend not to invest in bond proxies.
- We emphasise companies with relatively high growth and a need to reinvest capital rather than pay high dividends.



Source: Canadian National Railway

Canadian Northern unit train, Jasper, Alberta



INVESTMENT SCREENING

Screening	
Number of publicly quoted infrastructure equities > USD 1bn market cap	200
Screen for preferred sub-sectors (see next slide)	150
Valuation screen	85
Screen for sustainability of earnings, cash flows	60
Qualitative screen	45
Current portfolio	30

Qualitative Screening
Management quality, track record
Sustainability, competition, regulatory environment, country risk
Revenue model, margins, cash generation
Balance sheet quality
Portfolio diversification, correlation



ACTIVE MANAGEMENT ADDS VALUE

- Macro factors such as interest rates and economic growth can affect infrastructure companies in different ways.
- As a result, returns can vary significantly across sectors.
- Because of this performance dispersion, an active manager who understands these dynamics has the potential to add value by tailoring **subsector exposures** for the current and expected macro environment.

Infrastructure Sensitivities	
<i>Interest rates</i>	<i>Economic sensitivity</i>
Railways	Utilities
Marine Ports	Satellites
Airports	Water
Satellites	Towers
Toll Roads	Pipelines
Pipelines	Toll Roads
Water	Railways
Towers	Airports
Utilities	Marine Ports

Less sensitive



More sensitive



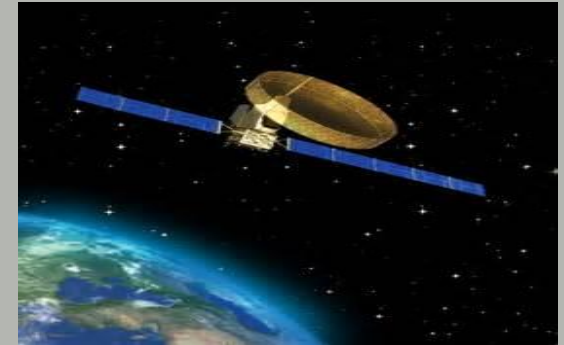
Source: www.Lyon.fr

**Autoroute Rhone - Alps,
Lyon, France**



THE INVESTMENT PROCESS

- We believe that success in global listed infrastructure investing requires a balance of top-down country- and subsector-level research and bottom-up equity research.
- Subsectors are ranked based on industry fundamentals, economic sensitivity, the capital market environment and valuation.
- Equity allocations based on the output of our company research and valuation models, while taking into account risk controls, diversification and liquidity.
- All positions are reviewed monthly. Models for each position are updated when earnings releases are published.



Source: galleryhip.com

Inmarsat satellite in orbit



OUTLOOK

- Growth fundamentals continue to be attractive.
- There is a plethora of countries trying to create economic growth through infrastructure spending.
- As interest rates rebound, we are avoiding high yielding stocks, and focussing on those who are reinvesting earnings in high return projects
- Ultimately, we believe long-term returns will be driven by fundamental factors specific to each infrastructure business, subsector and region.



Source: Wikipedia.org

East Japan Railway Lineup at Niigato Depot



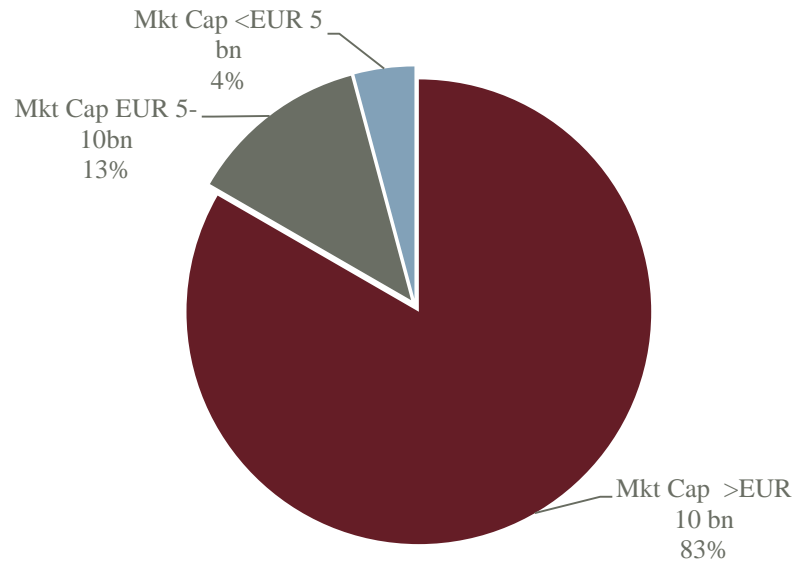
CURRENT PORTFOLIO COMPOSITION



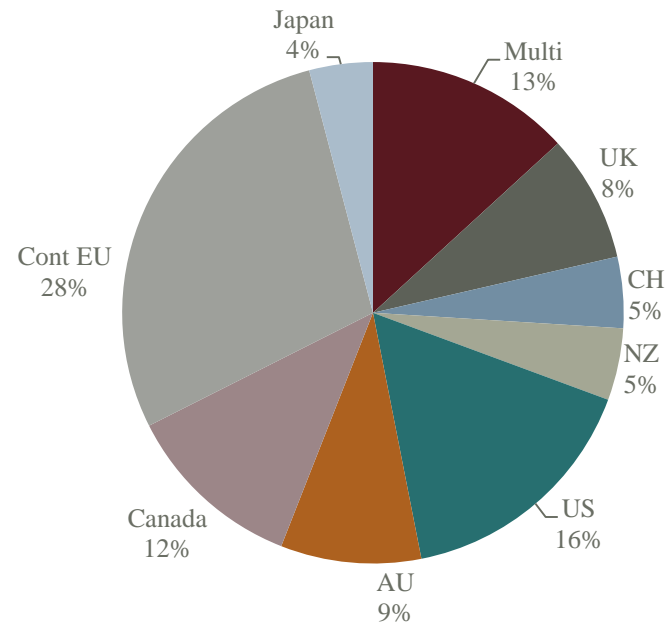


CURRENT PORTFOLIO CHARACTERISTICS

Market capitalisation of stocks in portfolio

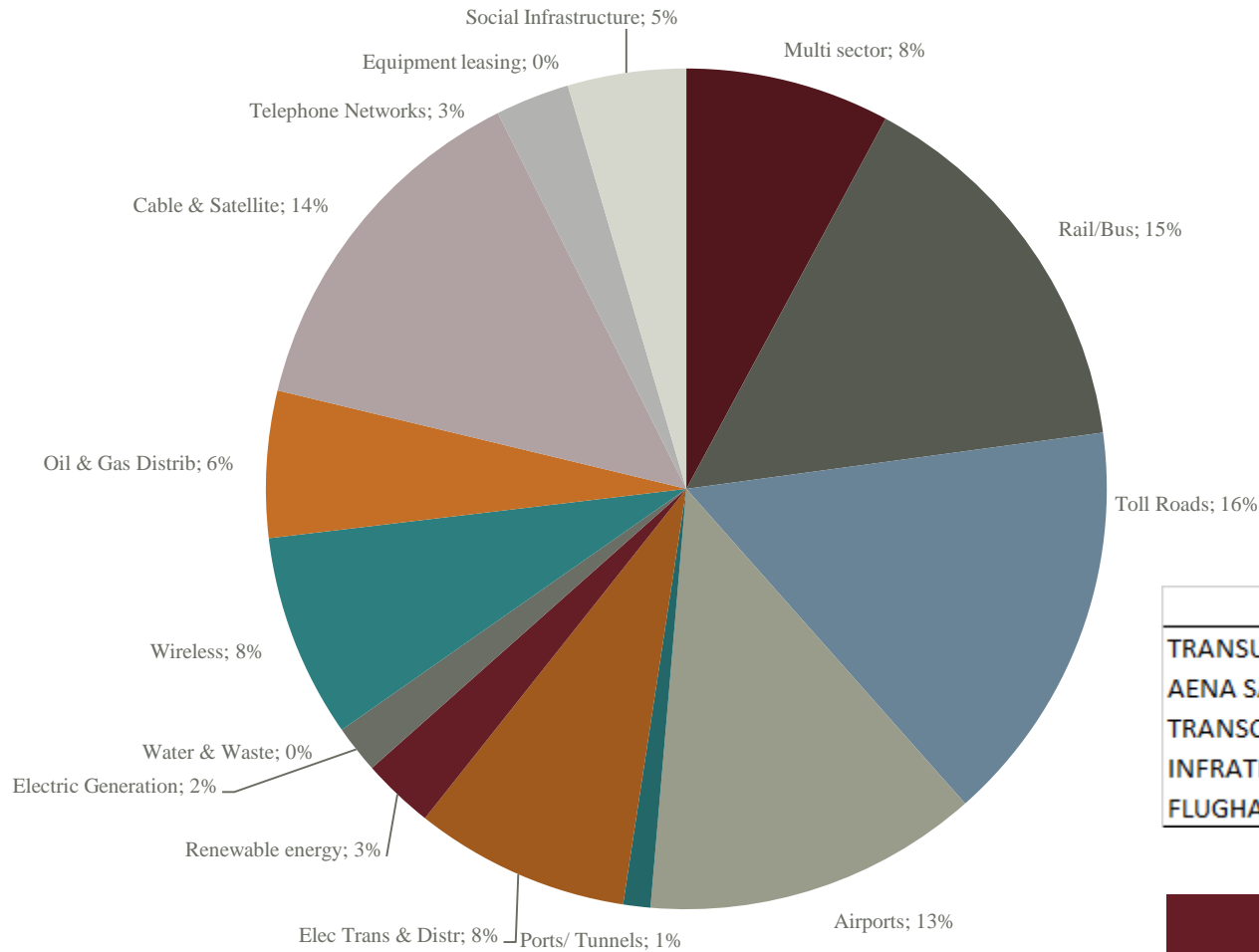


Geographical exposure of underlying businesses





CURRENT PORTFOLIO CHARACTERISTICS



Top 5 Positions

TRANSURBAN GROUP	Australia
AENA SA	Spain
TRANSCANADA CORP	Canada
INFRATIL LTD	New Zealand
FLUGHAFEN ZUERICH AG	Switzerland



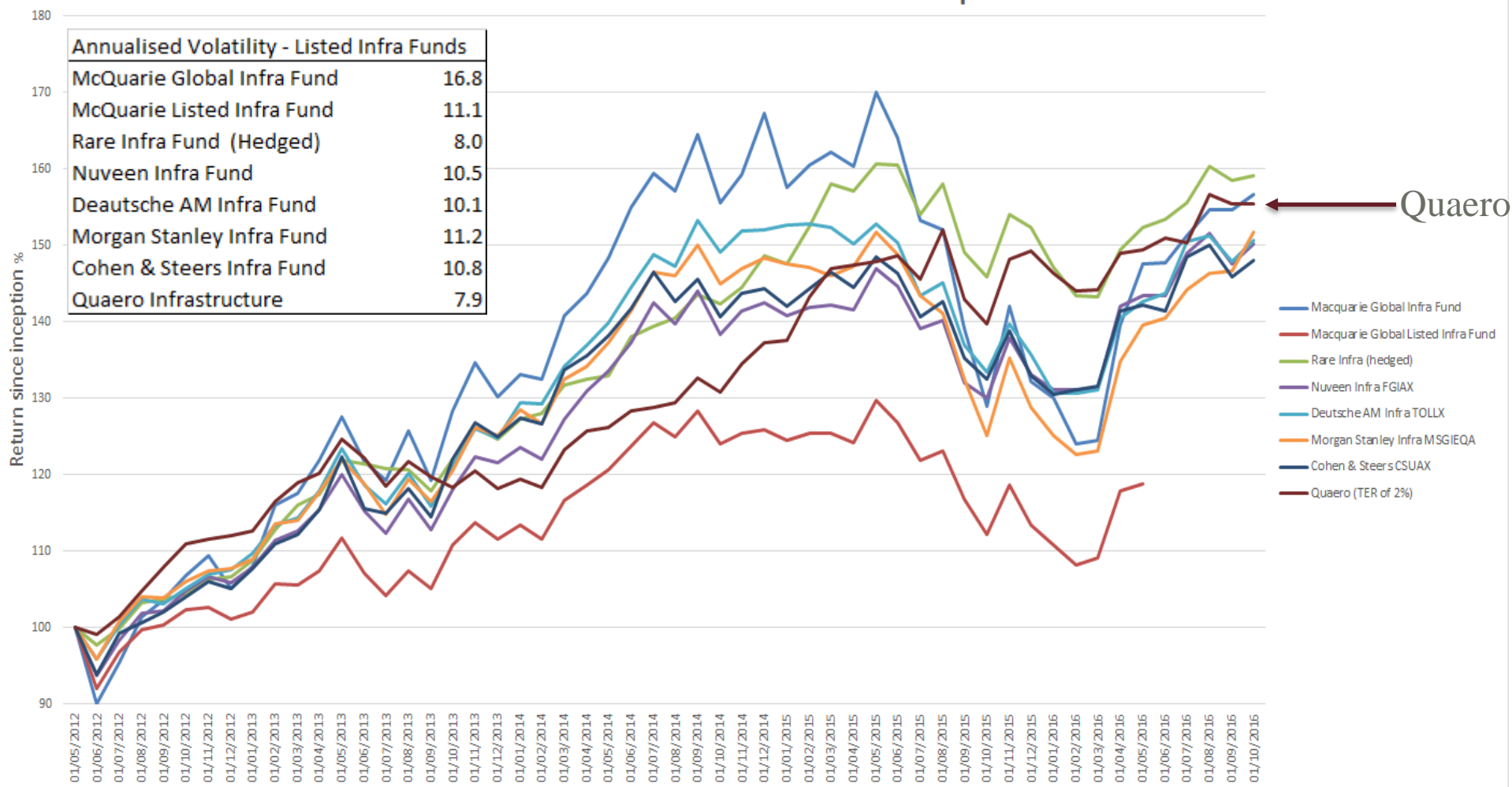
QUAERO LISTED INFRASTRUCTURE PROFORMA PERFORMANCE COMPARISONS





INFRASTRUCTURE SECURITIES FUNDS COMPARED

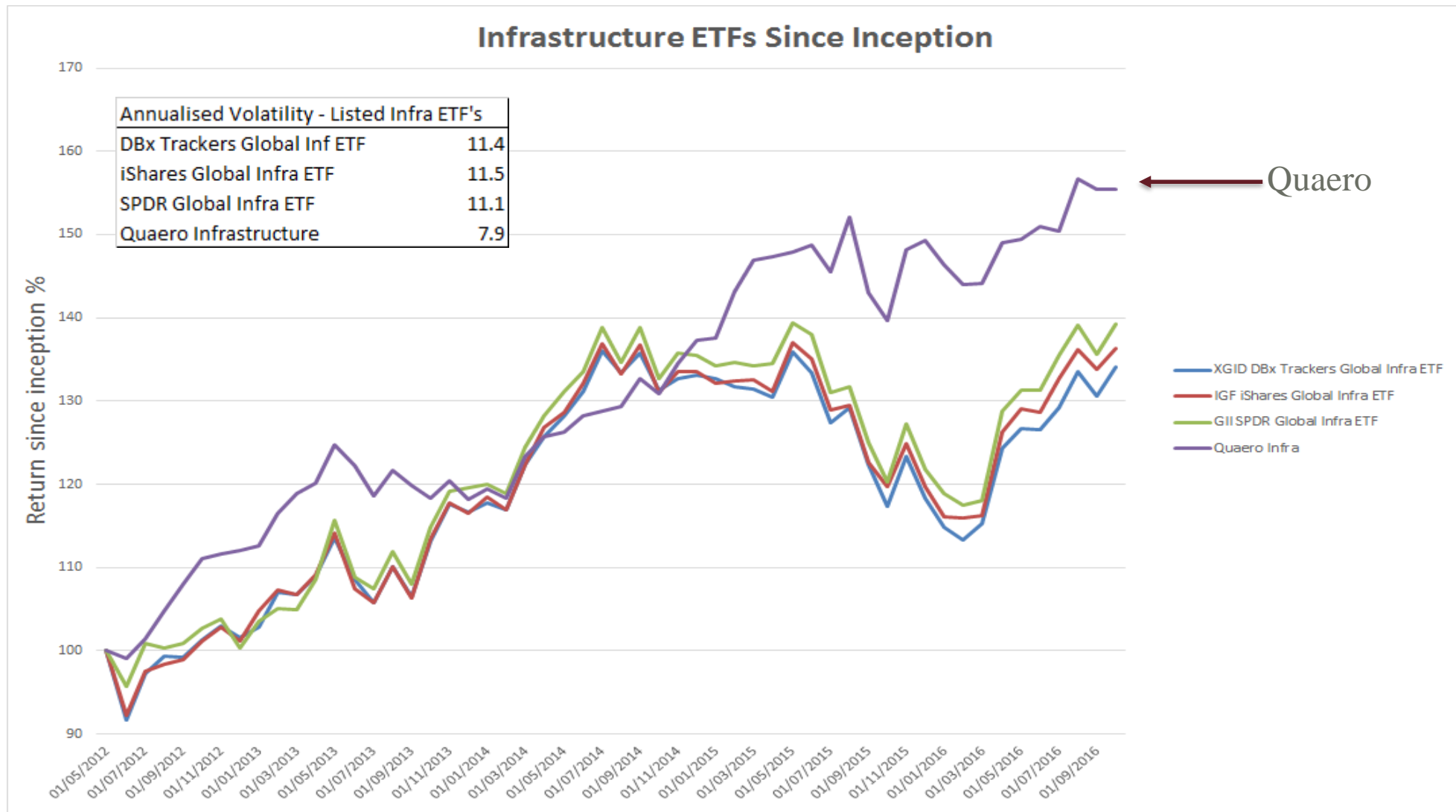
Infrastructure Securities Funds Since Inception



Source, Bloomberg except Quaero, which is based on actual performance of the infrastructure allocation of the Real Assets Fund since inception, with a TER of 2% deducted.



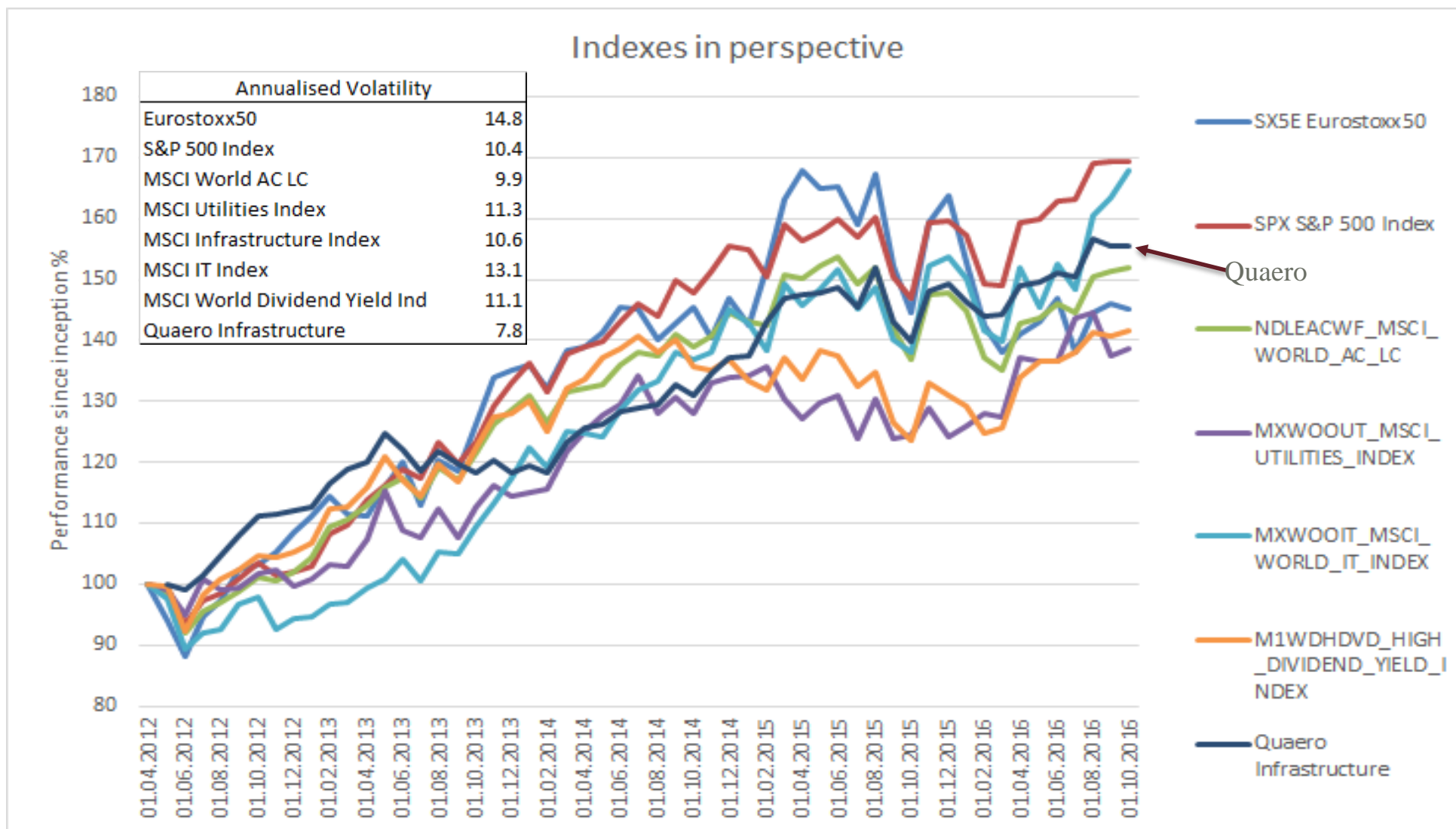
INFRASTRUCTURE ETF'S COMPARED



Source, Bloomberg except Quaero, which is based on actual performance of the infrastructure allocation of the Real Assets Fund since inception, with a TER of 2% deducted.



INDEXES IN PERSPECTIVE



Source, Bloomberg except Quaero, which is based on actual performance of the infrastructure allocation of the Real Assets Fund since inception, with a TER of 2% deducted.



PROFORMA PERFORMANCE METRICS SINCE INCEPTION

Performance statistic	Quaero Infra with fees	MXWO AC LC Net
Cumulative return	56.99%	53.04%
Annualised return	10.54%	9.92%
Tracking error	6.80%	
Volatility	8.03%	10.07%
Sharpe ratio	1.30	0.97
Sortino ratio	2.71	1.74
Beta	0.59	
Annualized Alpha	4.53%	
Number of Bears	18	
Number of Bulls	36	
Beta in Bull Markets	0.55	
Beta in Bear markets	0.60	
Annualised return in bull market periods	23.91%	32.93%
Annualised return in bear market periods	-12.02%	-24.84%
Max drawdown	-8.11%	
Number of periods to recovery	2	
Max period drawdown	-5.95%	

QUAEROCAPITAL

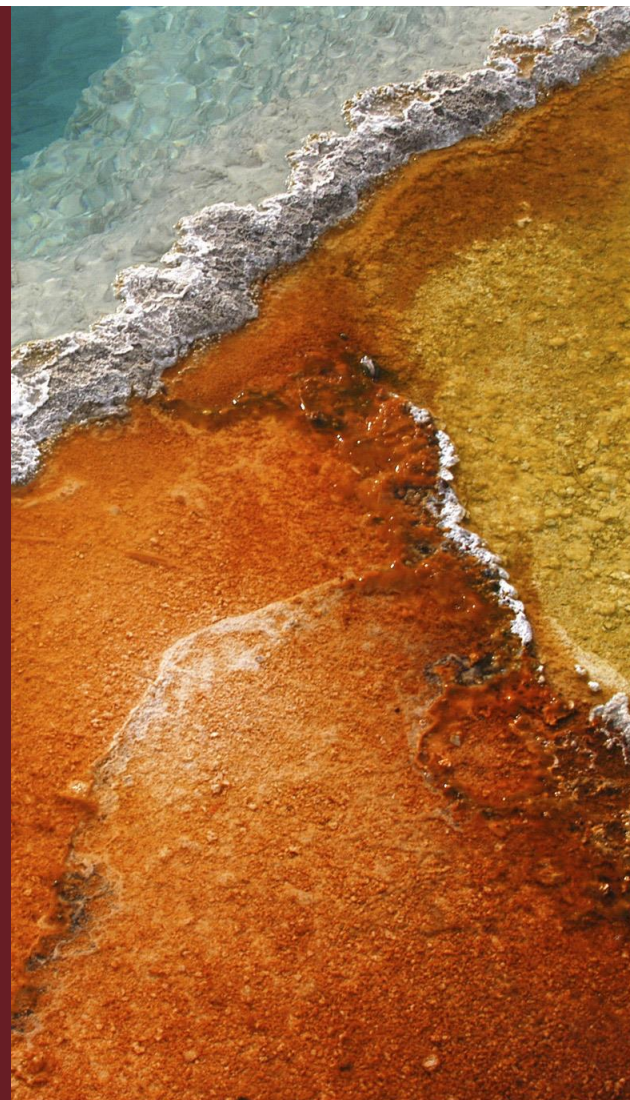


Source: christianengel.de

Eurotunnel Entrance



MANAGERS' BIOGRAPHIES





BIOGRAPHICAL DETAILS: MARK EBERT

Mark began his career with Price Waterhouse in Chicago and London. He then joined Citicorp Investment Bank – London the in Corporate Finance / M&A Department responsible for transatlantic M&A advisory. He joined UBS in London as Head of European M&A, becoming Senior Managing Director - Global Co-ordinator of M&A, based in Zurich. He became co-head of Panmure Gordon in London, an Institutional Broker and Corporate Finance Adviser focussed on UK & European high growth sectors

He then pursued his career as a Member of the Executive Committee and Head of Lombard Odier's Investment Banking Division in Geneva. He was responsible for the bank's Private Equity activities as well as Securities Trading, Equity Brokerage, and M&A. He then founded Quadrum Partners in Zurich, providing corporate finance advisory services to European Institutional Investment Managers

He then joined the Fortune Group, London, as Chairman. Fortune advised institutional investors on hedge fund strategies and ran several Hedge Funds of Funds. After Close Brothers acquired Fortune, he became a Managing Director and was responsible for developing Close's Real Asset investment strategy, before joining Quaero.

Mark has been running the Argos Real Assets Fund since March, 2012.

Mark's qualifications include a BSc in Accounting and Finance, a Graduate Diploma in Agriculture and he is a Certified Public Accountant.





BIOGRAPHICAL DETAILS: CRISTOFER GELLI

Cristofer Gelli co-founded QUAERO Capital in 2005 as Chairman, Partner and Fund Manager

Cristofer launched Argos Investment Fund in 2002 and QUAERO Capital (formerly Argos Investment Managers) in 2005 and has been Chairman of the company since its inception. He is also Chairman and co-founder of the Geneva-based wealth management company Gadd & Cie S.A.

Cristofer joined the Banque Scandinave Switzerland, in Geneva, in 1980, progressing to Vice President before leaving them in 1989 to found Gadd & Cie.

He is or has been a member of several boards of directors including the Groupement Suisse des Conseils en Gestion Indépendants (Swiss Association of Independent Financial Advisors), COPRE, an independent pension fund, and various other financial services companies and investment funds.

Cristofer graduated in 1980 from the University of Lausanne (HEC) with a degree in Economics.

