Pinnacle BNY Mellon Global Infrastructure Yield Fund

January 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

	Fund[1]	Benchmark[2]	Excess
1 month (%)	3.32	4.95	-1.63
3 months (%)	0.79	4.15	-3.36
Inception (%)[3]	-0.50	1.03	-1.53

[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

Portfolio 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, 90% of the strategy's exposure is in holdings in the top three dividend quintiles. The Real Estate sector was the best relative performer, while the Communication Services, Energy, Industrials and Utilities sectors detracted from relative performance.

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. The aforementioned UK water opportunities, as well as continued value within other European utilities have us very enthusiastic around the attractiveness of this sector.

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Investment Environment

Equity markets reversed course in the first month of 2019, buoyed by positive sentiment from trade talks between the US and China, a pause in the rate cycle and as the US government reopened after a partial shutdown. Among major benchmarks, the MSCI Emerging Markets Index led performers, up 8.8%, while the Standard & Poor's 500 Index posted a gain of 8.0%. Finally, the MSCI EAFE Index, a measure of non-US developed markets, returned 6.6%.

In the US, the Federal Reserve (Fed) held interest rates steady at their January meeting. Fed Chair Jerome Powell reiterated a cautious stance and called for "patience" amid low inflation. The number of new jobs added in the US beat expectations at 304,000 and unemployment rose slightly to 4.0%, while consumer confidence fell more than expected for the third consecutive month. Meanwhile, the US dollar slid against a backdrop of muted inflation and a more cautious Fed.

In the UK, Prime Minister Theresa May's most recent withdrawal proposal was resoundingly defeated. December inflation in the country fell to the lowest level in two years at 2.1% amid last month's plummeting oil prices. Meanwhile, European Central Bank (ECB) President Mario Draghi stood firm that there was no need for additional stimulus despite weaker global growth. Elsewhere, the Bank of Japan revised down inflation expectations once again.

Emerging markets rebounded, buoyed by a pause in the global rate cycle, a weaker US dollar and rising oil prices. China's official manufacturing PMI continued to disappoint at 49.5 in January; however, trade talks with the US helped buoy optimism. In Venezuela, a presidential crisis has major global powers divided, inciting the US to implement sanctions. Elsewhere, Mexico's economic outlook declined, pressured by the market-unfriendly policies of President Andrés Manuel López Obrador. Finally, oil prices surged, reversing course due to OPEC production cuts as well as US sanctions on Venezuela.

Positioning Changes

Key Buys

- Orange SA: We initiated a position as the company has been seeing notable top-line trends in Spain as well as stabilization in France despite heavy competition.

- ONEOK, Inc.: The company appears well-positioned to benefit from increased demand for natural gas liquids and natural gas. Additionally, we believe the stock has an attractive and growing dividend as well as opportunities for cash flow growth.

- Actividades de Construccion y Servicios SA: We believe a position in this global contractor and industrial service company is an attractive play on global infrastructure buildout. Additionally, the company has solid margins and a sizable dividend. Following its transformative deal with Abertis, the company has a much more stable mix of concession-based businesses, which we do not believe is being reflected in valuations.

Key Sells

- Bezeq The Israel Telecommunication Corp. Ltd.: We sold our position in Bezeq the Israel Telecommunication Corp due to concerns regarding dividend risk. We reallocated the capital to better potential risk/reward opportunities.

- SSE plc: We sold our position after the release of UK regulator metrics that were below expectations. Our UK utility holdings had held up very well on a market relative basis through a very volatile fourth quarter in equity markets, even as political risks were raised. As such, we used this as an opportunity to reduce our overall UK exposure in the fund.

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Sector Review

Real Estate: Our out-of-benchmark allocation to the Real Estate sector contributed positively to relative returns during the month. A position in Omega Healthcare Investors, Inc. rose double-digits as the company announced its acquisition of MedEquities Realty Trust, which we believe will be accretive over the long term. We continue to see upside in the name as it benefits from stabilizing trends and reduced tenant issues. Shares of Medical Properties Trust, Inc. continued to outperform as it saw improving tenant concentration with solid growth opportunities from its deal pipeline.

Utilities: Our overweight allocation to the Utilities sector detracted from relative performance this month. An investment in Clearway Energy, Inc. was the biggest detractor during the month as the market has been worried about the risks associated with its contracts with Pacific Gas and Electric Company (PG&E). A position in Edison International underperformed as investors remain concerned about future wildfire risk. In addition, shares of Dominion Energy traded slightly lower after a disappointing growth rate guidance update due to Atlantic Coast Pipeline (ACP) headwinds. Positively, shares of UK water utilities Pennon Group plc and Severn Trent Plc were rewarded by investors following positive Business Plan Assessment results from the UK's water regulator.

Industrials: Relative underperformance in Industrials stemmed from challenging stock selection. Shares of Beijing Capital International Airport sold off on concerns about weaker traffic following the release of the CAAC's airspace allocation plan. Our position in Royal Mail plc underperformed as investors have been disappointed with the company's FY2019 guidance as the letter segment is under pressure and parcels face heavy competition. Additionally, investors have been concerned about management's ability to manage the labor situation. Similarly, our position in bpost modestly detracted after reporting a third-quarter miss as rising costs have weighed on results.

Energy: Challenging security selection weighed on sector performance in January. Our positions in Targa Resources Corp., Inter Pipeline Ltd., and Ship Finance International Limited started to recover on improving oil prices. Our largest detractor was ONEOK, Inc. We initiated a position in the company during the month, however the timing of our purchase weighed on relative returns. We believe the company will benefit from increased natural gas liquids and natural gas demand.

Communication Services: Shares of Bezeq the Israel Telecommunication Corp. Ltd. sold off on investor fears regarding dividend risk. We sold our position during the month and reallocated the capital to better potential risk/reward opportunities. After robust 2018 performance, shares of Verizon Communications Inc. gave back some of its previous gains. The company reported a slight miss to fourth-quarter earnings, though subscriber growth was strong. We remain bullish on the stock as the company has been seeing notable wireless trends and management reiterated full-year guidance for revenues and earnings.

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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