

Pinnacle BNY Mellon Global Infrastructure Yield Fund

April 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 April 2019

	Fund ¹	Benchmark ²	Excess
1 month (%)	0.73	2.10	-1.37
3 months (%)	6.51	9.76	-3.25
6 months (%)	7.34	14.31	-6.97
Inception (%) ³	5.97	10.88	-4.91

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, 89% of the strategy's exposure is in holdings in the top three dividend quintiles. The Industrials sector contributed positively to relative returns, while the Real Estate, Communication Services and Energy sectors detracted.

Outlook

From a sector perspective, we began to close our underweight to transportation infrastructure at the start of the year, and we continue to fund opportunities in that sector. Proceeds from the Utility sector have funded the shift as we have decreased our Utilities weighting following six months of very notable performance. While our overall exposure to the Energy space remains consistent, our recent trading activity has increased to reflect some wide divergence in year-to-date stock performance.

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Investment Environment

Equity markets posted gains during April. Among major benchmarks, the Standard & Poor's 500 Index led performance, up 4.05%. The MSCI EAFE Index, a measure of non-US developed markets, returned 2.81%, while the MSCI Emerging Markets Index posted a gain of 2.12%.

At the end of the month, the Federal Reserve (Fed) began a two-day policy meeting, where they were expected to hold rates steady in the face of slowing global growth. Inflation in the US missed the Fed's 2% goal, but first-quarter GDP was better-than-expected at 3.2%. Consumer confidence ticked up to 129.2 in April. Meanwhile, the US dollar moved slightly higher versus a basket of major currencies.

In the UK, inflation held steady in March at 1.9%. Record low unemployment at 3.9% also helped to buoy sentiment ahead of a possible Brexit outcome. Eurozone annual inflation reported during the period disappointed at 1.4%, missing the European Central Bank's (ECB's) 2.0% target. Despite the miss and lower global growth, consensus expectations are for steady policy from the ECB when they meet in June. Meanwhile, after the Bank of Japan's (BOJ's) April policy meeting, it pledged to keep interest rates extremely low until at least March of 2022.

Emerging markets continued to regain momentum against a backdrop of continued easy policy and higher oil prices. Although expansionary, China's official manufacturing PMI fell in April to 50.1, missing expectation after an impressive rebound in March. In Argentina, the peso fell in sympathy with market sentiment as headlines revealed lagging approval for incumbent President Mauricio Macri ahead of the October election. Finally, oil prices rose following the threat of US sanctions on Iran and continued unrest in Venezuela.

Sector Review

Industrials: Relative performance was driven by solid stock selection. Shares of Atlantia SpA continued to rise following pre-announced first-quarter traffic growth. An investment in Actividades de Construcción y Servicios SA (ACS) traded higher on reports it is considering a spinoff of its renewable energy unit. Shares of Vinci SA outperformed on the heels of notable quarterly results, including a revenue beat and better-than-expected toll road traffic. Additionally, our position in bpost continued to climb on positive fiscal year 2019 results with robust revenue growth and improvement in the North American Radial business.

Utilities: The sector had a neutral impact on portfolio results. A position in Endesa SA underperformed leading up to first-quarter results as investors expected softer power prices to weigh on earnings. Similarly, shares of PPL Corporation declined ahead of its quarterly results as concerns regarding the impact of RIIO-2 has been an overhang for the stock. Conversely, positions in Clearway Energy, Inc., Severn Trent plc, and Southern Company all performed well during the period.

Energy: In Energy, challenging stock selection pressured relative performance. Our overweight positions in Inter Pipeline Ltd. and Targa Resources Corp. declined on a lower commodity price outlook. Shares of Enagas SA fell a little over 2% despite in line quarterly results and 2019 guidance. Conversely, shares of Ship Finance International Limited outperformed on an improved industry outlook.

Communication Services: Our overweight exposure to Communication Services weighed on portfolio returns. Shares of Orange SA underperformed despite reporting in line quarterly results as investors focused on weaker trends in France due to heightened competition. A position in Verizon Communications Inc. traded lower as investors overlooked solid results and focused on a modest subscriber miss and some concerns around the Sprint/T-Mobile deal not closing.

Real Estate: Our overweight allocation pressured relative returns. Despite no change to fundamentals, shares of Omega Healthcare Investors, Inc. and Medical Properties Trust, Inc. underperformed. Positively, our investment in GEO Group Inc started to recover following solid quarterly results.

Positioning Changes

No new positions were initiated or eliminated 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](tel:1300010311) or email
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