



Fund Review

Maple-Brown Abbott Global Listed Infrastructure Fund

ISSUE DATE 16-03-2017

About this Review

ASSET CLASS REVIEWED	PROPERTY AND INFRASTRUCTURE
SECTOR REVIEWED	GLOBAL LISTED INFRASTRUCTURE
TOTAL FUNDS RATED	6

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	MAPLE-BROWN ABBOTT GLOBAL LISTED INFRASTRUCTURE FUND
APIR CODE	MPL0006AU
PDS OBJECTIVE	TO OUTPERFORM THE BENCHMARK (OECD INFLATION + 5.5% P.A.) AFTER-FEES OVER ROLLING 5 YEAR PERIODS.
INTERNAL OBJECTIVE	NO SPECIFIED OUTPERFORMANCE TARGET.
STATED RISK OBJECTIVE	NO STATED RISK OBJECTIVE.
DISTRIBUTION FREQUENCY	QUARTERLY
FUND SIZE	\$483M (JAN 2017)
FUND INCEPTION	18-12-2012
MANAGEMENT FEE	0.98%
PERFORMANCE FEE	NIL
RESPONSIBLE ENTITY	MAPLE-BROWN ABBOTT LIMITED

About the Fund Manager

FUND MANAGER	MAPLE-BROWN ABBOTT GLOBAL LISTED INFRASTRUCTURE PTY LTD
OWNERSHIP	MAPLE-BROWN ABBOTT (51%) / INVESTMENT STAFF (49%)
ASSETS MANAGED IN THIS SECTOR	\$2.3B (JAN 2017)
YEARS MANAGING THIS ASSET CLASS	4

Investment Team

PORTFOLIO MANAGER	ANDREW MAPLE-BROWN, JUSTIN LANNEN, STEVEN KEMPLER, LACHLAN PIKE (MACRO)
INVESTMENT TEAM SIZE	4
INVESTMENT TEAM TURNOVER	NONE
STRUCTURE / LOCATION	MULTIPLE PM'S / SYDNEY

Investment process

STYLE	QUALITY AND VALUE
MARKET CAPITALISATION BIAS	ALL-CAP (TYPICALLY MID-TO-LARGE)
BENCHMARK	OECD INFLATION + 5.5%
REFERENCE INDEX (FOR PERFORMANCE REPORTING)	FTSE GLOBAL CORE INFRASTRUCTURE 50/50 INDEX
TYPICAL STOCK NUMBERS	25-35
STOCK LIMITS	10% (HARD)
SECTOR / INDUSTRY LIMITS	NONE
COUNTRY / REGION LIMITS	US 65%, OTHER DEVELOPED MARKETS 30%
EMERGING MARKET LIMIT	15%
CURRENCY APPROACH	UNHEDGED

Fund rating history

MARCH 2017	HIGHLY RECOMMENDED
MAY 2016	RECOMMENDED
JUNE 2015	RECOMMENDED

What this Rating means

The 'Highly Recommended' rating indicates that Lonsec has very strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered a preferred entry point to this asset class or strategy.

Strengths

- The infrastructure experience and leadership of Head of Infrastructure, Andrew Maple-Brown as well as the team's shared working history.
- The Manager has a strong investment philosophy based around a relatively conservative definition of 'core' infrastructure.
- The Manager's investment process is considered well structured with clear links between research and portfolio construction.
- Notwithstanding recent growth, the Manager remains attractively positioned in terms of capacity relative to some peers.

Weaknesses

- The responsible investment team is smaller than some peers and has no on-the-ground presence outside Australia.
- Lonsec believes accountability within the investment committee structure is less clear than some peers.

Fund Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK		●	
CAPITAL VOLATILITY			●
CURRENCY RISK			●
SECURITY CONCENTRATION RISK			●
LIQUIDITY RISK	●		

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with AFSA/FSC guidelines.

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG AWARENESS			●

We strongly recommend that potential investors read the product disclosure statement or investment statement. Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL No. 421445. This information must be read in conjunction with the warning, disclaimer and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: MARK STEPHAN | APPROVED BY: SIMONE GAVIN

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Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS		●	
FEES VS. SUB-SECTOR		●	

Fee BIometrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The Manager’s investment philosophy is to focus only on those stocks it believes have the strongest ‘core’ infrastructure characteristics in terms of inflation protection and low cashflow volatility to equity. Within this narrow investable universe it constructs a concentrated portfolio of securities that are assessed as having strong quality characteristics and trading below their intrinsic value. Lonsec would characterise this investment style as predominantly based on ‘quality’ then ‘value’ with some mild contrarianism from time to time.
- Maple-Brown Abbott Global Listed Infrastructure Fund (‘the Fund’) uses a ‘bottom-up’, valuation-based approach to stock selection and portfolio construction. Explicit awareness is also given to macro considerations throughout the investment process, particularly, those factors believed to have the greatest impact on infrastructure asset valuations.
- Lonsec believes the Fund’s approach is differentiated from some Lonsec peers by the conservatism in its definition of ‘core’ infrastructure, and the resulting narrowness of its investable universe. Specifically, the Manager favors companies with inflation-linked revenues and minimal competitive and commodity price risks.
- The investment objective of the Fund is to achieve a total return in excess of OECD inflation +5.5% p.a. (after-fees) over rolling 5 year periods. However, the Fund will also use the FTSE Global Core Infrastructure 50/50 Index as a reference index for performance reporting purposes. Tracking error is not a consideration in portfolio construction and investors should be aware returns may vary significantly from the reference index.
- The Fund is considered high conviction, concentrated and ‘benchmark agnostic’. There are hard limits on individual security, country, and regional weights which ensures some diversification, although there are no sector constraints.
- The Fund charges a base fee of 0.98% which is around the average base fee level of the Lonsec peer group. The Fund does not charge a performance fee.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Fund is a global listed infrastructure securities product and as such will generally sit within the growth component of a balanced portfolio. It is suitable for mid to high risk profile investors with a 5+ year investment time horizon.
- While the Fund will seek to invest in companies that deliver reliable long-term cash flows, the Fund is also

subject to equity market risk. This means movements (both positive and negative) in the share prices of the underlying securities in the portfolio will affect Fund returns. Investors should therefore be aware that the Fund may experience periods of negative returns and that there is a risk of potential capital loss being incurred on their investment.

- The Fund is unhedged which means investors will face foreign currency exposure. Fluctuations in foreign currency can have both a positive and negative impact on the investments of the Fund.
- As a benchmark-unaware style fund, positioning of the portfolio and therefore performance can vary greatly from that of the benchmark.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
	●	●	●	●	●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- The Manager has seen strong growth in assets under management (AUM) and is now managing approximately \$2.3b as at January 2017 versus \$535m to the same date last year.
- The Manager made two additions to the team since Lonsec’s last review albeit they will not be assigned any stock coverage responsibilities:
 - Andrew Duong was hired as a Senior Research Associate in January 2017.
 - Johna Boo was hired as a Research Associate in May 2016.
- Julian Jessop was replaced by Andrew Kenningham on the Macro Advisory Committee in January 2017.

Lonsec Opinion of this Fund

People and resources

- The Manager operates under the umbrella of Maple-Brown Abbott (MBA), which includes full access to MBA’s systems, middle and back office functions. MBA has a long and successful history as an asset manager in the Australian market, and Lonsec believes it provides strong support to the investment team. Recent growth in the firm’s AUM, in particular, the significant traction in this strategy has been highly encouraging from Lonsec’s perspective and moderated its concerns around business risk.
- Lonsec notes all board level decisions will effectively require agreement between MBA board members and the investment team. While Lonsec believes MBA and the investment team are broadly aligned in terms of business expectations, Lonsec would prefer to see the investment team with final control of ordinary resolutions.
- The investment team is led by Head of Global Listed Infrastructure, Andrew Maple-Brown. Lonsec has met with Maple-Brown on a number of occasions and believes he is a strong investment professional and well qualified to lead the team given his solid experience in unlisted and listed infrastructure.
- Maple-Brown is supported by a team of three (Justin Lannen, Steve Kempler and Lachlan Pike) who have

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demonstrated to be similarly capable and highly analytical investors with appropriate experience and qualifications. Lonsec notes positively that the investment team has had a prior working relationship for five years at Macquarie, their previous employer, which is considered important for cohesion. Notably, the team has also been highly stable since forming in 2012 which is viewed as crucial as the team continues to build its track record and gel as a unit.

- Maple-Brown, Lannen, and Kempler are all jointly responsible for portfolio management decisions. Notwithstanding the strategies solid albeit short track record and the fact that the team have experience using this approach at Macquarie, Lonsec generally believes it is best practice to have a single point of accountability for portfolio decision making.
- All investment professionals have stock research responsibilities which Lonsec believes is integral to the investment culture of the firm, and necessary given its relatively small size. Lonsec notes that there are no investment professionals based offshore as with some other teams. That said, Lonsec believes the level of resources are sufficient given the firm's investment approach, which has a relatively narrow investible universe subject to in-depth research. Notably since Lonsec's last review, the Manager has sought to bolster the team with the addition of two Research Associates who will be primarily responsible for data support, maintaining models and undertaking bespoke research tasks to support the portfolio managers. Lonsec views this as an encouraging development and believes it will provide the team with more time to focus on value-adding investment functions.
- The Manager also utilises two external consultants, who form the Manager's Macro Advisory Committee responsible for reviewing the consistency of macro-economic assumptions used and the portfolio's risks. Pike, as Chairman, is responsible for managing this initiative as well as holding some less extensive stock coverage duties. Lonsec believes he has a suitable background to take on this role. The external consultants are Gerrard Minack of Minack Advisors, and Andrew Kenningham of Capital Economics. Lonsec believes these consultants to be well qualified to provide this input and notes they are well regarded industry professionals.
- Lonsec considers alignment of interests with investors to be high. Notably, all key members of the team are tied in by way of equity in the business and pleasingly invest heavily alongside unit-holders.
- Lonsec views 'key-man risk' in Maple-Brown as being high, and the current rating is contingent on his continued involvement. That said, Lonsec believes his equity ownership, and the fact that his family's name is connected with the business significantly mitigates this risk.

Research and portfolio construction

- Lonsec believes the style of investing adopted by the Manager is weighted towards quality, however, while there is some tolerance to holding higher quality stocks at or above assessed fair value, under-valuation is an important element in stock selection. Based on the Fund's relatively brief history, Lonsec also observes the Manager may be inclined to display some contrarianism at times where the risk-reward is highly attractive.
- Lonsec believes the Manager's investment approach is both highly intuitive and effective at targeting those securities with relatively 'pure' core infrastructure characteristics, which in this case means having the strongest inflation protection and lowest cashflow volatility to equity.
- The heart of the Manager's approach is to determine a 'focus list' assisted by screens for liquidity and various infrastructure defining characteristics, which forms an investible universe of around 110 securities assessed as having the strongest inflation protection and lowest cashflow volatility to equity. Lonsec notes this investible universe is narrower than many managers in the Lonsec peer group, and excludes sectors such as 'above-ground' rail, ports, and integrated utilities. Broadly, the focus list eliminates businesses with highly cyclical demand risk or competitive, market based pricing. For example, no more than 20% of a company's estimated value should be affected by commodity and competitive forces, though this limit varies by company. This conservatism is highly regarded by Lonsec and is considered to promote only those stocks with the most 'pure' characteristics of infrastructure, however investors should be aware it may also lead to the Manager foregoing return opportunities that may exist in these sectors at different points in the market cycle.
- The fundamental stock research process is well structured, including clear analyst sector responsibilities, standardised valuation models, consistent assumptions around risk-free and equity discount rates based on dedicated macro-economic analysis, a clear focus on quality factors (management, cashflow volatility and inflation protection) and a requirement that stocks are approved via internal peer review to be eligible for inclusion in the portfolio.
- Stocks that pass the Manager's peer review process form the 'Approved Stock List', which are ranked based on the analysts scoring of quality / confidence (inflation protection, cashflow volatility, and management) and valuation upside. This ranking is broadly the basis for stock selection decisions by the portfolio management team. This clear framework guides the team in deciding stock weights in the portfolio construction process, which Lonsec believes ensures the portfolio represents the Manager's best investment ideas, while taking into account risk management.
- Whilst not a 'top-down' manager, macro-related issues form an important part of the process. Lonsec notes the Manager's Macro Advisory Committee forms the basis of the Fund's top-down views and assists in managing various risks through a comprehensive review of macroeconomic inputs

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and assumptions e.g. interest rates and oil prices. Lonsec believes this rigorous perspective is valuable given the sizable positions taken and the potential commodity price sensitivity particularly with respect to the energy pipelines allocation.

- Lonsec also notes the Manager's assessment of Environmental, Social and Governance (ESG) factors forms part of a company's 'quality' score and the team has a dedicated in-house ESG specialist for this purpose. Lonsec views this positively in terms of assessing the quality of a management team from a variety of perspectives.

Risk management

- Portfolio construction decisions are made without reference to an infrastructure benchmark, and the resulting portfolio is relatively concentrated. Investors should note that returns may vary significantly from the Fund's reference index.
- Risk management is embedded in the Manager's stock selection process on many levels, including the conservative approach in defining 'core' infrastructure, and the focus on quality factors such as cashflow volatility and management quality within the approach. Lonsec believes this focus is consistent with the Fund's investment objectives.
- The Manager does not use formal risk management systems, however the Fund's country, sector and currency exposures are monitored relative to the output of the Macro Advisory Committee. In Lonsec's view this should assist in mitigating exposures to unintended risks. Lonsec notes positively there are hard stock and country limits, although no formal sector limits.

Assets Under Management (AUM)

- Over the year, the Manager has grown its AUM significantly and as at January 2017 managed approximately \$2.3 billion in the strategy. In Lonsec's view, the Manager remains nimble and is at an advantage relative to larger peers in a capacity context. That said, Lonsec believes the Fund may be likely to encounter capacity issues sooner than some peers, owing to the Manager's narrower infrastructure definition and therefore smaller investment universe. The Manager has set a current capacity limit for this strategy of approximately US \$4.5 – \$5 billion. While Lonsec believes this is one of the more conservative capacity limits in the peer group, it will seek to monitor the Fund's commitment to its stated limit going forward.
- There are positives and negatives to low or high levels of AUM, however on balance (and all other factors being equal) Lonsec believes managers with smaller AUM are better placed to add value. Larger fund managers typically have better access to key decision makers (CEOs etc), may gain better execution pricing and preferential access to IPOs. The infrastructure surrounding large managers is also extensive as compared to smaller 'boutique' operations. However, managing a smaller pool of funds means that the Manager is less likely to confront liquidity issues and is likely to be more nimble in the market (as it takes a shorter time for a position to be established or sold down).

Performance

- Lonsec has chosen to assess the Fund against the Manager's reference index; the FTSE Global Core Infrastructure 50/50 NR Index (A\$). Lonsec does note, however, the Fund uses the OECD Total Inflation Index Plus 5.5% p.a as its actual benchmark in its investment objective.
- Lonsec also notes the Fund has a comparatively shorter albeit highly encouraging performance track record spanning four-years.
- The Fund delivered strong absolute returns with relatively low volatility over one, two and three-year periods to February 2017 comfortably achieving its internal investment objective.
- Against the index, performance has also been strong with the Fund outperforming over one, two and three-year periods to February 2017 by 1.70%, 3.11% p.a. and 2.94% p.a. respectively (after fees).
- Contributors to performance over the year were positions in Enbridge Energy Management, SJW Corp and Transmissora Al. de Energia Elet while detractors included Groupe Eurotunnel, Fraport and TransCanada.
- From a geographic perspective, the Fund added the most value over the year in the US, Australia and Japan. While at the sector level, the Fund added most of its value in Utilities and Oil & Gas Pipelines. Lonsec has been pleased to observe the significant variety in sources of attribution over the year.
- Volatility, as measured by standard deviation, has been similar to peers over most time periods. Importantly, the Fund's 'Sharpe-Ratio', a measure of risk-adjusted returns, was higher than Lonsec's peer median over all time periods.
- The Fund's 'Outperformance Consistency' was also reasonably high, particularly in 'down' markets (>60%), reflecting desired defensive traits of traditional infrastructure investing.

Overall

- Lonsec has upgraded the Fund to a '**Highly Recommended**' rating post its recent review. This rating reflects Lonsec's conviction in the team's analytical prowess and the well structured investment process which is believed to produce clear links between research and portfolio construction. Lonsec also notes the Fund has a strong investment philosophy based around a conservative definition of core infrastructure and remains attractively positioned in terms of capacity. Finally, while the track record is shorter than some peers, Lonsec notes it has been highly encouraging to date and has reflected desired traits expected of traditional infrastructure investing.

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People and Resources

Corporate overview

Maple-Brown Abbott Global Listed Infrastructure is a relatively new firm which is 51% owned by Maple-Brown Abbott (MBA), and 49% owned by investment staff. Maple-Brown Abbott is an independent, privately held asset management firm established in 1984. The firm had around \$12.5 billion in assets under management as at January 2017, with a total of 53 staff, including 23 investment professionals.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
ANDREW MAPLE-BROWN	HEAD OF GLOBAL LISTED INFRASTRUCTURE, PORTFOLIO MANAGER AND INVESTMENT ANALYST	20 / 5
JUSTIN LANNEN	PORTFOLIO MANAGER AND INVESTMENT ANALYST	20 / 5
STEVEN KEMPLER	PORTFOLIO MANAGER AND INVESTMENT ANALYST	10 / 5
LACHLAN PIKE	PORTFOLIO MANAGER (MACRO ANALYSIS) AND INVESTMENT ANALYST	12 / 5

Team Structure

The investment team operates in a combined analyst / portfolio manager model with the entire team centrally based in Sydney. Unlike most smaller teams, the research responsibilities by sector / region are organised with a high level of specialisation reflecting the skill and experience of each investment professional. Specific research coverage is outlined below:

- **Andrew Maple-Brown** (35 stocks) – US regulated assets, LATAM toll roads
- **Justin Lannen** (24 stocks) – Australia and EU regulated assets and toll roads
- **Steven Kempler** (34 stocks) – Airports and communications infrastructure, EM
- **Lachlan Pike** (20 stocks) – Pipelines, Japan

Andrew Maple-Brown started his career in infrastructure focused on the debt financing of direct infrastructure and property assets at Lend Lease and Macquarie Group. He then spent five years in the portfolio management team for global listed infrastructure for Macquarie in New York and Sydney.

Justin Lannen previously had 10 years of infrastructure experience at Colonial First State in analyst then portfolio management roles. Before joining MBAGLI he spent five years in the Macquarie portfolio management team for global listed infrastructure securities in New York and Sydney.

Steven Kempler started his career at Rothschild in infrastructure debt advisory and debt & equity private placements. Prior to joining MBAGLI he was an analyst in the global listed infrastructure team at Macquarie for six years, including more recently as part of the emerging markets portfolio management team.

Lachlan Pike has 12 years investment experience in real assets, the majority of which in global listed infrastructure. He previously worked for Macquarie as head trader and analyst in New York and Sydney.

Remuneration

All members of the team are tied in to the business by way of equity with Maple-Brown holding the highest share. A large portion of the remuneration is dependent on investment performance. In addition, investment in the Fund by all team members, alongside unit-holders, further entrenches the strong alignment of interests.

Research Approach

Overview

RESEARCH PHILOSOPHY	FUNDAMENTAL, BOTTOM UP
TARGET COMPANY	DEMONSTRATES INFLATION LINKED REVENUES AND LOW CASHFLOW VOLATILITY TO EQUITY
MINIMUM MARKET CAPITALISATION	>US\$500M
NO. STOCKS IN MANAGER'S UNIVERSE	APPROXIMATELY 400
NO. STOCKS FULLY MODELED / RESEARCHED	APPROXIMATELY 110
RESEARCH INPUTS	COMPANY REPORTS, MANAGEMENT MEETINGS, EXTERNAL INDUSTRY PUBLICATIONS, MACRO ADVISORY COMMITTEE
BROKER RESEARCH	NO FORMAL ROLE IN PROCESS
VALUATION OVERVIEW	10-YEAR DIVIDEND DISCOUNT MODELS / CROSS-REFERENCED WITH VALUATION MULTIPLES

Universe filtering

There are around 400 stocks in the infrastructure universe that meet the Manager's initial market capitalisation and liquidity requirements. The Manager screens each security in this universe on two criteria:

- inflation protection
- low cashflow volatility to equity

From this screening process there are around 110 stocks that comprise the Manager's **focus list**. Securities on this list are subject to in-depth fundamental research.

Research Approach

To be eligible for inclusion in the portfolio, a security must be approved through a peer review process. Once approved, the security is listed on the Manager's Approved Stock List (representing the Manager's highest conviction ideas). Each stock on the Approved Stock List is ranked based on the following factors:

- Inflation score
- Volatility score
- Management and Corporate Governance score
- Assessed valuation upside

The Manager has a **Macro Advisory Committee** made up of Lachlan Pike (Chair), and two external consultants, Gerard Minack and Andrew Kenningham. The objective of macro analysis is to ensure the valuation models have consistent and timely assumptions, and to protect the portfolio from potential unintended country, currency or other macro-economic risks.

The committee advises on a range of factors impacting stock analysis and the review of portfolio risk:

- **Stock Analysis** – Individual CPI, GDP, currency, commodity, and risk free rates (short and long term). Sovereign risk premiums.

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- **Portfolio risk review** – Score country economic conditions, currency outlook and inflation outlook.

Valuation

Valuation models are built using a minimum 10-year Dividend Discount Model with a clear focus on the key assumptions. The Risk free rate is a mixture of the 10-year spot rate and MBA's long term forecast. Valuations are cross-checked using RAB models and various multiples e.g. EV/EBITDA.

Portfolio Construction

Overview

FUND BENCHMARK	OECD INFLATION INDEX + 5.5%
EMERGING MARKETS PERMITTED	YES
INTERNAL RETURN OBJECTIVE	OUTPERFORM OECD INFLATION INDEX + 5.5%
INTERNAL RISK OBJECTIVE	NOT TARGETED
PORTFOLIO MANAGEMENT APPROACH	BENCHMARK AGNOSTIC
INVESTMENT STYLE	QUALITY AND VALUE
PORTFOLIO DECISION MAKING	TEAM-BASED / CONSENSUS DRIVEN
STOCK SELECTION	BOTTOM UP
TOP-DOWN INFLUENCE	IMPORTANT
TYPICAL NUMBER OF HOLDINGS	25-35
MARKET CAPITALISATION BIAS	ALL CAP BUT TYPICALLY MID-TO-LARGE
EXPECTED PORTFOLIO TURNOVER	25-35% P.A.
OBSERVED ACTIVE SHARE	>75% (DEC 2016)
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	49% (DEC 2016)

Decision making

Portfolio decision making is based on consensus and requires 'buy-in' by all members of the team. The portfolio construction framework guides the approach to weighting individual securities and helps ensure the portfolio is weighted to the team's highest conviction stocks. Position sizes are expected to be broadly based on the Manager's 'Approved Stock List' ranking outcomes although can vary due to consideration to diversification, liquidity and overall conviction.

Portfolio weights are decided without any reference to an infrastructure benchmark. The top 10 stock positions typically attract a 4%+ (absolute) weight; the next 10 stock positions a 2-5% weight and subsequent positions a 1-3% weight.

Buy / Sell decisions

A company that has successfully navigated the research process and whose valuation is considered reasonable is eligible for investment. Stocks may be sold as they reach valuation targets, there has been a break in the underlying thesis or when there is deemed to be a more appropriate investment alternative.

Risk Management

Risk limits

SEPARATE INVESTMENT RISK MONITORING	YES - ALL RISK LIMITS MONITORED BY SEPARATE COMPLIANCE TEAM
STOCK LIMIT	10%
SECTOR / INDUSTRY LIMITS	NONE
COUNTRY / REGION LIMITS	USA 65%; OTHER DEVELOPED MARKETS 30%
EMERGING MARKETS LIMIT	15%
CASH LIMIT	20%

Risk monitoring

The Manager regularly conducts a risk review which monitors the following:

- **Country, Sector and Currency exposures** – compares portfolio to the Manager's neutral weights and input from Macro Advisory Committee
- **Inflation exposure** – includes scenario testing of the portfolio to changing inflation expectations, and considered relative to the Manager's inflation outlook.
- **Portfolio and cash limits** – ensuring the portfolio remains within its investment guidelines.

Risks

An investment in the Fund carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers major risks to be:

Equity market

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Currency risk

The Fund predominantly invests in assets that are denominated in non-A\$ currencies. A rise in the relative value of the A\$ vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective.

Emerging market risk

Emerging market companies generally have greater market risk (i.e. beta). Accordingly, investors should be mindful of the potential for sharper movements in market price of these investments.

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Quantitative Performance Analysis - annualised after-fee % returns (at 28-2-2017)

Performance metrics

	1 YR		2 YR		3 YR		5 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	9.61	6.10	8.00	1.53	14.44	8.43	-	-
STANDARD DEVIATION (% PA)	11.17	9.07	10.43	10.19	9.79	9.63	-	-
EXCESS RETURN (% PA)	1.70	-1.80	3.11	-0.42	2.94	-0.22	-	-
OUTPERFORMANCE RATIO (% PA)	58.33	50.00	54.17	45.83	55.56	47.22	-	-
WORST DRAWDOWN (%)	-4.95	-5.23	-4.95	-8.43	-4.95	-8.43	-	-
TIME TO RECOVERY (MTHS)	NR	NR	NR	NR	NR	NR	-	-
SHARPE RATIO	0.68	0.48	0.56	-0.06	1.24	0.64	-	-
INFORMATION RATIO	0.37	-0.49	0.76	-0.19	0.73	-0.11	-	-
TRACKING ERROR (% PA)	4.56	3.03	4.11	3.83	4.02	4.02	-	-

FUND: MAPLE-BROWN ABBOTT GLOBAL LISTED INFRASTRUCTURE FUND

LONSEC PEER GROUP: PROPERTY AND INFRASTRUCTURE - GLOBAL LISTED INFRASTRUCTURE

BENCHMARK USED: FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX AUD / UBS GLOBAL INFRASTRUCTURE & UTILITIES 50-50 NR INDEX AUD (PRIOR TO MAY 2015)

CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD

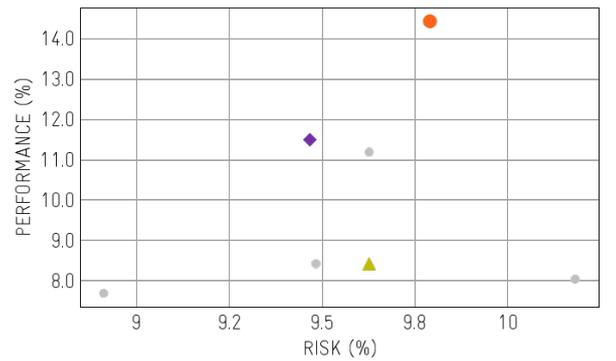
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of \$10,000 over three years



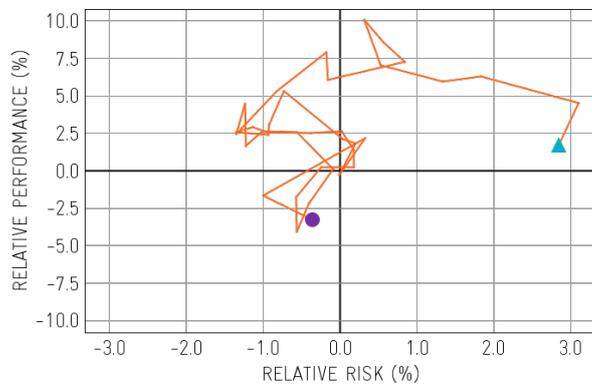
— MAPLE-BROWN ABBOTT GLOBAL LISTED INFRASTRUCTURE FUND
 FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX AUD / UBS

Risk-return chart over three years



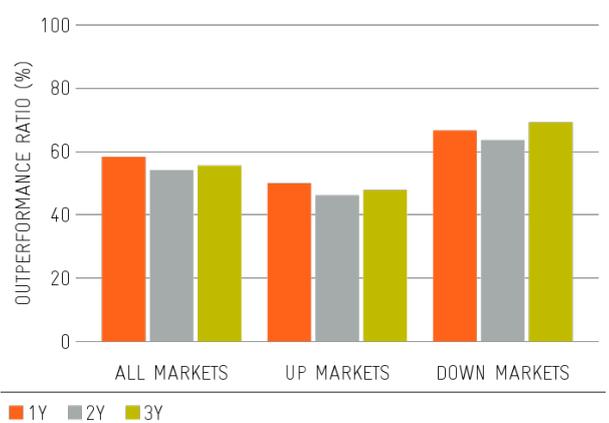
● MAPLE-BROWN ABBOTT GLOBAL LISTED INFRASTRUCTURE FUND
 ◆ FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX AUD / UBS G
 ▲ PEER MEDIAN
 ● PEERS

Snail trail



● START (02-2014) ▲ END (02-2017)

Outperformance consistency



ANALYST: MARK STEPHAN | APPROVED BY: SIMONE GAVIN

Maple-Brown Abbott Global Listed Infrastructure Fund

Glossary

Total return 'Top line' actual return, after fees
Excess return Return in excess of the benchmark return
Standard deviation Volatility of monthly Absolute Returns
Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst drawdown The worst cumulative loss ('peak to trough') experienced over the period assessed
Time to recovery The number of months taken to recover the Worst Drawdown
Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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