

RARE Infrastructure Value Fund - G Class

OVERVIEW

RARE Infrastructure is a specialist manager of global listed infrastructure securities. RARE invests in listed companies whose business is the ownership, operation and maintenance of infrastructure assets. The investment objective of the Fund is to provide regular and stable income plus capital growth with a specific focus on minimising the volatility of returns. RARE's investment process is supported by a highly experienced investment team of 15 people located in Sydney.

PERFORMANCE

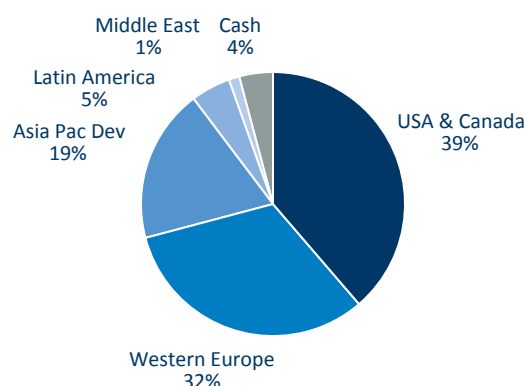
| | 1 month | 3 months | 1 year | 3 years | 5 years | Inception |
|--|---------|----------|--------|---------|---------|-----------|
| RARE Infrastructure Value Fund - G Class | 0.0% | 2.2% | -2.2% | 7.1% | 7.3% | 10.2% |
| BENCH:OECD G7 Inflation Index +5.5% | 0.9% | 1.7% | 6.1% | 6.3% | 6.7% | 7.0% |
| Over / under performance | -0.9% | 0.5% | -8.2% | 0.8% | 0.5% | 3.2% |
| S&P Global Infrastructure Index (GBP Hedged) | 3.0% | 5.9% | 3.6% | 10.8% | 8.4% | 9.8% |
| MSCI AC World Index (Local) | -1.0% | 1.2% | -3.2% | 8.1% | 8.0% | 10.4% |

Portfolio Characteristics

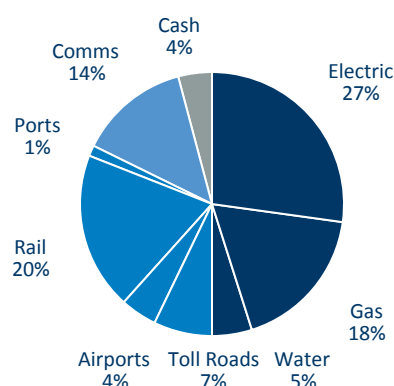
| Portfolio Weighted Average | Jun 2016 |
|----------------------------|----------|
| Avg Market Capitalisation | 17.2bn |
| RARE Div Yield (Forward) | 3.5% |
| 5 Yr DPS Growth (PA) | 9.5% |
| Gearing (Current) | 35.8% |
| Interest Cover (Historic) | 3.9x |
| EV/EBITDA (Forward) | 11.5x |

Results based on RARE data

REGIONAL BREAKDOWN



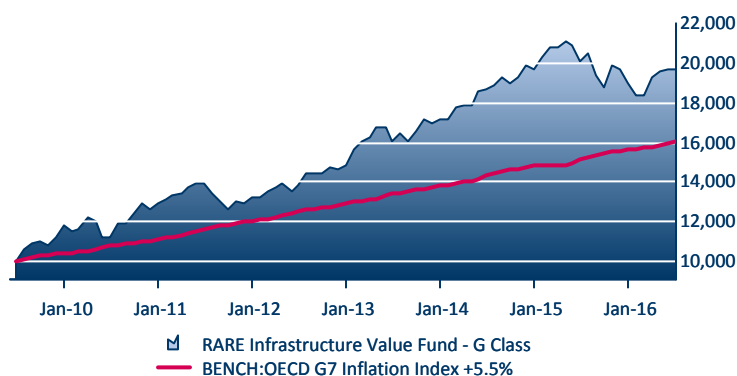
SECTOR BREAKDOWN



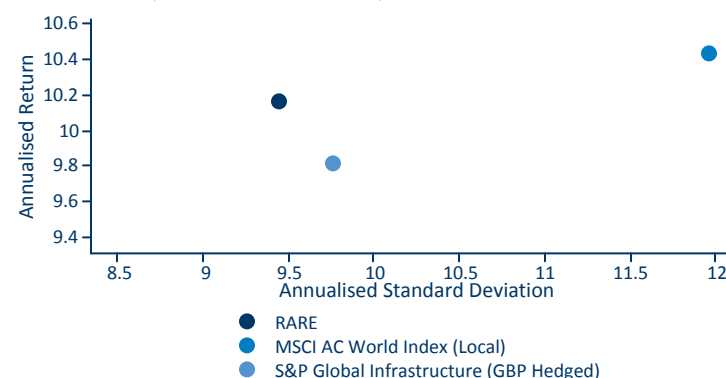
TOP 10 POSITIONS

| TOP 10 POSITIONS | END WEIGHT % |
|----------------------------|--------------|
| Sempra | 5.86 |
| American Tower | 4.90 |
| APA Group | 4.73 |
| Spark Infrastructure Group | 4.70 |
| Groupe Eurotunnel | 4.57 |
| Norfolk Southern | 4.26 |
| Iberdrola | 3.93 |
| Crown Castle | 3.88 |
| Nextera | 3.59 |
| Atlantia | 3.51 |
| Top 10 Total | 43.92 |

GROWTH OF AN AUD 10,000 INVESTMENT



RISK RETURN (%PA SINCE INCEPTION)



SUMMARY

During the June quarter, RARE Infrastructure Value Fund - G Class returned +2.2% outperforming its benchmark (+1.7%) and the MSCI AC World Index (Local) (+1.2%).

The decision by the UK to leave the European Union led to sharp volatility in global markets and represents a significant economic and political shock to the UK, Europe and the global economy.

PORTFOLIO PERFORMANCE

In the June quarter, regional contributors included USA & Canada (+3.31%), Western Europe (+0.60%), and Asia Pacific Developed (+0.45%). Latin America (-0.22%), and Middle East (-0.22%) were regional detractors from portfolio performance.

On a sector level, electric (+1.58%), communications (+1.43%), gas (+1.22%), and water (+0.65%) contributed to performance, while toll roads (-0.57%), airports (-0.36%), and ports (-0.22%) detracted.

On a stock level, Australian electric Spark Infrastructure (+0.74%), US communication Crown Castle (+0.62%), US gas Sempra (+0.62%), and US communication American Tower (+0.56%) all added positive returns to the portfolio. Japanese electric J-Power (-0.68%), Mexican toll road OHL Mexico (-0.42%), German airport Fraport (-0.24%), and Japanese gas Tokyo Gas (-0.23%) detracted from quarterly performance.

All returns are in local currency.

POSITIONING AND OUTLOOK

During the quarter, two new stocks were added to the portfolio: SES, a Luxembourg communications company and Canadian Pacific, a Canadian rail company. Additionally, on valuation grounds, we exited our holding in Aurizon, an Australian rail stock.

The decision by the UK to leave the European Union has led to sharp volatility in global markets and represents a significant economic and political shock to the UK and to the rest of the region. The biggest and most immediate impact from Brexit appears to be in the currency adjustment to the pound sterling. RARE has circa 27% of the Value Strategy invested in Europe, split between utilities and infrastructure with a further 6% of the strategy invested in UK regulated water and energy utilities. RARE believes that the fundamentals of the infrastructure assets we invest in driven by regulatory and contractual frameworks are sound, and the likely overreaction in the markets could present opportunities. In the days following the Brexit decision, RARE has taken advantage of market volatility to leverage our long-term bottom-up process.

Turning to the US economy, with inflation running below the Federal Open Market Committee's 2% target rate, RARE expects to see some volatility surrounding the trajectory around future rate rises. Despite this, RARE takes a constructive view on the US economy, thus retaining an exposure to more GDP-sensitive US companies, in particular rail stocks.

In Emerging Markets (EM), during the quarter, we have begun to see the revision to GDP growth stabilise, driven by a more benign US dollar. This should see more capital return to EM during the latter half of 2016. The portfolio retains a 7% EM exposure.

RARE continues to believe that it is prudent to retain a core exposure to the more defensive, higher-income utility companies balanced against selective exposure to the more growth sensitive infrastructure sectors.

QUARTERLY STOCK HIGHLIGHT

This quarter we review Spark Infrastructure (SKI), an Australian based company that invests in regulated energy networks. Since listing in 2005, SKI has owned 49% of the electric distribution networks in South Australia, central Melbourne and western Victoria. SKI also provides maintenance and construction services to third parties.

RARE considers this electric stock as core infrastructure since roughly 98% of SKI's cash-flow is derived from regulated and semi-regulated activities. Australia's incentive-based regulation has allowed SKI's asset companies to significantly outperform their regulatory assumptions.

RARE has managed a substantial holding in SKI for several years. We favour SKI as a strong defensive play underpinned by solid growth and cash-flow covered distributions. SKI offers defensive utility exposure with ~5% Regulated Asset Base (RAB) growth, coupled with a 6.0% yield, supported by a fully funded CAPEX program and an internalised management structure. We expect cash flow, which is highly transparent due to regulation, to grow strongly and flow through to security-holders over our investment time horizon. Additionally, SKI have indicated a 5% growth in dividends per annum into the medium-term.

During the year, the share price began to appreciate, as the strong cash-flow generation started to get recognised by the market, with the completion of de-gearing at Victoria PowerNetworks. An upward revision to dividend policy has been a key driver of performance. RARE has been working constructively with the management and Board of SKI for several years to align dividends to the underlying increase in asset cash-flows.

We have a positive outlook on SKI and this stock remains a portfolio holding in this strategy.

Richard Elmslie, Nick Langley, Shane Hurst & Charles Hamieh
Investment Committee Members

Note

1. Sources: RARE internal calculations for RARE Infrastructure Value Fund - G Class. All index data sourced from Factset. Results over one year annualised.
2. Fund Performance is net of fees.
3. All values in GBP and net of withholding taxes for benchmarks if applicable. Non GBP values converted into GBP using FactSet Forex data.
4. Performance inception date for RARE Infrastructure Value Fund - G Class is 30/06/2009.
5. Avg Market Capitalisation is in GBP.

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Important information

RARE Investment Funds plc (the "Company") is an open-ended investment company with variable capital organised under the laws of Ireland and is authorised by the Central Bank of Ireland as a UCITS fund under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011. You must agree to the terms set out in the Company's current prospectus, key investor information document, application form and any other document provided or agreed with the Company, or RARE Infrastructure Limited as Global Distributor. The Company is recognised in the UK under Section 264-265 of the Financial Services and Markets Act 2000, as amended. The Company is also authorised by FINMA for distribution to qualified and non-qualified investors in or from Switzerland.