GLOBAL LISTED INFRASTRUCTURE
Market Commentary Q1 2017

EXECUTIVE SUMMARY

STRONG START TO 2017 FOR LISTED INFRASTRUCTURE

After a weak finish to 2016, listed infrastructure stocks rebounded strongly in Q1 2017 with an 8.0% return (in USD terms), well ahead of global equities (+6.5) and global bonds (+1.8%). For the quarter, infrastructure stock performance was positive in every region, with Emerging Markets and Continental Europe leading the way with double digit returns. The strong performance of the listed infrastructure market was supported by a positive economic backdrop and earnings that broadly met expectations.

GLOBAL ECONOMIC IMPROVEMENT UNDERLIES POSITIVE EQUITY SENTIMENT

The good news for the global economy is that confidence in the economic outlook has also been improving outside the U.S. In Europe, business surveys have risen to their highest levels in over five years and consumer confidence has recovered back near pre-crisis highs. The improvement in business confidence is widespread across the Eurozone and European companies are finally starting to show broad-based earnings growth. This has helped European infrastructure stocks to outperform their U.S. counterparts so far this year, having underperformed last year. In particular, the Transportation sector in Europe benefitted from an improving economic outlook.

U.S. INFRASTRUCTURE GRADE D+ BY AMERICAN SOCIETY OF CIVIL ENGINEERS

In March, the American Society of Civil Engineers (ASCE) released their report card on the state of infrastructure in the U.S. The D+ Grade signaled no change since the last report four years ago and highlighted the significant need for upgrading the U.S. transportation, energy, water and communication infrastructure. Fortunately, the Trump administration appears in favor of moving forward with a spending plan, which should receive bipartisan support. Trump's actions so far in office, through the use of Executive Orders, have been unequivocally positive for the development of domestic oil and gas energy. It was surprising to us then that the energy infrastructure sector in the U.S., also called Midstream/Pipelines in our sector classification, was the weakest performing sector during the period despite the clear improvement in risk and outlook.

LISTED INFRASTRUCTURE OUTLOOK POSITIVE FOR 2017: 10-12% TOTAL RETURN

Increased infrastructure spending prompted by the Trump administration, and the associated investment by private capital, including listed infrastructure companies, is a medium term opportunity as it will take time for projects to be approved and completed. Near term, we expect the regulatory agenda by the new administration in the U.S. to be a significant benefit to the listed companies, particularly in the energy industry. Regulation is a key risk factor for infrastructure investors, and can lead to lower returns and less investment opportunity. The President's administration announced cabinet positions relating to energy indicate to us that we should expect regulatory risk to decline. With less regulatory risk and an agenda that is set to promote infrastructure investment, listed companies have bright prospects.

The outlook for earnings and dividends is likely to accelerate in the near term due to increased investment opportunities, less regulatory risk and an attractive cost of capital. While long-term bond yields may rise, listed infrastructure companies are not bonds and will provide good inflation protection via their regulatory and contract structures. Listed infrastructure offers a 4% dividend yield and 7-8% dividend growth.

CBRE CLARION SECURITIES

GLOBAL LISTED INFRASTRUCTURE STOCK PERFORMANCE

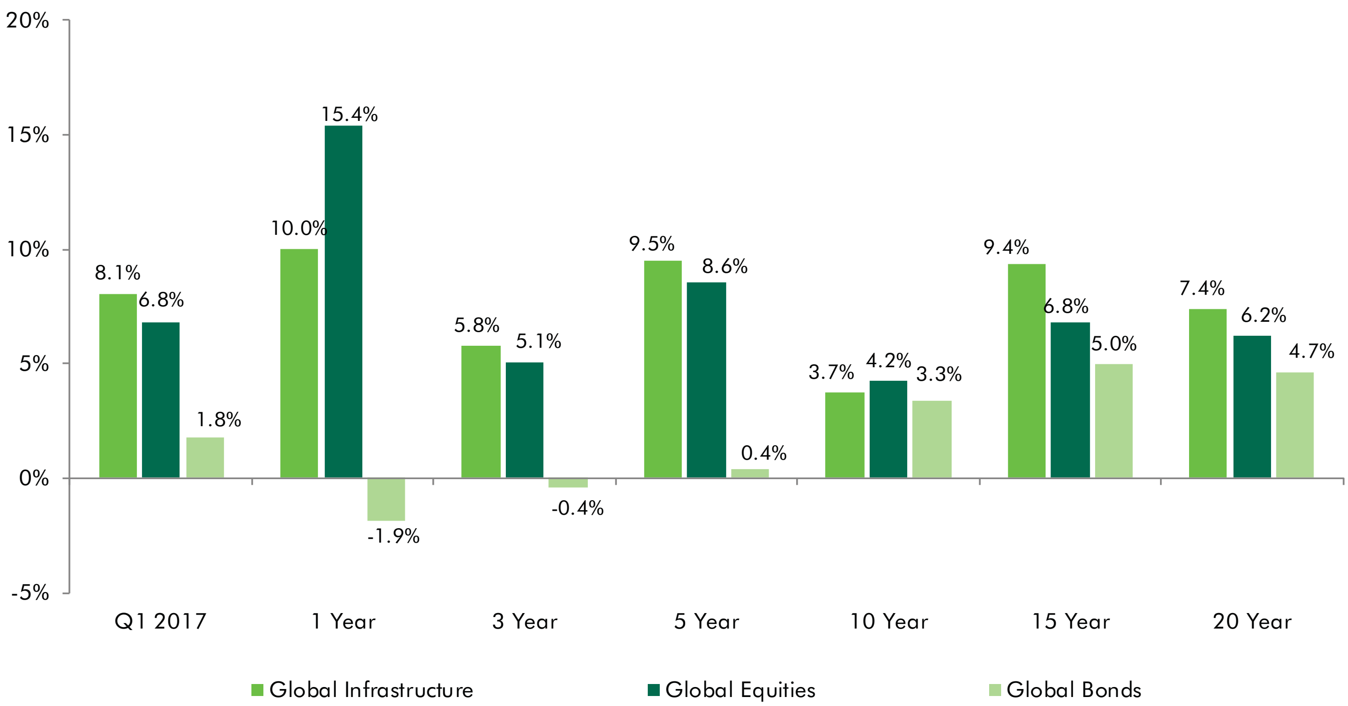
Listed infrastructure stocks generated positive returns in each of the main regions, although the U.S. relinquished its grasp as the best performing developed region, which it held for nearly all of 2016. Emerging Market infrastructure stocks led the way with a return of 15.2% for the quarter, led by the Rail and Port sectors. Port companies have had a rough few years, falling at the bottom of the returns across sectors from 2013-2016. The strong result in the first quarter reflects potentially bottoming fundamentals. Within Developed Asia, Australia powered along with a 16.8% total return, highlighted by the performance of the Airport and Toll Road sectors.

Continental European infrastructure stocks rose 12.2%, led by the Airport sector. Airport stocks rose on the back of robust passenger growth in the quarter, particularly compared with last year when European airports were weak due to the terrorist related activities in the region. Toll Road stocks also delivered strong returns, similarly driven by positive traffic growth. Improved economic conditions, including higher inflation expectations, in Europe overall are supportive of the more demand sensitive infrastructure sectors like airports and toll roads, which also benefit from inflation indexation in some cases.

Within the U.K., sector performance was varied. The larger components, Water utilities and Regulated Electric Utilities posted decent positive results, reflecting their business model support in a higher inflation environment. Integrated Electric utilities declined as the specter of political pressure on their energy supply business weighed on their outlook. Consumer energy bills remained in focus.

In the Americas region, tower stocks were the best performers in the region with a 13.3% return, rebounding from a weak performance in Q4 of last year. Fears of wireless carrier consolidation and its impact on the tower companies abated, while "unlimited data plan" wars from the major carriers resumed, implying potential for increased carrier spending and cash flow growth for the tower owners. Oil prices continued to hover around $50/bbl (WTI) which should have been positive for Midstream/Pipelines, but in the end the sector rose a modest 1.3%. Utilities underperformed globally, but still generated reasonable returns as interest rates declined. Regulated Electric, Integrated Electric and Gas Distribution utilities produced returns in excess of 5% for the period.

Returns of Global Listed Infrastructure Universe versus Global Equities and Global Bonds



Source: Global Infrastructure, Global Equities, and Global Bonds are represented by the UBS Global Infrastructure & Utilities Index – Net of Withholding Tax through 02/28/2015 and FTSE Global Core Infrastructure 50/50 Index – Net of Withholding Tax from 03/01/2015-03/31/2017; MSCI ACWI IMI Index – Net of Withholding Tax; Bloomberg Barclays Global Aggregate Bond Index. Information is subject to change and is not intended to be a forecast of future results, or investment advice. An index is unmanaged and not available for direct investment. This is not representative of the performance of any CBRE Clarion strategy.

[1] All discussion of performance of infrastructure stocks refers to the UBS Global Infrastructure & Utilities 50-50 Index - Net of Withholding Tax through 02/28/2015 and FTSE Global Core Infrastructure 50/50 Index from 03/01/2015-03/31/2017.

Global Listed Infrastructure Universe Valuation Summary (forecasts)

	P/E 2018	EPS Growth 2 YR CAGR 2018/2016	EV/EBITDA 2018	Dividend Yield 2017	Debt/EV
Airports	21.9x	9.1%	13.4x	3.3%	21.6%
Water	18.8x	9.8%	10.3x	3.4%	39.6%
Communications	17.0x	9.7%	15.4x	3.0%	29.3%
Midstream/Pipelines	12.4x	5.3%	13.3x	5.4%	35.3%
Rail	15.3x	15.8%	9.6x	1.9%	21.3%
Toll Roads	17.6x	8.3%	11.2x	3.9%	32.3%
Gas Distribution	18.8x	1.0%	12.1x	3.3%	33.1%
Integrated Electric	15.2x	2.6%	8.4x	4.0%	42.9%
Regulated Electric	16.7x	3.7%	9.8x	3.8%	41.8%
Renewable Energy	14.1x	10.8%	9.3x	5.5%	62.0%
GLOBAL	15.6x	6.2%	10.8x	3.8%	35.9%

Source: CBRE Clarion, Bloomberg and FactSet, as of 03/31/2017. Forecasts based mostly on consensus estimates.
This is for informational purposes only, is subject to change, and is not intended as investment advice, or a guarantee of future results.
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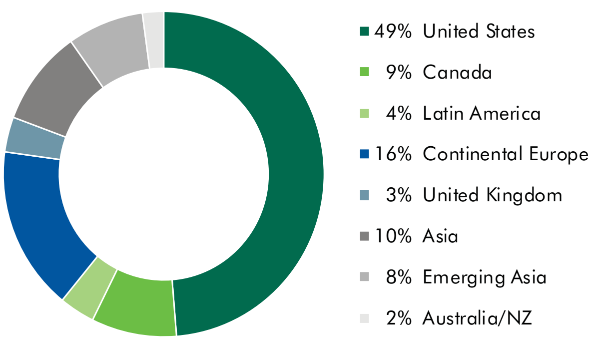
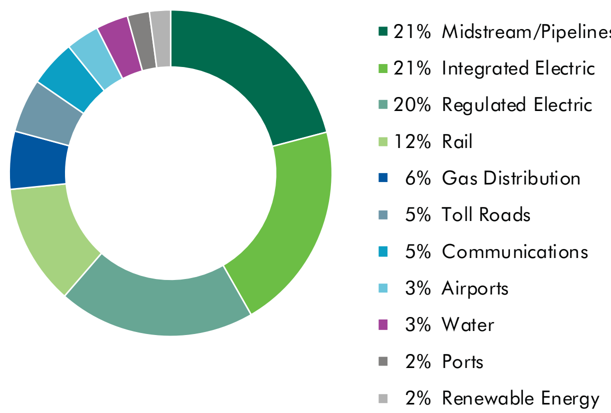
Breakdown of the Global Listed Infrastructure Investment Universe





Source: CBRE Clarion and Bloomberg as of 03/31/2017. Percentages may not add to 100% due to rounding. CBRE Clarion's definition of the global listed infrastructure universe is roughly US$3.3 trillion in equity market cap and consists of 412 companies.

KEY THEMES

M&A activity is prevalent across the listed infrastructure market, spanning geographies and sectors. Infrastructure assets are highly valued as they are scarce. Listed companies looking for investment opportunities have and will consider acquisitions of other listed companies as options. Private investors seeking high quality assets will also look to the listed market for investment opportunities. We expect M&A to continue and it will highlight the valuation gap between the public (discounted) versus the private market.

It is interesting, however, that regulators in the U.S. in particular have taken a much tougher stance recently on utility M&A. Public Utility Commissions (PUCs) are seeking higher concessions from buyers in the form of consumer benefits or protections. The theme has been playing out for a while in the U.S. and perhaps it has reached a peak for now; the higher bar being set by the PUCs is making some deals not feasible.

As we expected, energy policy in the U.S. is undergoing significant change. Energy regulation is being reduced, promoting the development of domestic natural resources. The main Federal regulator, the Environment Protection Agency (EPA) is undergoing a revamp that will likely lead to far less oversight by the agency on energy procurement than we have seen in the past decade. Moreover, the President still has to appoint 3 members to the Federal Energy Commission (FERC) which should have a favorable impact on pipeline and transmission development.

The market appears to have caught up with our view that renewable energy will remain a vital part of energy policy and thus a continued valuable opportunity for investment. However, in regards to the rest of the fossil energy market, we believe that the market has not given any credit to the substantially improved backdrop for risk and return from midstream energy investments. The improved outlook from the EPA and FERC should flow through to the midstream companies as their prospects for future growth are measurably higher than where we stood last summer. We remain positive on companies with exposure to this activity.

Despite a pull-back in long-term interest rates during the quarter, we believe that inflation expectations will continue to rise as economic conditions improve this year. Investors will likely look for investments that provide a hedge against inflation should this play out and we expect listed infrastructure companies to be recognized for their positive inflation attributes. In a reflationary environment, infrastructure assets stand out for their protection from inflation through their regulatory construct, contractual links to inflation, contractual revenue increases and their monopolistic pricing power. We estimate that nearly 85% of the market has some level of inflation protection, which should benefit investors in terms of cash flows and dividends.

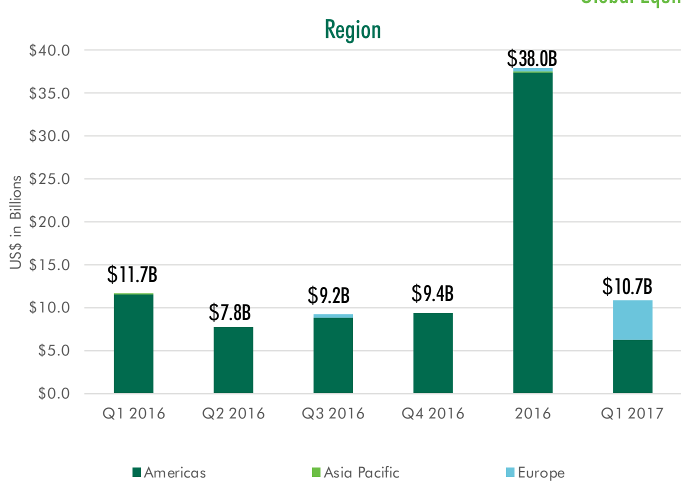
Finally, as demonstrated in the first quarter, we remain firm in our view that the rising economic environment will be positive for traffic sensitive transportation companies. While infrastructure assets are generally less sensitive to economic cycles, transportation assets have revenues that are impacted by traffic volumes. Increased traffic, whether it is passengers or goods, is a benefit to these companies through higher revenues and ultimately cash flows.

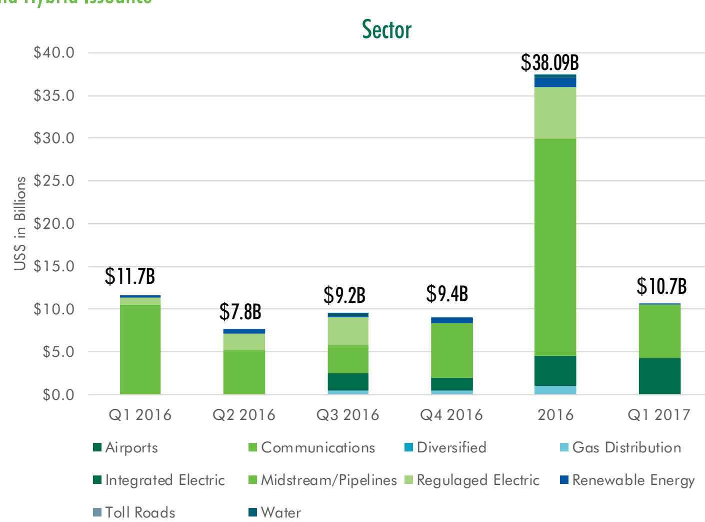
CAPITAL MARKETS UPDATE

The burst of equity issuance activity that we saw at the end of last year did not carry over into 2017. It was a very quiet period of capital market activity. We recorded only two secondary equity issuance deals, both in the U.S. by Midstream/Pipeline companies for a total of $3.4 billion. There was also no IPOs of listed infrastructure companies during the period.

Capital market access is an important factor for listed infrastructure companies as they need to fund their investment activity. The strong returns in the market and need for increased infrastructure spending support our view that we will see a rebound in activity later in 2017.

Global Equity and Hybrid Issuance





Source: CBRE Clarion and Bloomberg as of 03/31/2017. Information is the opinion of CBRE Clarion, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Equity raised is from the time period January 2014 to June 2016. Any factors discussed are not indicative of future investment performance. **Past performance is no guarantee of future results.**

IMPORTANT DISCLOSURES

The FTSE Global Core Infrastructure 50/50 Index provides exposure to infrastructure as defined by the Industry Classification Benchmark (ICB) and adjusts the exposure to certain infrastructure sub-sectors. Company weights are limited to 5%. The UBS 50/50 Index is an unmanaged market-weighted index which consists of infrastructure and utility companies from developed markets whose floats are larger than US $500 million. The MSCI ACWI Investable Market Index (IMI) captures large, mid and small cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries*. With 8,633 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set. Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment grade fixed-rate debt markets. The Global Aggregate Index contains three major components: the U.S. Aggregate (USD 300mn), the Pan-European Aggregate (EUR 300mn), and the Asian-Pacific Aggregate Index (JPY 35bn). In addition to securities from these three benchmarks (94.0% of the overall Global Aggregate market value as of December 31, 2010), the Global Aggregate Index includes Global Treasury, Eurodollar (USD 300mn), Euro-Yen (JPY 25bn), Canadian (USD 300mn equivalent), and Investment Grade 144A (USD 300mn) index-eligible securities not already in the three regional aggregate indices. The Global Aggregate Index family includes a wide range of standard and customized subindices by liquidity constraint, sector, quality, and maturity. A component of the Multiverse Index, the Global Aggregate Index was created in 1999, with index history backfilled to January 1, 1990. PA04262017