GLOBAL LISTED INFRASTRUCTURE
Market Commentary Q2 2017

EXECUTIVE SUMMARY

LISTED INFRASTRUCTURE OUTPERFORMS A RISING MARKET

While historical beta (0.5) would suggest that listed infrastructure should underperform broader equity markets during periods of strong returns, it has not been the case so far in 2017 as global infrastructure has outperformed with a robust 13.0% first half return. Over the same period, global equities rose 11.3%, while global bonds lagged with a 4.4% return. The quarterly performance has been consistent with a market-beating 8.1% return in Q1 followed by another market-beating 4.6% return in Q2. Positive drivers of the performance have been slow and steady economic growth coupled with a low interest rate and inflation macro environment which favors real assets that produce steady cash flows with predictable growth.

SYNCHRONIZED GLOBAL ECONOMIC GROWTH SUPPORTIVE FOR TRANSPORTATION INFRASTRUCTURE

Economic growth is a variable in the fundamental outlook for demand sensitive infrastructure, like transportation assets. Increased activity leads to higher levels of volume (planes, trains and automobiles) which is generally then tied to higher revenue and profit. The synchronized nature of the global economic improvement was evident in the fundamental figures that we track for these types of assets. Examples include: In the U.S., freight railroad volumes rose over 5% in the first half, after declining in the second half of 2016. Toll road traffic in Spain and France is estimated to have risen around 3% in the first half, while airport passenger growth for Sydney Airport was reported at 3.6% over the same period. Given the underlying performance of the assets, it is not a surprise that the best performing sector among the developed regions in the first half was transportation.

RENEWABLE ENERGY DEMAND UNFAZED BY POLITICAL POSTURING

One of the market's concerns after the election of President Trump was the path forward for renewable assets given the President's views on energy broadly. While the President did pull the U.S. out of the Paris treaty on climate change (commonly called COP21) in June, the market's appetite for renewable energy, in the U.S. as well as abroad, remained firmly intact. The procurement of renewable power is changing the power generation landscape in seismic fashion, keeping downward pressure on power prices, driving investment in transmission, while also leading to innovation in battery technology. Investors are attracted to these assets as they can provide long-term contracted cash flows while also meeting certain ESG criteria. Companies that have the ability to develop renewable generation assets are capturing significant value creation in the market.

INVESTOR INTEREST GROWING FOR LISTED INFRASTRUCTURE

We see evidence that the market is increasingly aware of listed infrastructure as an asset class. Pension funds' allocations to infrastructure are rising and listed infrastructure is factoring to be a key way for these funds to complement their direct infrastructure investments. Listed infrastructure forms a core allocation and offers a diversified global and sector exposure, with immediate access to cash-yielding, inflation-hedged assets, while offering discounted valuation to those same assets in the private market. While returns have been attractive so far this year, we believe that the next 12 months could deliver another 10-12% return on the back of continued dividend growth, current yield and further re-rating towards private market multiples.

CBRE CLARION SECURITIES

GLOBAL LISTED INFRASTRUCTURE STOCK PERFORMANCE

Listed infrastructure stocks delivered a market-beating total return of 4.6% in the second quarter. Continental Europe led the way in Q2 with a robust 16% return. Asia and Americas also had positive returns while the U.K. was negative for the quarter. Central bank activity remained in focus as the gradual reduction in monetary stimulus continued as the U.S. Federal Reserve raised rates in June. Despite the increase in short rates, U.S. bond yields fell during the quarter. Treasury yields for the U.K. and Europe finished higher while Japan was flat and Australia decreased.

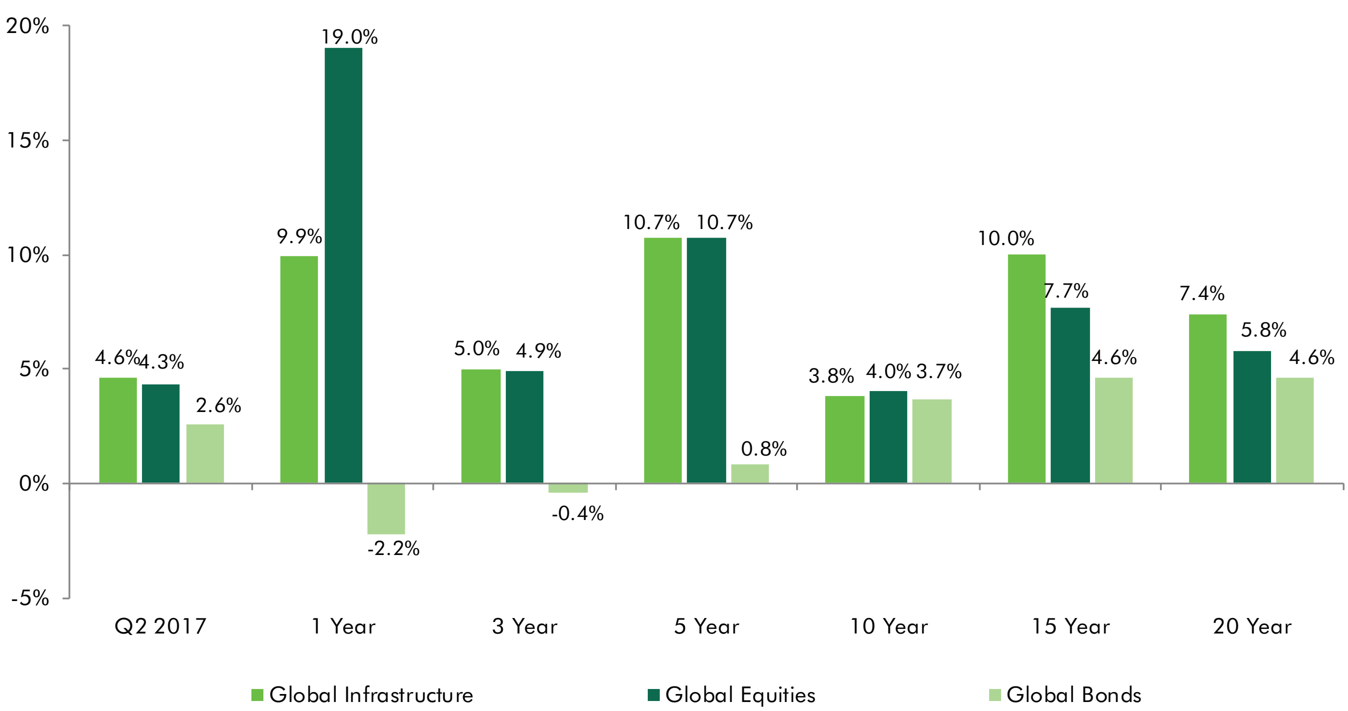
Every sector in Continental Europe outperformed global infrastructure in Q2. The region benefited from an appreciating Euro and favorable market reactions to Q1 earnings results. Transportation was the best performing sector with every stock in the index having double digit total returns (USD). As mentioned, improving economic activity in markets like Germany, Spain, France and Italy led to higher traffic for airport and toll road assets. M&A activity also drove interest in the airport and toll road sectors as the public valuation of the stocks has shown to be at a discount to private market transactions.

Infrastructure stocks in the U.K., however, were weak. It was the only region that finished down mainly due to water utilities which sold off in June. The water regulator, Ofwat, made public its expectation that when the regulatory period ends, investors should expect lower allowed returns from water assets. While the announcement was only an initial assessment and the actual event is some years away, the uncertainty weighed on the stocks.

Asian infrastructure stocks outperformed and generated a 5.4% return, led by the Transportation and Utility sectors. However, there was more dispersion from a country standpoint. Smaller weighted New Zealand and Singapore had double digit returns. Japan outperformed while Australia and Hong Kong were relatively inline with global infrastructure. Emerging Market infrastructure stocks followed with a 4.3% return, also led by Transportation stocks.

Infrastructure stocks in the Americas region underperformed the globe, although there was a continued theme of Transportation sectors performing well. Canada was helped by strong railroad and regulated utility performance but was brought down by the midstream sector. The U.S. also experienced strong performance by railroads but was offset by midstream names which were dragged down with falling oil prices. Utilities had some pullback to finish the quarter after they continued to reach new highs during Q2. Towers continued a strong 2017 backed by improving fundamentals and less concern regarding M&A in the wireless carrier space.

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 03/01/2015-06/30/2017; 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 03/01/2015-06/30/2017.

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	24.2x	10.8%	14.7x	3.0%	19.5%
Water	18.5x	9.9%	10.1x	3.4%	39.3%
Communications	17.8x	11.7%	16.0x	2.9%	28.7%
Midstream/Pipelines	11.8x	4.8%	13.1x	5.7%	38.7%
Rail	16.5x	15.9%	9.9x	1.7%	19.8%
Toll Roads	17.6x	8.4%	11.2x	3.8%	32.4%
Gas Distribution	19.1x	1.5%	11.6x	3.2%	29.5%
Integrated Electric	15.4x	3.1%	8.5x	3.9%	42.4%
Regulated Electric	16.9x	3.1%	9.9x	3.8%	41.7%
Renewable Energy	13.2x	16.2%	10.3x	4.6%	60.3%
GLOBAL	16.0x	6.5%	10.9x	3.8%	35.8%

Source: CBRE Clarion, Bloomberg and FactSet, as of 06/30/2017. Forecasts based mostly on consensus estimates.
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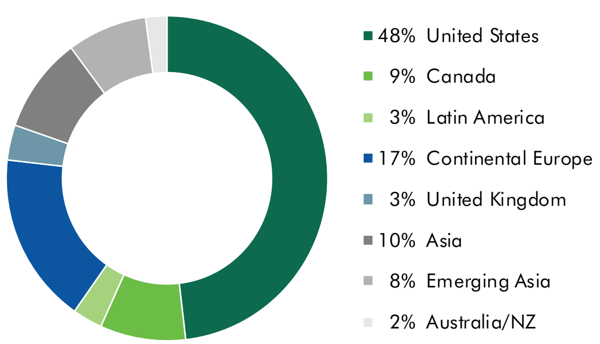
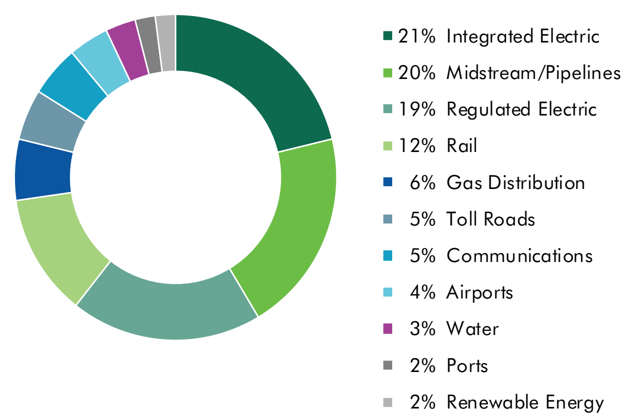
Breakdown of the Global Listed Infrastructure Investment Universe





Source: CBRE Clarion and Bloomberg as of 06/30/2017. Percentages may not add to 100% due to rounding. CBRE Clarion's definition of the global listed infrastructure universe is roughly US$3.4 trillion in equity market cap and consists of 405 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 that exists between publically traded infrastructure companies which are discounted versus the private market.

During the quarter, Australian based private infrastructure manager IFM Investors announced that it, alongside Spanish construction group OHL Concessions, would tender for the shares of publicly listed OHL Mexico, a Mexican based toll road concession company. Also during the period, Italian listed toll road owner Atlantia announced a bid for Spanish listed peer Abertis, valuing it at $18 billion. We believe that the public market continues to discount the value of toll road assets and expect this type of activity to continue to re-rate the stocks of companies that own these assets.

We have been somewhat disappointed in the pace at which the new administration in the U.S. is addressing key government agencies. The Federal Energy Commission (FERC) has been without a quorum (less than 3 members of a full 5 seat membership) since the end of January. FERC regulates the interstate transmission of electricity, natural gas, and oil and reviews proposals to build liquefied natural gas terminals and interstate natural gas pipelines. FERC also licenses hydropower projects and reviews certain mergers and acquisition and corporate transactions by electric companies. Without a quorum, FERC is limited to what it can do. Several natural gas pipeline projects in the Northeast are being delayed due to the lack of FERC action. The President does have 4 nominees that could be confirmed as soon as August, which would be supportive for energy infrastructure development.

Renewable energy investment and development is a secular global theme. Private investor demand for renewable assets is evident in the number of transactions globally. According to Preqin, there were 740 individual transactions for renewable assets in 2016, more than any other sector they track. The broad based investor demand has led to tight pricing for contracted assets. We believe that companies that have development capability in this sector can generate significant value as the returns on development can be double the in-place return of acquiring a completed asset. Indeed, the future would appear to remain bright in this segment as economic viability of renewables development on a standalone basis is finally becoming reality as government imposed renewables targets and development subsidies are replaced with the traditional forces of supply and demand.

We believe that inflation expectations will continue to rise as economic conditions improve this year and in the coming years. 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 hedging 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, we continue to believe 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.

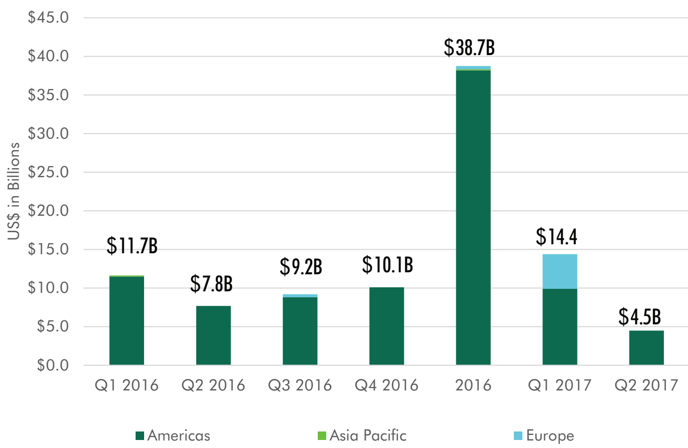
CAPITAL MARKETS UPDATE

Second quarter equity issuance activity was relatively subdued. We tracked 5 equity deals, all by U.S. listed companies, totaling $4.5 billion. This amount is just half the average witnessed over the prior 4 quarters. We attribute part of this slowdown to ongoing oil price volatility which has slowed the pace of issuance by companies in the Midstream/Pipeline sector. There were also no IPOs of listed infrastructure companies during the period.

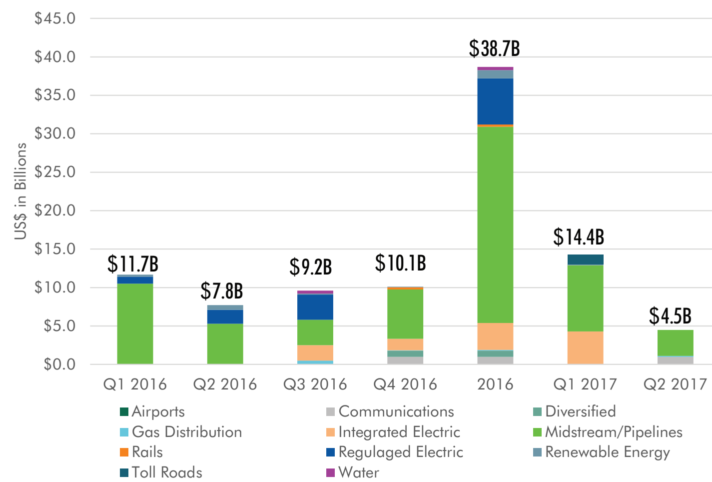
Capital market access is an important factor for listed infrastructure companies as they need to fund their investment activity. The strong returns in the market and need for increased infrastructure spending support our view that we will see a rebound in activity later in 2017.

Global Equity and Hybrid Issuance

Region



Sector



Source: CBRE Clarion and Bloomberg as of 06/30/2017. 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 2017. Any factors discussed are not indicative of future investment performance. **Past performance is no guarantee of future results.**

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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. PA07312017