GLOBAL LISTED INFRASTRUCTURE
Market Commentary Q3 2017

EXECUTIVE SUMMARY

LISTED INFRASTRUCTURE PERFORMS WELL AMID "GOLDILOCKS" ECONOMIC BACKDROP

Global listed infrastructure had another positive quarter, up 3.0%, taking the cumulative return YTD to 17.0%. While the return trailed global equities' 5.0% return in the quarter, infrastructure is still ahead of the broader equity market's 16.5% return this year. Global bonds are trailing equities this year, rising 1.8% in the third quarter and 6.3% YTD. The synchronized global economic expansion continued in Q3, with positive economic conditions flowing through in the U.S., Europe, Japan and Emerging Markets. This expansionary backdrop, combined with benign inflation and positive earnings releases framed the "Goldilocks" outlook and was a tailwind for global equity market performance. Bond yields in most regions were little changed over the period, while oil prices drifted higher.

POLITICAL AND REGULATORY RISK RISING IN SELECT MARKETS

We see a positive outlook for listed infrastructure, but we acknowledge that there are risks on the horizon. Key risk factors that we monitor are political and regulatory risk, particularly as it relates to the energy markets. Political elections cycles, particularly presidential ones, commonly feature a focus on energy. In the current environment, both the U.K. and Australia are witnessing this as part of the political posturing on both sides of the debate, as they claim that their constituents are paying too much for energy. Hence, the politicians are calling for changes to energy regulation and championing lower returns for the suppliers and, in some instances, even the distributors and transmission owners. The actual changes to regulations and returns will take time to legislate, but in the meantime, the risk profile has increased. We believe investors need to be mindful of these changing dynamics and how they will influence future cash flow and dividends. At CBRE Clarion, our global team, with offices in London and Sydney as well as Tokyo and Philadelphia, is constantly monitoring local factors (like political and regulatory risk) that influence infrastructure risks and returns.

FUNDAMENTAL DRIVERS SUPPORT GLOBAL LISTED INFRASTRUCTURE

We sometimes get tired of hearing the same thing over and over, but in this case we believe it is worth repeating: the fundamental case for investing in listed infrastructure remains a secular theme and one that we believe provides visibility and stability to a positive outlook. There are two major secular themes driving the returns in listed infrastructure and both have over a decade to go before we start changing the narrative. First, the listed companies own a large base of existing infrastructure assets that are aging and require investment for upgrading, enhancing and replacing these assets for safety, reliability and efficiency purposes. Second, there is a global change in how energy is produced, from high polluting carbon (coal) to cleaner and renewable energy sources. This change requires significant investment in the generation assets (wind turbines, solar farms, natural gas power plants) as well as related transmission and storage assets, in nearly all markets. Listed infrastructure companies are poised to benefit from these two investment themes, driving their earnings and dividends in a predictable manner for many years. Our outlook for another 10-12% return over the next 12 months is supported by these themes as well as fundamental dividend growth, current 3.5% yield and further re-rating towards private market multiples.

CBRE CLARION SECURITIES

GLOBAL LISTED INFRASTRUCTURE STOCK PERFORMANCE

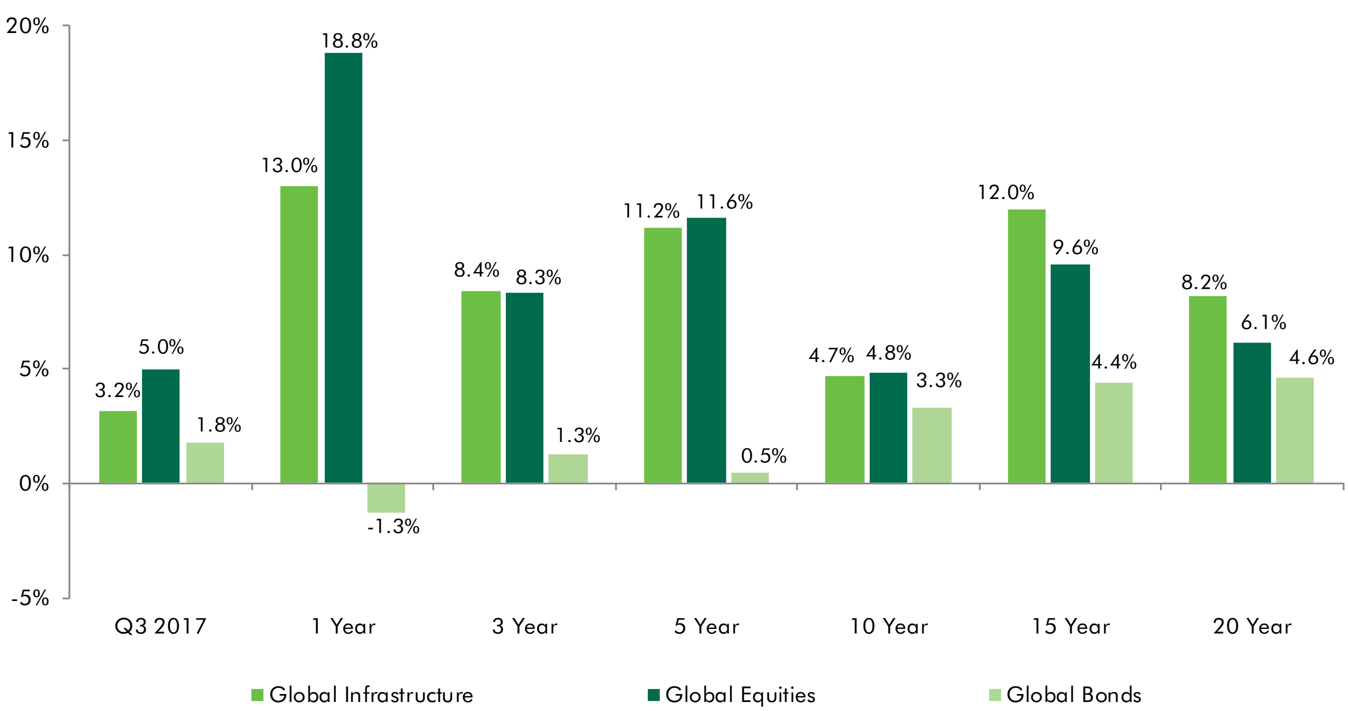
Listed infrastructure stocks delivered a solid 3.0% total return in the third quarter. Among developed markets, Continental Europe again led the way in Q3 with a solid 5.6% return. The Americas region produced a 2.7% return, led by Canada delivering a 4.7% return while the U.S. rose 2.3%. Asia and the U.K. lagged, producing -1.1% and -0.9% returns, respectively. Emerging Markets led performance in listed infrastructure rising 7.6%, led by Brazil up 17.9%. Ten year treasury yields were relatively stable, with the exception of Canada and Australia where yields rose.

Continental Europe continued its YTD outperformance with a mixture of sector returns. In transports, toll roads experienced a 13% return while airports were down 4%. Toll road fundamentals continued to improve during the period while traffic figures for airports began to show slowing trends. Within utilities, gas distribution finished 8.4% higher, whereas integrated electrics had a negative 3.8% return. The U.K. underperformed in every sector as political and regulatory risk increased across the board.

The Americas continued to trend higher with Canada leading the way in Q3. Every Canadian midstream company outperformed amidst rising oil prices and a stable outlook, especially when compared to U.S. midstream peers. In the U.S., utilities ended higher despite a negative September as tax reform discussions began to resurface and treasury yields rose. Utilities with higher exposure to renewable energy outperformed. Railroads and towers each outperformed driven by the positive economic background that is supportive to fundamentals for these sectors.

Asian infrastructure stocks underperformed primarily due to weak performance of Japan- and New Zealand-based infrastructure stocks. Utilities in Japan declined on concerns relating to political changes that would likely lead to less support for nuclear restarts. Auckland Airport, the New Zealand airport stock, declined over 10% due to slowing retail spending at the airport. Australian transport stocks outperformed the region although lagged the global return. Toll road and airport traffic in Australia remained robust. Australian utilities lagged as regulatory and political pressure increased during 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 through 02/28/2015 and FTSE Global Core Infrastructure 50/50 Index from 03/01/2015-09/30/2017; MSCI World Equity Index; 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 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	23.1x	11.8%	14.5x	2.9%	20.3%
Water	18.7x	10.3%	10.2x	3.4%	39.5%
Communications	18.6x	12.7%	17.0x	2.8%	26.3%
Midstream/Pipelines	11.8x	5.6%	11.7x	5.7%	40.0%
Rail	17.8x	12.6%	10.1x	1.7%	19.7%
Toll Roads	18.1x	9.3%	11.2x	3.6%	31.5%
Gas Distribution	19.9x	3.0%	11.3x	3.0%	27.3%
Integrated Electric	15.6x	3.8%	8.8x	3.9%	43.4%
Regulated Electric	17.3x	2.9%	10.0x	3.8%	41.5%
Renewable Energy	14.0x	16.6%	9.2x	4.3%	59.3%
GLOBAL	16.4x	6.7%	10.9x	3.7%	35.7%

Source: CBRE Clarion, Bloomberg and FactSet, as of 09/30/2017. Forecasts based mostly on consensus estimates.
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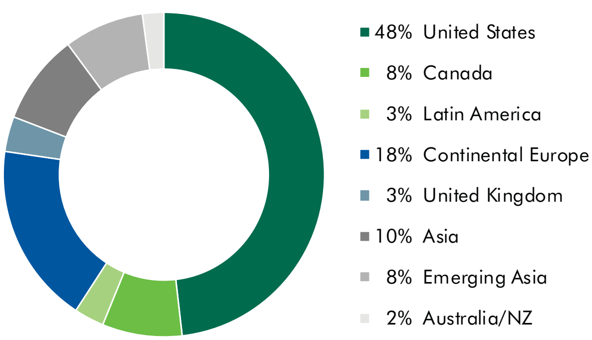
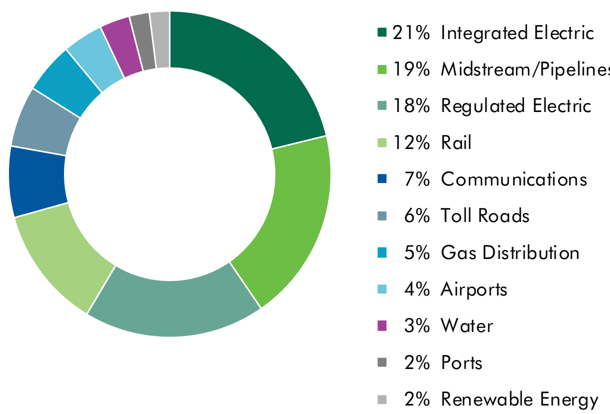
Breakdown of the Global Listed Infrastructure Investment Universe





Source: CBRE Clarion and Bloomberg as of 09/30/2017. Percentages may not add to 100% due to rounding. CBRE Clarion's definition of the global listed infrastructure universe is roughly US$3.6 trillion in equity market cap and consists of 415 companies.

KEY THEMES

The new U.S. administration made significant moves during the third quarter to assert their policy changes towards the energy sector. Congress approved the final appointees for the Federal Energy Regulatory Commission (FERC) and upon achieving quorum, FERC got busy approving pipeline developments that had been stalled for months until new commissioners were put in place. NEXUS, a 255 mile interstate gas pipeline near the Canadian border, was first to receive approval, followed shortly by Mountain Valley and Atlantic Coast, both of which take natural gas from the Marcellus Shale to other markets. These pipelines are being developed by a combination of listed utilities and energy infrastructure companies who will benefit from the cash flows generated from these assets.

Further support for the energy sector was provided by the Department of Energy (DOE), which issued a surprise proposal to FERC to consider re-regulation of coal and nuclear fired generation plants, which the DOE said are important for reliability and resiliency of the grid. The proposal is an opening of discussions rather than a mandated change. However, we view this as clear evidence of support for utilities that own coal and nuclear power plants, which previously had been seen as unattractive given the trend towards renewables and gas.

At the same time, the prospect for new development of nuclear plants took a significant backward step in the quarter. U.S. utility Scana Corporation announced it was abandoning a nuclear development project, VC Summer, as costs had ballooned higher and the time to complete extended beyond reasonableness. VC Summer is one of two nuclear projects under development in the U.S., and somewhat surprisingly the developer of the other project, listed utility Southern Company, announced it was still moving forward to complete its nuclear plant. We remain wary of the prospect for nuclear development and companies that have exposure to this risk.

Notwithstanding the FERC and DOE focus on fossil fuel energy in the U.S., the prospects for renewable energy continue to be favorable for companies developing wind and solar assets around the globe. The U.S. market continues to attract significant investment in on-shore wind and solar, while the global opportunity set across all forms of renewables appears to be steadily increasing. 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. During the quarter, 4 utilities with a presence in the U.S. Midwest, American Electric Power, Xcel Energy, Algonquin Power & Utilities and Ameren announced in excess of 4,200 MW of wind and solar development projects, with a combined investment value exceeding $8 billion.

Finally, we are encouraged by the growing number of transportation infrastructure projects in the U.S. that are being awarded to private investors, including listed companies. Most significantly in our view was the Denver International Airport awarding Spanish-listed Ferrovial a 34-year concession for the remodeling and commercial operation of the Jeppesen Terminal. The public-private partnership (P3) model is one that has been talked about a lot in the U.S., but with few actual examples. We believe that the P3 opportunity for commercial airport infrastructure in the U.S. is significant. Many of the commercial airports in Europe, Asia and Australia are operated by private investors. These operators are willing and able to bring their expertise, technology and capital to the U.S. where municipal-owned airports are in need of investment to improve the operations and experience at the assets. We believe that the win by Ferrovial could lead to further projects for the listed and private market.

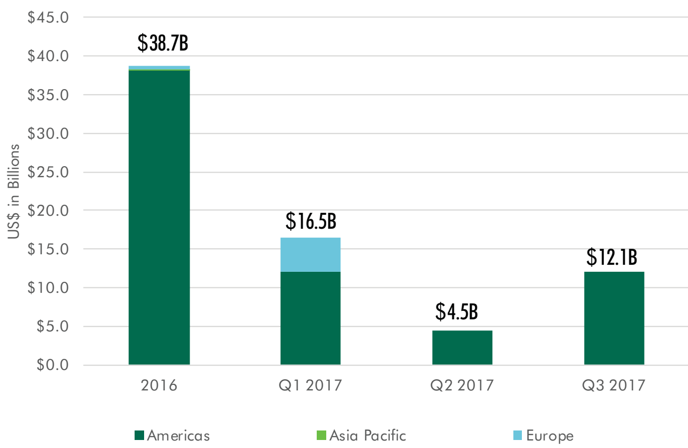
CAPITAL MARKETS UPDATE

Third quarter equity issuance activity reaccelerated from subdued Q2 levels. We tracked 14 equity deals, all by U.S. listed companies, totaling $9.3 billion. This amount is roughly 50% above the average witnessed over the prior 4 quarters. We attribute the pickup in activity largely to the Midstream/Pipeline sector where issuance was nearly 11 times higher than it was in Q2. There were 2 IPOs of listed infrastructure companies during the period totaling $1.8 billion, including a Singapore based Communication infrastructure stock.

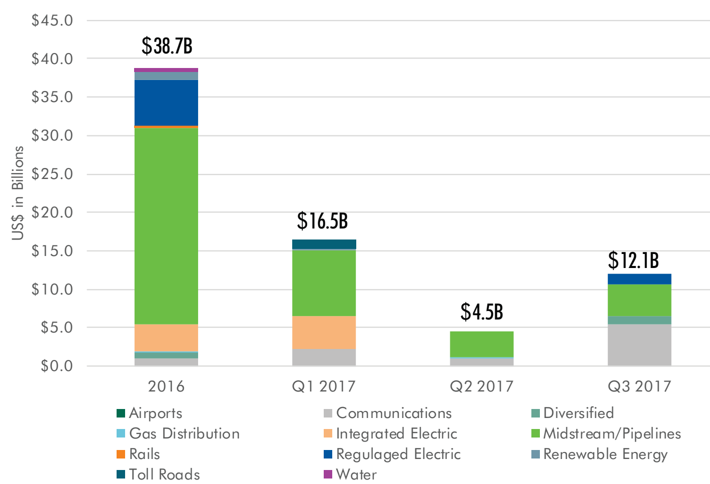
Capital market access is an important factor for listed infrastructure companies as they need to fund their investment activity. The strong returns in the market and need for increased infrastructure spending support our view that equity issuance will continue to be active, although we would expect the Midstream/Pipeline sector to slow from Q3 levels.

Global Equity and Hybrid Issuance

Region



Sector



Source: CBRE Clarion and Bloomberg as of 09/30/2017. 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 September 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. PA10302017

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