GLOBAL LISTED INFRASTRUCTURE
Market Commentary Q4 2016

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EXECUTIVE SUMMARY

DOUBLE DIGIT RETURNS IN 2016 FOR LISTED INFRASTRUCTURE

Listed infrastructure stocks declined by 3.7% in the final quarter of 2016, but finished the year with a solid 10.9% total return (in USD terms), ahead of global equities and global bonds. The final quarter was weak in part due to the market's perception of rising long-term bond yields on the asset class as well as deprecation of currencies and related returns relative to the USD. The overall near 11% return for the year was a result of good performance of underlying assets delivering stable income while companies reinvested in their assets to drive increased earnings potential. In a year of significant macro events, politically as well as economically, infrastructure was a steady performer.

INTRODUCING THE MULTI-TRILLION DOLLAR GROWTH ASSET CLASS: INFRASTRUCTURE

Investor interest in infrastructure received a jolt of attention during the recent U.S. presidential election – and we think it is likely to lead to significant opportunities for the asset class. While other politicians have previously used talk of infrastructure spending in campaigning, only to come far short with policies and actual allocated dollars, we believe that this time is different. The difference is the Trump administration pushing the infrastructure agenda understands and embraces the use of private capital to support the financing of that agenda. Infrastructure is an asset class that has delivered strong risk-adjusted returns to its investors, which is why those investors are willing to allocate even more capital to new investments. Globally, infrastructure spending needs are estimated to be over $3 trillion annually for the next 15 years – the success that we expect the U.S. to have in partnering with private capital will be a model for other countries to consider in meeting this significant annual investment.

REGULATION RISK SET TO DECREASE IN THE U.S.

Increased infrastructure spending 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 complete. 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 elect administration's 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.

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

We expect increased investor attention to this growing asset class, leading to long-term support in terms of capital flows and multiples. Moreover, investors in the asset class today we believe are poised to benefit from double-digit returns. 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% dividend growth.

CBRE CLARION SECURITIES

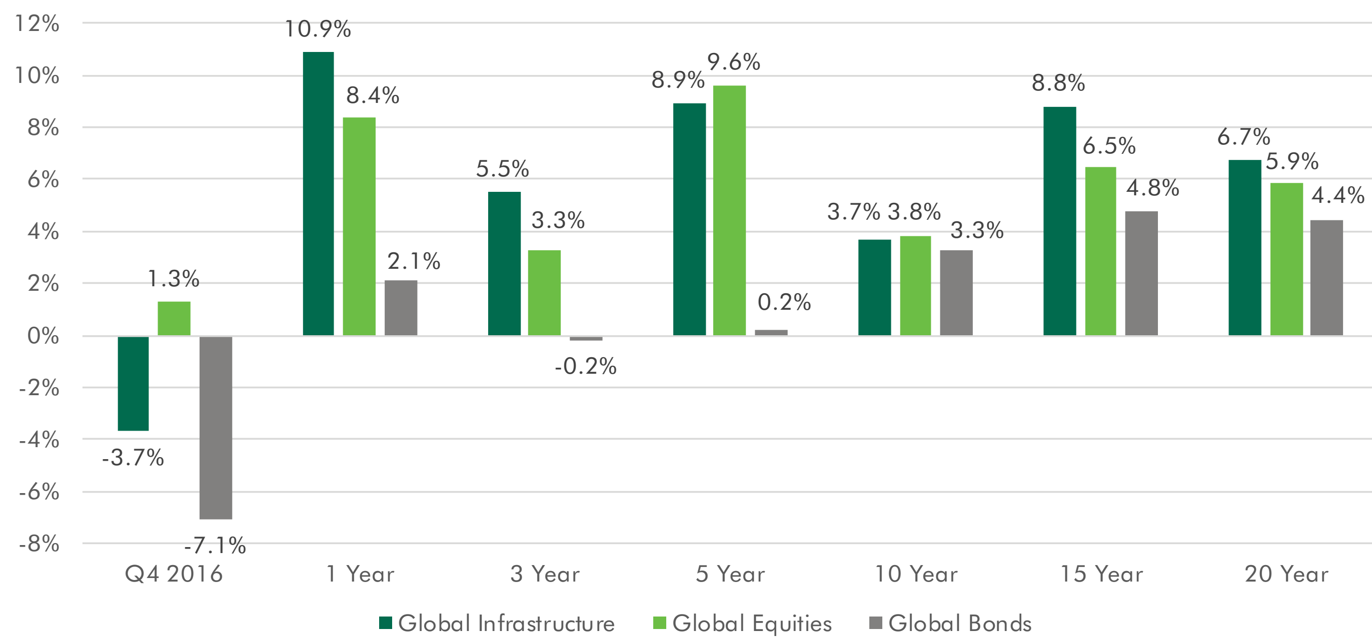
GLOBAL LISTED INFRASTRUCTURE STOCK PERFORMANCE FOR THE Q4 2016 PERIOD[1]

Returns over the final quarter were weak across the main regions, although the Amercias region was again the outperformer and showed resilience with only a -0.9% return. The prospects for tax reform boosted the U.S. rail sector which has a high effective tax rate relative to other infrastructure sectors, as the railroad stocks rose over 8% during the period. On the opposite end of the spectrum, Tower stocks were the worst performers in the Americas region with a 7.4% decline. The market seemed to presume a Trump presidency will lead to further consolidation in the wireless carrier segment, which the market is assuming is negative for the Tower owners as less competition could lead to pricing pressure for the Tower owners. Despite a production cut announced by OPEC and the prospect for improved regulation for the energy industry, the Midstream/Pipeline sector still declined by over 3% in the U.S. and over 2% in Canada. Interestingly, utility owners in the U.S. fared relatively well over the period, despite the sharp rise in interest rates. Regulated Electric, Integrated Electric and Gas Distribution utilities generated were relatively flat over the period.

All other international markets were in the negative performance territory during the final quarter. The U.K. infrastructure stocks were the worst performers in USD terms, declining over 11%. The sharp rise in bond yields in the U.K. weighed heavily on the Utilities in the market. Asian infrastructure stocks were also weak, declining over 7% during the period. The weakness was led by Australian infrastructure stocks which were down by over 11% over the period. Similar to the U.K., the rise in Australian sovereign yields weighed heavily on performance in the region. Again, an interesting comparison to the U.S. market where the utilities were flat over the period despite a similar rise in long term bond yields. Currency depreciation of the AUD and GBP had an impact on the returns for those markets, but did not account for all of the weakness.

Continental European infrastructure stocks were also weak over the period, declining over 6%. Rising interest rates portend rising economic activity and inflation. Infrastructure assets with more economic sensitivity, like airports and ports, did fare better than those sectors with less ability to generate growth like regulated electric and gas utilities. Still, the weak performance of Toll Roads, which were down in line with the overall Continental European average, was surprising to us as that sector has a direct link to inflation in its contracts and benefits from rising economic activity through traffic growth. Emerging market infrastructure stocks declined over 6% during the final quarter. Across sectors and countries within this region there was varied performance. As with Europe, Regulated Utilities were among the worst performers, while Toll Roads and Airports in the region fared similarly to those in Europe. With little company news driving stocks during the period, it was primarily macro events and currencies that dictated performance.

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 03/01/2015-12/31/2016; 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 03/01/2015-12/31/2016.

Global Listed Infrastructure Universe Valuation Summary (forecasts)

	P/E 2017	EPS Growth 2 YR CAGR 2018/2016	EV/EBITDA 2017	Dividend Yield 2017	Debt/EV
Airports	22.5x	9.2%	13.8x	3.4%	22.3%
Water	19.4x	10.1%	10.6x	3.6%	37.1%
Communications	16.9x	11.2%	15.6x	3.4%	31.3%
Midstream/Pipelines	12.9x	8.5%	14.2x	5.7%	34.9%
Rail	17.3x	10.6%	9.8x	1.9%	22.1%
Toll Roads	17.0x	9.3%	11.1x	4.3%	33.7%
Gas Distribution	18.7x	1.1%	12.1x	3.4%	33.3%
Integrated Electric	15.7x	5.0%	8.9x	4.1%	42.7%
Regulated Electric	16.7x	3.9%	11.3x	4.0%	37.8%
Renewable Energy	12.5x	14.8%	9.9x	5.6%	50.7%
GLOBAL	16.0x	6.9%	11.4x	4.0%	35.0%

Source: CBRE Clarion, Bloomberg and FactSet, as of 12/31/2016. 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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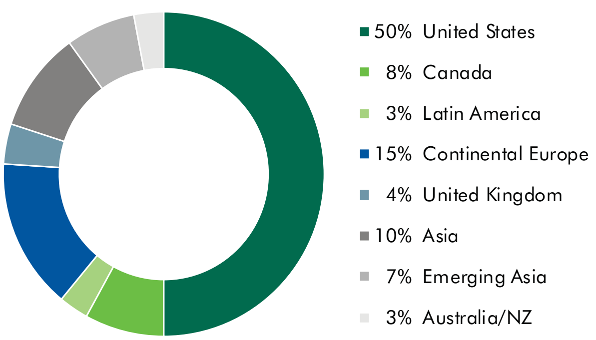
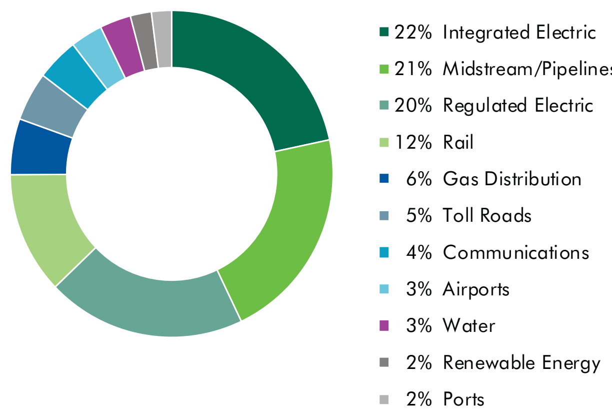
Breakdown of the Global Listed Infrastructure Investment Universe





Source: CBRE Clarion and Bloomberg as of 12/31/2016. Percentages may not add to 100% due to rounding. CBRE Clarion's definition of the global listed infrastructure universe is roughly US$3.1 trillion in equity market cap and consists of 405 companies.

KEY THEMES

Energy policy in the U.S. is likely to see the largest change from the previous administration and is one of the key themes we have identified for 2017. Importantly, the Trump administration has indicated that it is pro-energy, which is inclusive of renewable energy. One of our concerns heading into the election was rhetoric that suggested that Trump may reverse policies supporting renewable energy. It is clear now, in our view, that Trump's administration will support the existing energy policies for renewables, which means this remains an attractive area of growth and investment. We believe that the market is over-discounting fears of renewable investment decline and remain positive on companies with exposure to this activity.

However, the incoming administration is clearly at odds with the current policies that have leaned heavily on the environmentalists in relation to carbon energy.

The appointments so far by Trump (all subject to Senate confirmation hearings) to the Head of the EPA (Scott Pruitt), the Secretary of the Interior (Ryan Zinke), the Secretary of Energy (Rick Perry) and Secretary of State (Rex Tillerson) and Secretary of Commerce (Wilbur Ross) all point to a more favorable regulatory and investment environment for energy and energy infrastructure. We do not believe the market has fully embraced the positive implications of the changes to come in regulation and energy policy as it relates to the listed companies.

Another key theme as we head into 2017 is the positive benefit of investing in listed infrastructure companies in an inflationary environment. Global bond yields have risen on the back of increased economic growth and inflation expectations. 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.

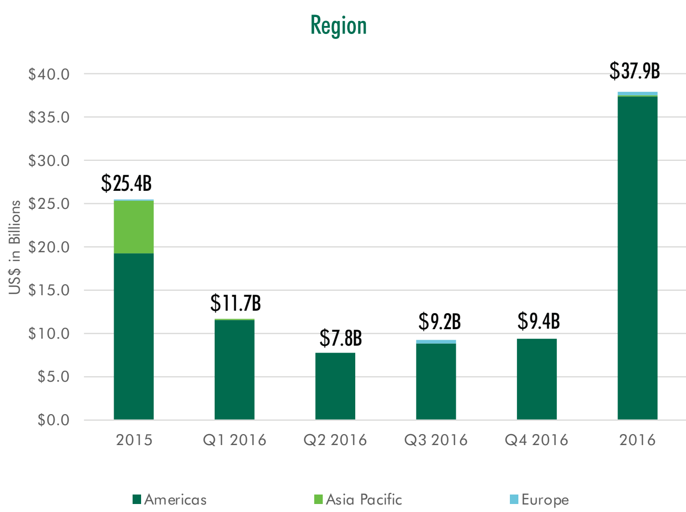
We also believe that the rising economic environment will be positive for traffic sensitive transportation companies. While infrastructure assets are generally less sensitive to economic cycles, transportation assets have revenues that are impacted by traffic volumes. Increased traffic, whether it is passengers or goods, is a benefit to these companies through higher revenues and ultimately cash flows.

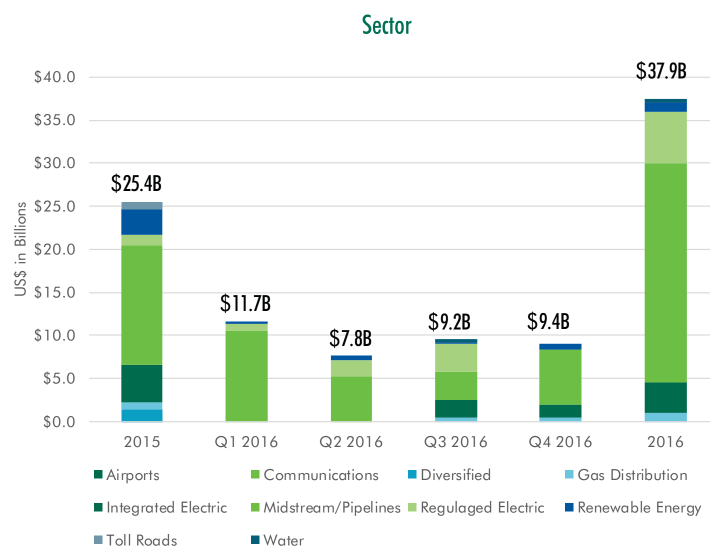
CAPITAL MARKETS UPDATE

Equity issuance in the final quarter of 2016 was the highest fourth quarter of activity since 2013 and the overall level of equity issuance was nearly 50% higher than in 2015. In the final quarter, over $9 billion of equity was raised by companies operating in the Midstream/Pipeline, Towers and Integrated Electric sectors. The total amount of capital raised for the year was just shy of $38 billion, the highest since 2013.

While secondary issuance was robust in 2016, IPO activity was more tepid. We counted zero IPOs in the listed infrastructure space in the fourth quarter and only 2 IPOs for the year raising $2.9 billion of equity. The activity level was the lowest since we have been tracking IPOs in the infrastructure market. We are confident that we will see a rebound in activity in 2017.

Global Equity and Hybrid Issuance





Source: CBRE Clarion and Bloomberg as of 12/31/2016. 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. PA01242017