Global Listed Infrastructure
INFLATION PLUS RETURN POTENTIAL
March 2018

As inflation concerns among investors today continue to grow, the inflation-hedging benefits found in global infrastructure become even more beneficial to a mixed-asset portfolio.

Global infrastructure assets are tangible, physical assets with inelastic demand and monopolistic profiles. These essential assets benefit from contractual or regulatory driven, inflation-linked revenue growth. Moreover, the companies benefit from earning a regulated return on capital expenditures needed to upgrade and enhance existing infrastructure assets. The combination of organic inflation-linked revenue and regulated investment returns is an operating earnings growth that far outpaces inflation.

Inflation-Linked Revenue Growth

Asset Profile

Global infrastructure asset owners can pass through the effects of inflation via higher prices. For example, toll road assets may offer inflation protection as contracts typically tie tariffs explicitly to inflation. In other instances, such as regulated utilities in the U.K. and Italy, regulated returns are set based on real returns, which take inflation into account rather than nominal returns, again allowing for a direct link to inflation. In most jurisdictions, regulated returns are set with reference to the risk-free rate, which is itself a function of inflation.

Investment Growth

In addition to inflation-linked revenue, global infrastructure companies grow earnings and dividends through capital investments to upgrade, improve, or enhance their existing infrastructure assets. Such spending offers them an opportunity to earn a rate of return on these investments in excess of their cost of capital, which drives cash flow growth. In most instances, the investments are undertaken with a known regulated return; the regulated return takes inflation into account and is at a spread to the companies' cost of capital.

Infrastructure assets offer hedging benefits in a rising inflation environment

Regulated Assets

Regulators set allowed returns with reference to the risk-free rate, so returns increase when bond yields rise to reflect higher inflation expectations

Concessions Assets

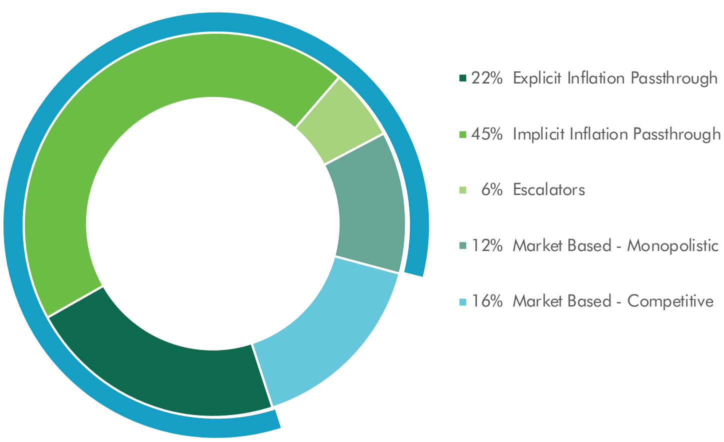
Typically have inflation linked tariffs coupled with some level of demand risk (i.e. higher volume leads to growth in revenues)

Monopolistic Assets

Some types of infrastructure have limited or no competition and have demonstrated pricing power

CBRE CLARION GLOBAL INFRASTRUCTURE UNIVERSE
Inflation Protection is a Hallmark of Infrastructure Assets

84% of listed infrastructure has effective means to pass through the impact of inflation to shareholders.



See important disclosure information on back page.[1]

Stable Cash Flows

Some of the key features of global infrastructure are the inherent high barriers to entry and often difficult-to-replace physical assets that are essential for society to function. These assets typically benefit from monopolies and inelastic demand, which is the source of their stable cash flows over long periods of time. Global listed infrastructure historically has generated relatively predictable and rising cash flows, which has led to strong dividend growth across market cycles and through various macroeconomic events. This means global infrastructure is less affected by macroeconomic activities, such as inflation and rising interest rates, and economic cycles compared to other investments.

CBRE CLARION GLOBAL INFRASTRUCTURE UNIVERSE

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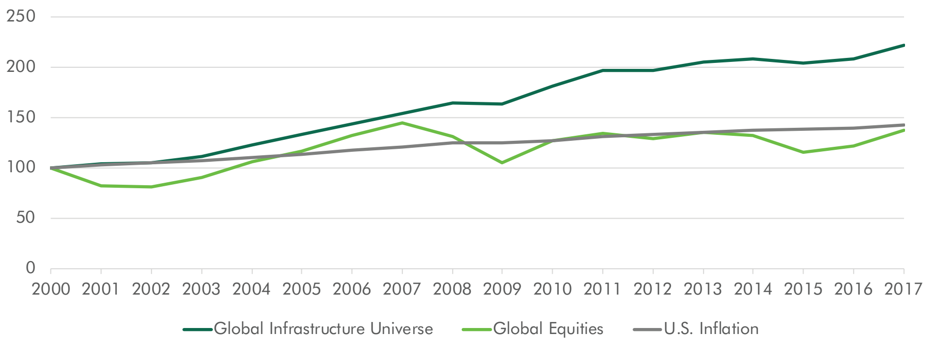

See important disclosure information below.[2]

Strong cash flows have led to 20 years of dividend growth at a 6.1% CAGR

Incorporating global listed infrastructure into a mixed-asset portfolio may provide an attractive combination of inflation-linked revenue growth and rising cash flows. At CBRE Clarion, we incorporate inflation directly into our assessment of each company, based on their assets, contracts and location. We believe our global infrastructure resources combined with a high-conviction and risk-conscious investment process, enhances our ability to generate outperformance while capturing the stability, income, and growth potential of listed infrastructure.

IMPORTANT DISCLOSURES

[1] Source: FTSE Global Core Infrastructure Index 50/50 as of 12/31/2016. "Explicit Inflation Pass Through" includes companies with the ability to offset higher costs through revenues that rise in tandem with inflation, over a relatively short timeframe. "Implicit Inflation Pass Through" applies to companies with revenues that rise with inflation over a longer timeframe. "Market Based Monopolistic" category applies to companies who have dominant pricing power in their sectors, whereas Market Based Competitive applies to those with less pricing power. Companies that have fixed escalators in their contracts are grouped in the "Escalators" category and are deemed to have the least inflation protection.
Standard & Poor's 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

[2] Source: Global infrastructure universe is represented by CBRE Clarion Infrastructure investable universe, Global Equities: MSCI AWCI Index and U.S. Inflation: U.S. Consumer Price Index data as of 12/31/2017. This information is subject to change and should not be construed as investment advice. An index is unmanaged and not available for direct investment For comparison purposes, company operating earnings and the U.S. Consumer Price Index values were rebased to 100 on 12/31/2000. Yields fluctuate and are not guaranteed. Past performance is no guarantee of future results.

Past performance of various investment strategies, sectors, vehicles and indices are not indicative of future results. Investing in infrastructure securities involves risk including to potential loss of principal. Infrastructure equities are subject to risks similar to those associated with the direct ownership of infrastructure assets. Portfolios concentrated in infrastructure securities may experience price volatility and other risks associated with non-diversification. While equities may offer the potential for greater long-term growth than some debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. There is no guarantee that risk can be managed successfully. There are no assurances performance will match or outperform any particular benchmark. Indices are unmanaged and not available for direct investment. PA03122018

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