2019 UPDATE

GLOBAL INFRASTRUCTURE

PRIVATE MARKET TRENDS SUGGEST A LISTED MARKET OPPORTUNITY

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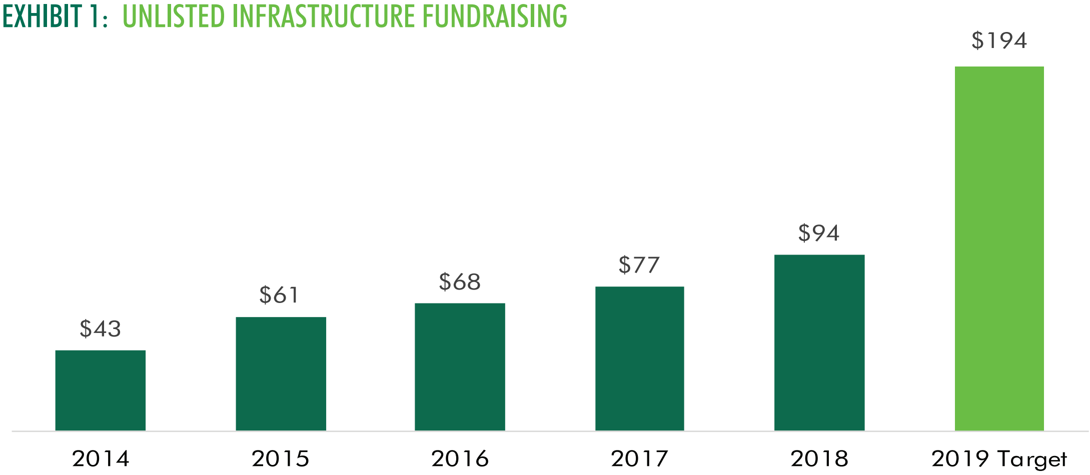
In our view, the transactions in the private infrastructure marketplace continue to highlight the opportunity to own core infrastructure assets in the listed market at a significant 20% discount to their underlying asset value. This valuation gap is unlikely to persist indefinitely, which makes a compelling case for allocating to Global Listed Infrastructure.

The private market is attracting significant capital flows targeting infrastructure investments, making it the largest marginal buyer of assets. The combination of the growing demand for infrastructure and the mismatch between the supply of assets and capital seeking to invest is likely to remain supportive of private market valuation levels. The mismatch is leading to an increasing amount of activity between public companies and private investors, including privatizations given the discounted valuation gap that the listed market trades relative to private transactions. Our investment approach incorporates this private market perspective, which informs our constructive views of listed company valuations and total return potential.

DEMAND FOR INFRASTRUCTURE IS INCREASING

The growth in demand for infrastructure as an asset class has led to significant fundraising in the private market as fund managers seize the opportunity to raise capital. More than $350 billion of fund commitments have been secured over the past five years, and recent activity highlights an acceleration in the trend. In 2018, 76 private infrastructure funds were able to secure a record $94 billion representing a 21% YoY increase in fundraising activity. Evidence suggests strong fundraising trends will continue with more than 220 funds currently seeking commitments totaling an additional $194 billion including two megafunds each targeting more than $15 billion. This additional fundraising will only add to the massive $175 billion in dry powder that has already been committed yet remains uninvested. Taken together, if planned fundraising is successful, and we assume 50% leverage, implies a total of $736 billion of private market buying power seeking exposure to infrastructure assets (Exhibit 1).

EXHIBIT 1: UNLISTED INFRASTRUCTURE FUNDRAISING



Source: CBRE Clarion, Preqin Quarterly Infrastructure Update Q2 2019. Calendar Years 2014-2018 are committed, 2019 Target represents aggregate fundraising total of 221 private unlisted infrastructure funds. Data displayed in USD.

Growing demand from the private market supports asset values while highlighting the discount that exists in the listed markets.

CBRE CLARION SECURITIES

The growing demand for infrastructure has been broad-based as sophisticated institutional investors have woken up to the attractive attributes and long-tailed opportunity belying infrastructure investing. Such demand growth follows a trend set by early allocators to the asset class, some of the largest and most well-resourced institutions across the globe, who have seen their own demand steadily increase over time.

IN SEARCH OF CORE INFRASTRUCTURE

The significant size and rapid growth of the private infrastructure market has made it the most active participant in global transactions. There are several implications and trends worth monitoring which have a close relationship with listed infrastructure companies who own the same assets. First and foremost are the asset level valuations implied by transaction activity. Second are the types of assets being sought out by private investors. The most highly sought after are core infrastructure assets where significant amounts of capital are being put to work making the private infrastructure market the definition setting body for what constitutes institutional-quality core infrastructure. Note this settles an oft-debated topic in the listed space where arbitrary lines have been drawn by managers that have formed their own definitions which are out of sync with the increasingly influential private market. Lastly, the increasing scale of fundraising in search of infrastructure is making capital deployment a challenge in the private market as it requires access to more deal flow and larger deal sizes.

INFRASTRUCTURE IS CHEAP IN THE LISTED MARKET

Since the start of 2016, we tracked more than 75 deals where private market participants acquired core infrastructure assets. The deals represented more than $112.4 billion in aggregate deal size. We find that the average EV/EBITDA multiple paid by private buyers has been nearly 14.6x. By comparison, the listed infrastructure market traded at an average 11.7x multiple over the same time. The difference is a significant 20% discount to the private market (Exhibit 2). It is our view that the large and growing pools of private infrastructure capital will continue validating the inherent value of the listed infrastructure space through ongoing transaction activity.

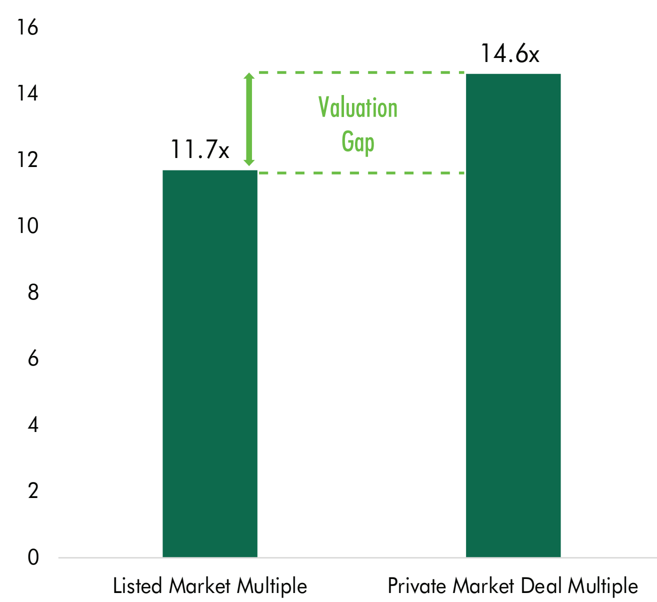
CLOSING THE VALUATION GAP

The listed market is a natural outlet valve for large pools of capital seeking investment in core infrastructure. The combination of discounted valuations and the massive asset base held by the listed universe offers a solution to the private market's issues with sourcing deal flow and scale investing. The attraction of the private market works to the benefit of the listed companies as well. It makes the private market an alternative source of capital to fund ongoing growth capex plans and bolster balance sheets while also providing the opportunity to crystalize gains and share profits with investors. In addition, it enables companies to rebalance portfolios at attractive valuations and can be a useful way to highlight to the market the discounts at which the stocks trade.

Sophisticated institutions are increasing allocations to infrastructure, a trend we expect to continue.

Investors allocating to listed infrastructure have the opportunity to gain exposure to the asset class at a 20% discount to private market valuations.

EXHIBIT 2: INFRASTRUCTURE LISTED AND PRIVATE MULTIPLES



Source: CBRE Clarion as of 06/30/2019. Comparison of average EV/EBIDTA Multiples on 77 private infrastructure market transactions from 01/01/2016 through 06/30/2019 vs. listed infrastructure market multiples over the same period.

THE PRIVATE MARKET HAS TAKEN NOTICE: M&A ACTIVITY IS ACCELERATING

The fit is right, the opportunity is clear, and the evidence is everywhere: the private market is increasingly looking to the listed markets to deploy capital. In the first half of 2019 alone, we have seen more than $50 billion in transaction activity between private investors and public companies. Deal activity spans all core sectors and comes in various forms: direct equity stakes, joint venture investing, individual assets, portfolios of assets, and outright privatizations of public companies by private buyers. Private investors include the largest open-end funds (IFM and JP Morgan), the largest Canadian pension plans (CPPIB, OMERS), sovereign funds (GIC) and a host of private equity players (Blackstone, Brookfield, EQT, Digital Colony, among others). All this activity reinforces the value embedded in the listed companies and provides the potential for multiples to re-rate higher.

The starkest evidence can be found in cases of privatizations where the price paid shines a light on the valuation gap between the public and private markets. In 2019 we have seen privatizations across the core sectors: assets targeted included fiber networks (Zayo), satellite (Inmarsat), midstream (Buckeye), electric utilities (El Paso Electric) and railroads (Genesee & Wyoming). These deals were all cash and done at a deal-weighted premium of 34% versus stock prices unaffected by M&A chatter in the marketplace. This differential shows the levels where private buyers still view they can achieve adequate returns on core infrastructure assets and highlights the inefficiency in the listed markets which have not yet come to fully grasp the private market dynamics at work.

THE OUTLOOK FOR LISTED INFRASTRUCTURE CONTINUES TO SHINE BRIGHT

We believe there is a path towards unlocking value in the listed infrastructure market that supports our view of 10%+ return expectations for the asset class from current levels. The ongoing wave of capital into the private infrastructure market is likely to continue supporting valuation levels. Our investment approach incorporates this private market perspective, which informs our views of listed company valuations and total return potential. On our figures, listed infrastructure started the year at a 10.6x EBITDA multiple and by mid-year had risen to 12.7x. We believe the range in the private market is 14-16x and would expect further upward re-rating of the listed market. At the same time, listed investors get to enjoy the benefits of liquidity and diversification, which is likely to remain a challenge in the highly competitive private market.

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The global transfer of ideas, in-depth local market research, and market intelligence distinguishes CBRE Clarion. Our team of dedicated listed real asset investment professionals draws upon the research and resources of CBRE's global organization. Our global perspective and local infrastructure and real estate market insight combined with our disciplined investment approach enhance our teams' ability to underwrite risks and capitalize on potential opportunities.

CBRE Clarion Securities is the listed equity management arm of CBRE Global Investors, an industry-leading global real asset investment firm sponsoring investment programs across real estate, infrastructure, and private equity.

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