

GLOBAL LISTED INFRASTRUCTURE

WHERE TO INVEST WHEN YOU EXPECT THE UNEXPECTED

The term “unexpected” has become a staple of the New Normal environment. The macro backdrop for global markets remains as unpredictable and uncertain as ever. Investors can attest to a high level of uncertainty that has persisted for a number of years. In our view, listed infrastructure is well-positioned to offer attractive returns to investors, with less risk to the variability of their earnings than general equities.

NON-CYCLICAL DEMAND FUELS LATE-CYCLE GROWTH POTENTIAL

In this uncertain environment, we believe listed infrastructure offers investors a higher level of certainty and predictability by providing consistent cash flows, which are relatively unaffected by unexpected macro events. The main drivers of listed infrastructure’s relative stability and growth potential are:

- Consistent organic growth which is driven by the ongoing need for companies to invest in existing infrastructure assets which are uncorrelated to the macroeconomic outlook
- Demand for new renewable energy infrastructure to support global decarbonization initiatives
- Accelerating data growth and the need to expand communications infrastructure to meet consumer demand

ORGANIC GROWTH FROM UPGRADING AGING INFRASTRUCTURE

Listed infrastructure companies in the developed markets own an estimated \$6.1 trillion¹ in infrastructure assets globally. We estimate that these companies will spend \$200 billion annually, upgrading, replacing, and expanding their existing assets. On the asset base of \$6.1 trillion, that means an annual growth rate of 3.2%. This growth rate is organic and repeating and undertaken regardless of the next uncertain macro event.

Exhibit 1 below shows the intensity of annual capital spending across each infrastructure sector. What is important for infrastructure investors is that this investment is being made under a regulatory structure which provides companies a high level of certainty into the rate of return that will be achieved.

EXHIBIT 1: INTENSITY OF ANNUAL CAPITAL EXPENDITURE DRIVES INVESTMENT RETURNS

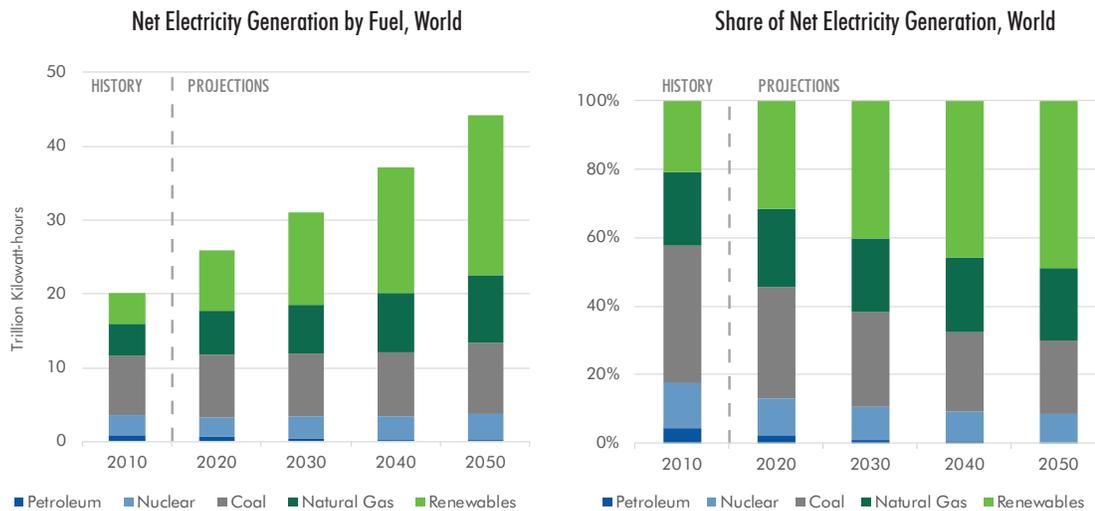
	Enhancements of Existing Assets	Expansions of Existing Networks
Communications	Low \$	High \$\$\$
Midstream	Medium \$\$	High \$\$\$
Transports	High \$\$\$	Medium \$\$
Utilities	High \$\$\$	Medium \$\$

Our forecasted annual growth rate of 3.2% provides an attractive baseline for infrastructure’s total return potential.

DECARBONIZATION INITIATIVES CHANGING DEMAND FOR ENERGY INFRASTRUCTURE

Political pressure to decarbonize continues to mount in industrialized countries, and curbing the greenhouse effect has become a decisive factor for energy policies worldwide. Decarbonization goals in the energy sector can be achieved by shutting coal power plants down and replacing them with renewable and natural gas-fired generation. Under the current regulatory policy, electricity generation from renewables increases rapidly, surpassing coal by 2030. Renewables contribute three-quarters of electricity supply growth to 2040, underpinned by policy support in nearly 170 countries and falling costs. Coal-fired output remains broadly flat, though its share declines significantly, while natural gas and nuclear power maintain their shares.²

EXHIBIT 2: PROJECTED DEMAND BY FUEL TYPE SUGGESTS SUBSTANTIAL RENEWABLE ENERGY INVESTMENT



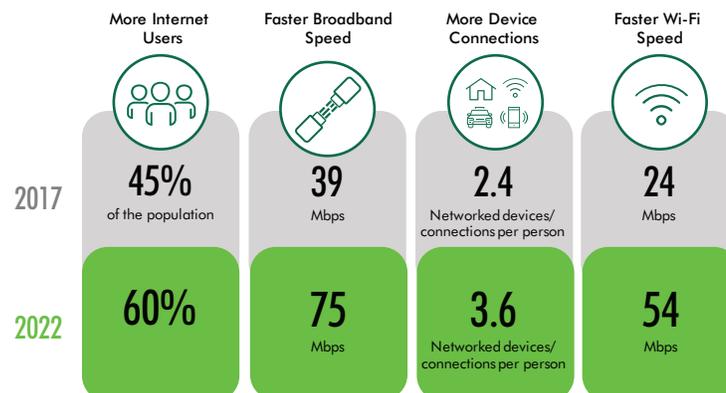
Broad-based political support underpins the investment demand for renewable energy infrastructure and its growth potential.

Source: CBRE Clarion Securities and U.S. Energy Information Administration International Energy Outlook 2019 with projections to 2050 (www.eia.gov/ieo) as of September 2019.

NON-CYCLICAL DEMAND FOR COMMUNICATION INFRASTRUCTURE

Communication infrastructure growth revolves around the increasingly data-intensive nature of wireless traffic as well as the Internet of Things (IoT). Companies in the Communication sector are investing heavily in their assets to meet the non-cyclical demand of increased online traffic and connected wireless devices. We expect this investment to generate consistent cash flow growth for companies in the sector for the benefit of their investors.

Capital investment required to meet the non-cyclical demand of increased online traffic and connected devices may support attractive investment returns in the Communications sector.



Source: Cisco Visual Networking Index | Forecast and Trends 2017-2022, 2018.

CONCLUSION

In an uncertain environment, infrastructure assets offer investors relatively predictable growth. The growth is secured by required investment in aging infrastructure, as well as new investment in decarbonization and data growth. Listed infrastructure companies are well placed to benefit from these trends, and we believe will offer investors attractive risk adjusted returns.

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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.

¹Source: CBRE Clarion as of 09/30/2019.

²Source: International Energy Agency World Energy Outlook 2019, <https://www.iea.org/reports/world-energy-outlook-2019>

IMPORTANT DISCLOSURES

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