CBRE CLARION SECURITIES

GLOBAL INFRASTRUCTURE STRATEGY
STRATEGY COMMENTARY
Q1 2021

MARKET PERFORMANCE REVIEW

Listed infrastructure traded 4.1% higher in the first quarter of 2021, while broad equities rose 5.0% (MSCI World Index) and bonds declined 4.5% (Barclays Global Bond Index). Americas led the way up almost 6% and was the only region to outperform global infrastructure. All regions posted positive returns except Continental Europe. Sovereign yields rose significantly leading to a rotation trade out of growth stocks which were 2020 winners and into value and cyclical sectors. Sector returns were mixed across regions resulting in no clear theme other than some reversal of 2020 winners and losers.

Americas was the best performing region with all sectors finishing in the green. Utilities lagged in the region as rising yields and inflation fears stymied the group before eventually trading higher in March. Midstream was the biggest contribution to the region's returns as the U.S. energy sector traded higher along with increasing commodity prices. Rail and tower stocks outperformed global infrastructure further adding to the region's performance.

Asia posted a modest 0.9% return which was weighed down by Australian toll roads which were negative in Q1. Outside of this weaker segment, Asia experienced solid returns elsewhere.

FTSE GLOBAL CORE INFRASTRUCTURE 50/50 INDEX (USD, NET) PERFORMANCE AS OF MARCH, 31 2021

REGION/COUNTRY	1 Month	2021 YTD	2020
World	7.1%	4.1%	-4.1%
North America	**10.0%**	**6.0%**	**-1.4%**
Canada	8.8%	13.3%	-8.1%
United States	10.3%	4.8%	-0.3%
Europe	**0.7%**	**-1.0%**	**-7.2%**
Cont. Europe	-0.8%	-2.2%	-7.7%
United Kingdom	5.7%	2.7%	-6.4%
Asia-Pacific	**3.0%**	**0.8%**	**-4.8%**
Australia	3.4%	-3.6%	-1.0%
Hong Kong	2.1%	7.7%	-11.8%
Japan	4.4%	6.9%	-15.0%
Singapore	0.0%	0.0%	5.5%
Emerging Markets	**4.0%**	**3.5%**	**-12.7%**

USD net returns calculated by CBRE Clarion via Factset Research Systems, Inc. Portfolio Analytics module.

Japan passenger rails and electric utilities outperformed global infrastructure rebounding from weaker 2020 performances and benefitted from the rotation into value among the broader market.

Continental Europe underperformed the global return due to weak performance from communication stocks as an IPO and planned equity issuance of over Euro 7bn weighted on the stocks. Transportation lagged as airports declined after the strong rally in Q4 and a bumpy path to vaccination in Europe. Europe is experiencing a slower reopening than some other parts of the globe, which led to the pullback in transportation names this quarter. The U.K. had water utilities finish higher.

MARKET OUTLOOK

On the final day of the quarter, President Biden unveiled his $2trillion+ American Jobs Plan, which includes significant targets for infrastructure spending. The proposed bill will face challenges, but we believe the odds are in favor of some infrastructure package passing by the end of Q3 this year. We view the spending package positively, particularly as the bill supports our 3 key investment themes:

- Ageing Infrastructure
  - The plan highlights the need to upgrade our crumbling infrastructure and make it more resilient
  - Clean water is a clear highlight with $111bn allocated to replace all lead pipes and modernize wastewater and stormwater systems
- Decarbonization
  - The plan includes $400bn of clean energy tax credits
  - Power infrastructure is broadly supported with $100bn to modernize the generation and delivery of clean electricity with a path to 100% carbon free by 2035
  - The plan includes a 10-year extension of the tax credits for wind and solar generation, while also now includes battery storage
  - Transmission investment is also supported as is nuclear power
- Digital Transformation
  - The plan is allocating $100bn to ensure 100% high speed broadband coverage across the U.S.

The Federal level support for investment in our themes provides confidence in our near-term forecasts and also provides visibility for the longer-term as the spending takes us to near the end of the decade. If passed, our forecasts would likely increase for selected companies with exposure to these key areas of investment while our risk assumptions would decline, leading to higher valuations.

We will continue to monitor the situation as it evolves and as negotiations change the plan. Our view is that this plan would be very positive for listed infrastructure broadly and our portfolio specifically. The plan is not priced into the stocks and while there may be changes to the final plan, the outcome would likely still be positive and increase the potential upside.

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.

PA04282021