

# Fundamentals or politics?

Why Global Listed Infrastructure has a more predictable return profile

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Section 1

# Why allocate to infrastructure?

# What is global infrastructure?

Assets essential to society's function and economic growth

## Common Investment Characteristics

High Barriers to Entry - Consistent Demand - Defined Revenue Streams - Predictable Growth



### Communications

- Satellites
- Towers
- Data Centers



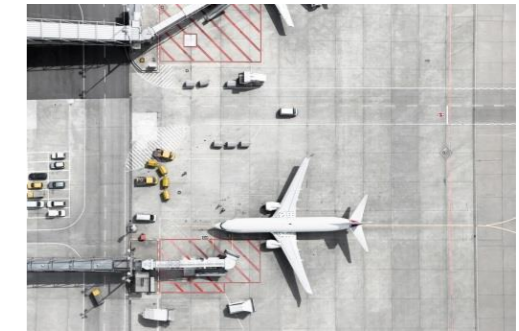
### Midstream/Pipelines

- Pipelines
- Storage
- Processing



### Utilities

- Electric
- Renewables
- Gas
- Water



### Transportation

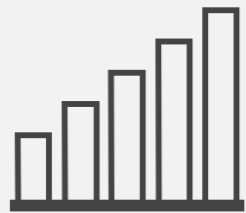
- Toll Roads
- Airport
- Rail Roads
- Ports

OECD estimates global infrastructure investment needs of US\$6.3trn annually from 2016-2030 to support growth and development.

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# Why Global Infrastructure

Global infrastructure is a distinct and growing asset class. The listed market is a viable way to access infrastructure's unique investment characteristics



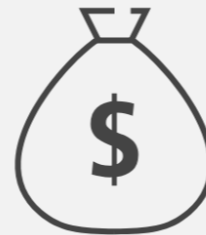
## Long-Term Outperformance

Attractive absolute and relative total returns versus other asset classes



## Income

Contractual or regulated cash flows support predictable current yield with potential for income growth



## Inflation Protection

Regulation, concession or key revenue drivers often links revenue to inflation



## Low Cyclicality and Volatility

Demand profile is relatively inelastic and predictable, and offer less volatility and less susceptibility to economic downturns



## Low Correlation

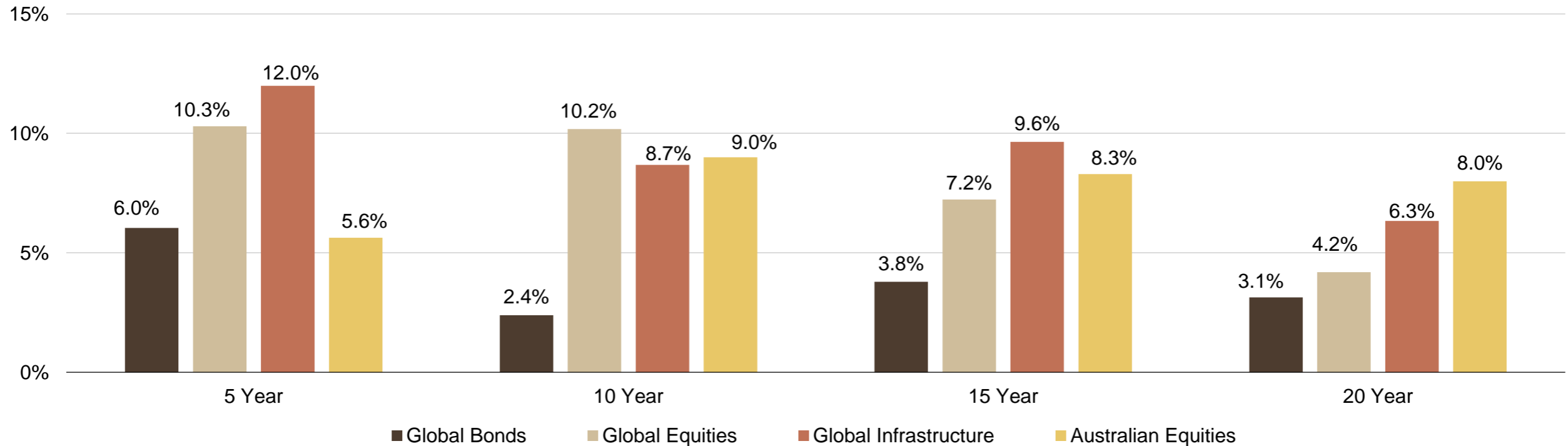
Exhibit lower correlation to traditional asset classes thereby providing diversification benefits

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# Long-term outperformance

Global Listed Infrastructure has historically offered attractive absolute and relative returns relative to other asset classes

## Total Return Comparison



Performance data as of 12/31/2018 in AUD. Index performance reflects the reinvestment of earnings and gains but does not reflect the deduction of any fees or expenses, which would reduce returns. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

Global Bonds: Bloomberg Barclays Global Aggregate Bond Index, Global Equities: MSCI World Equity Index, Global Infrastructure: September 2001 through February 28, 2015, was the UBS Global Infrastructure & Utilities 50/50 Index, beginning March 1, 2015, is the FTSE Global Core Infrastructure 50/50 Index Australian Equities: S&P/ASX 200 Total Return Index.

# Global listed infrastructure may enhance portfolio diversification

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An allocation may diversify and reduce portfolio risk through a low correlation to equities and bonds

## Historical Correlation Analysis

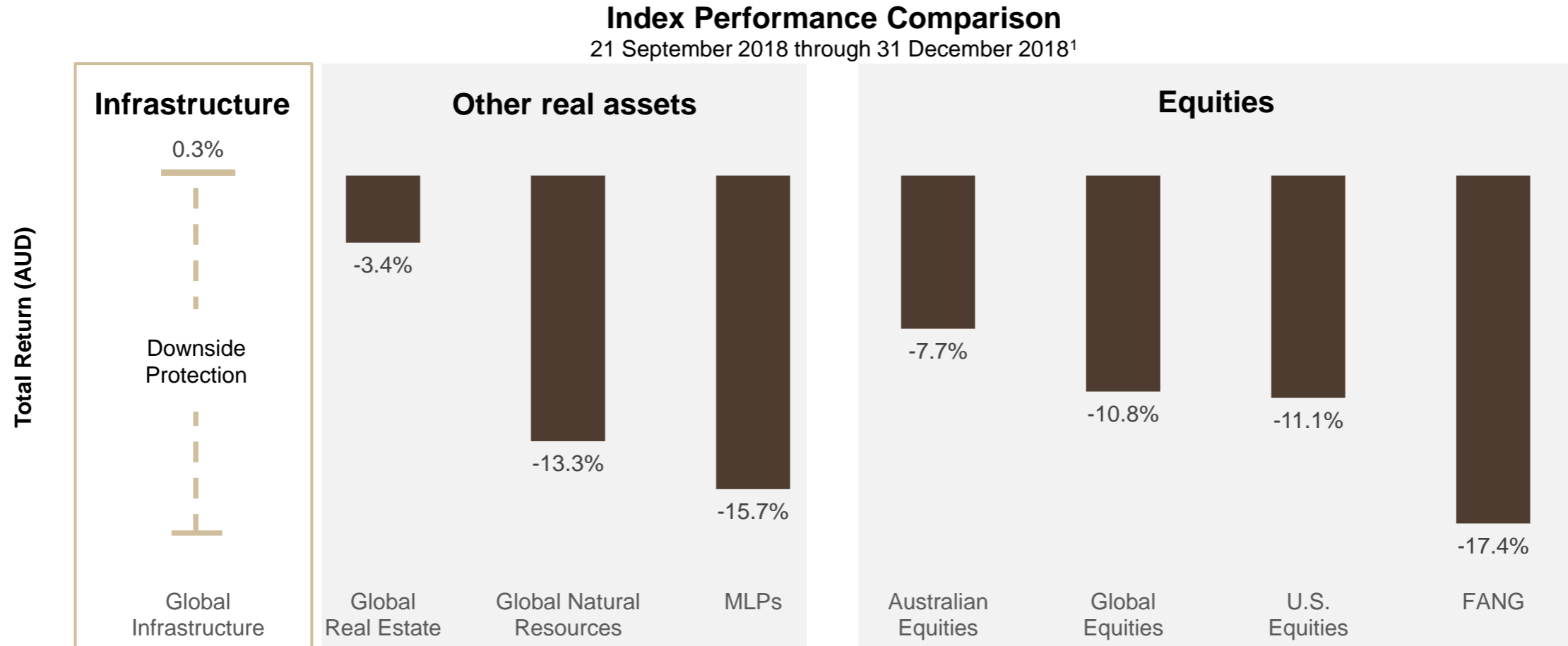
Global Infrastructure vs. Traditional Asset Classes

Equities and Bonds	5 Year	20 Year
Global Bonds	0.62	0.39
Australian Equity	0.29	0.25
Global Equity	0.62	0.61

Source: CBRE Clarion as of 12/31/2018 in AUD. Global Bonds: Barclays Global Aggregate Index; Global Equity: MSCI World Index. Australian Equity: S&P/ASX 200 Index; Global Infrastructure - \*Linked benchmark represents the change when UBS Global Infrastructure & Utilities 50/50 Index from March 1, 2012 through February 28, 2015 when the index was retired; beginning March 1, 2015 FTSE Global Core Infrastructure 50/50 Index. All return series monthly. Correlation coefficient is the degree to which movements of two variables are related. 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. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

# Global infrastructure is a defensive asset class

Global listed infrastructure outperformed other real assets by 11% and equities by 12% on average during the recent market correction, providing relative downside protection and stability



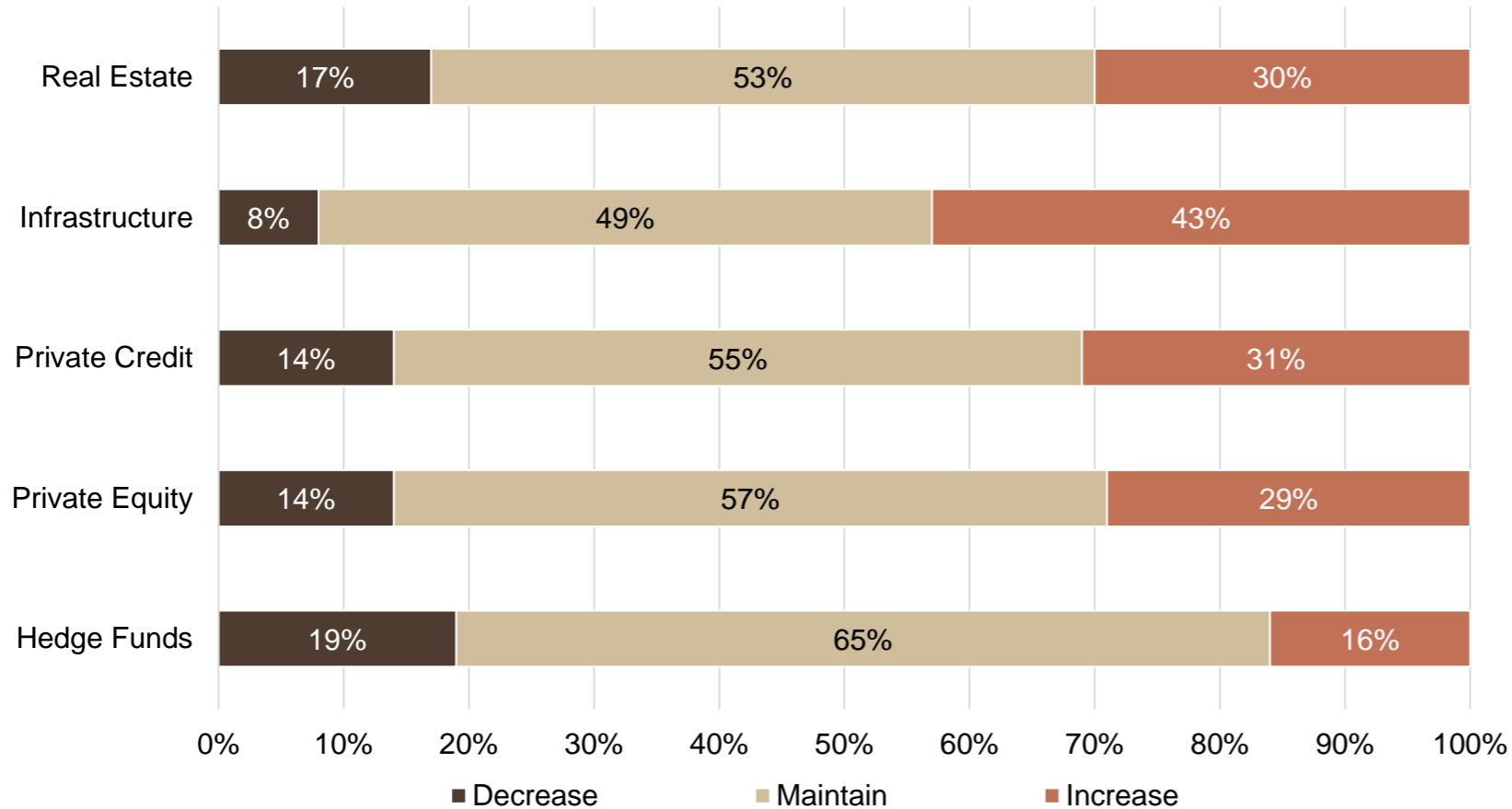
Source: CBRE Clarion, Bloomberg, Morningstar Direct as of December 31, 2018 in AUD.

<sup>1</sup>Correction period is from the S&P 500 52wk high (September 21, 2018) to market inflection point and recovery (December 31, 2018). <sup>2</sup>Relative performance is the difference of the return for global infrastructure and the average for other real assets and equities as shown.

Global Infrastructure: FTSE Global Core Infrastructure 50/50 Total Return Index, Global Real Estate: FTSE EPRA NAREIT Developed Total Return index, MLPs: Alerian MLP Index, Global Natural Resources: S&P Global Natural Resources Total Return Index, Global Equities: MSCI World Total Return index, U.S. Equities: S&P 500, Australian Equity: S&P/ASX 200 Index, FANG: NYSE FANG+ Index. Past performance is not a guarantee of future results.

# Allocations to real estate and infrastructure are increasing

## Institutional investors' plan for coming year



### For all the obvious reasons:

- ✓ Low but rising rates
- ✓ The return of equity market volatility
- ✓ High equity market valuations, slowing EPS growth
- ✓ The need for diversification, income and total return

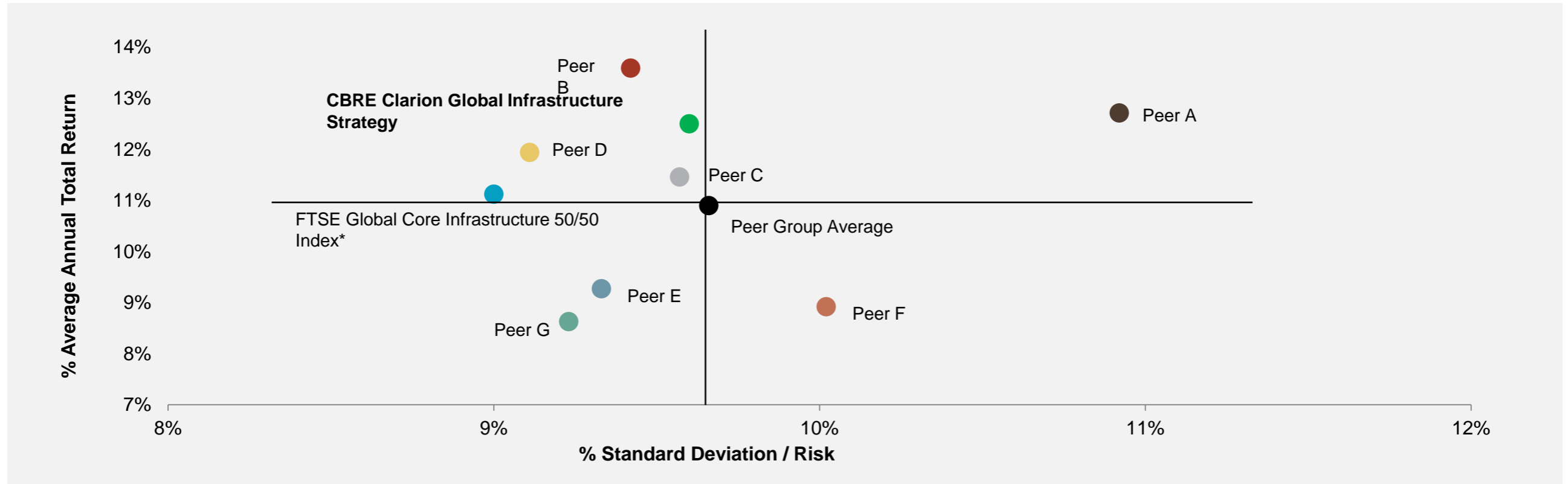
Source: Preqin Investor Outlook: Alternative Assets, H2 2018; based on a survey of 550 institutional investors.



# Attractive risk-adjusted returns

Higher returns with less volatility than the peer group average and benchmarks

## 5-Year Risk / Return Profile



Source: CBRE Clarion and Evestment as of 12/31/2018. The CBRE Clarion Global Listed Infrastructure Composite seeks a high total return through investment in global listed infrastructure securities that demonstrate stable cash flows and consistent cash flow growth. 5-year trailing performance is annualized and based in AUD. Gross returns do not reflect the deduction of advisory fees, but are net of transaction costs and include the reinvestment of dividends, capital gains, and other earnings. Actual investment returns will be reduced by the advisory fees, consistent with the fees described in the client's investment management agreement or Part 2A of the CBRE Clarion Form ADV, plus any other cost a client may incur directly, such as custody fees. Net of fees (including performance fees) returns are calculated by deducting the annualized equivalent of the stated annual management fee for the CBRE Clarion Global Listed Infrastructure strategy from each constituent account's gross of fees return on a monthly basis. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

\*Benchmark Performance from March 1, 2012 through February 28, 2015, the Composite's benchmark was the UBS Global Infrastructure & Utilities 50/50 Index – net of withholding tax; beginning March 1, 2015, the Composite's benchmark is the FTSE Global Core Infrastructure 50/50 Index – net of withholding tax.

Peer Group Average consists of Lazard Global Listed Infrastructure Strategy, First State Global Listed Infrastructure Strategy, Maple-Brown Abbott Global Listed Infrastructure, Magellan Core Infrastructure Strategy, Macquarie Global Listed Infrastructure Securities, AMP Capital Global Listed Infrastructure Securities and RARE Infrastructure Value Strategy.

Section 2

# Benchmarking issues

# CBRE's Investment Universe is inclusive of *the* global opportunity set

Our investment universe is more inclusive than any one index. A more concentrated or index-based definition of infrastructure may miss opportunities to generate attractive risk-adjusted returns

	<b>CBRE Clarion Global Infrastructure Universe</b>	<b>FTSE Global Core 50/50 Infrastructure Index</b>	<b>DJ/Brookfield Global Infrastructure Index</b>	<b>S&amp;P Global Infrastructure Index</b>
# of Constituents	420	226	102	73
Market Capitalization	US\$3,666 billion	US\$2,078 billion	US\$899 billion	US\$1,120 billion
Top 10 Weights	17.5%	27.9%	37.1%	38.3%
U.S./International Exposure	48% / 52%	49% / 51%	44% / 66%	35% / 65%
Emerging Market Exposure	11.0%	11.5%	3.6%	7.2%
Sectors Excluded	None	MLPs	Railroads, Integrated Electric, MLPs	Railroads, Communications, MLPs
	CBRE Clarion Global Infrastructure Universe	FTSE Global Core 50/50 Infrastructure Index	DJ/Brookfield Global Infrastructure Index	S&P Global Infrastructure Index

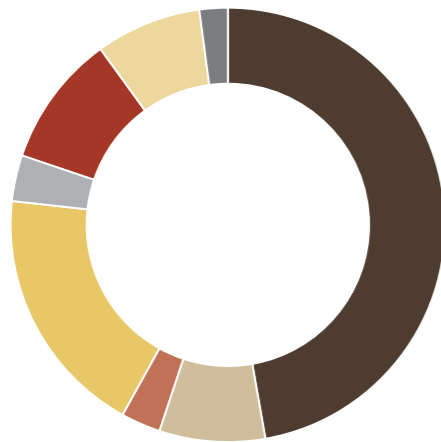
Source: CBRE Clarion, Dow Jones Brookfield Global Infrastructure Index, S&P Global Infrastructure Index, and FTSE Global Core Infrastructure 50-50 Index as of 12/31/2017. An index is unmanaged and not available for direct investment.

# Infrastructure investment universe is broad and diverse

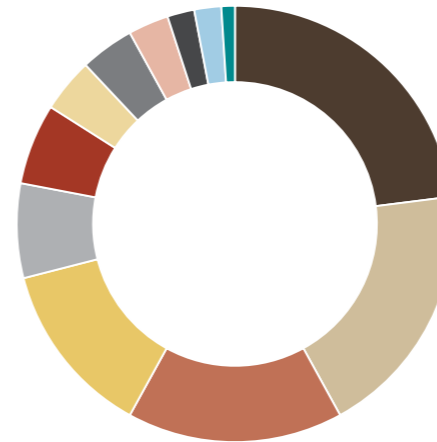
Our universe is defined by the marriage of consistent inflation-linked cash flows and the ownership of essential infrastructure assets

## Global Listed Infrastructure Investment Universe

\$3.4 Trillion Equity Market Value  
381 Companies



- 48% United States
- 8% Canada
- 3% Latin America
- 19% Continental Europe
- 3% United Kingdom
- 10% Asia
- 8% Emerging Asia
- 2% Australia/NZ



- 23% Integrated Electric
- 19% Regulated Electric
- 16% Midstream/Pipelines
- 13% Rail
- 7% Communications
- 6% Gas Distribution
- 4% Toll Roads
- 4% Airports
- 3% Water
- 2% Renewable Energy
- 2% Ports
- 1% Diversified

### Core Investment Characteristics

Long-Duration Assets

High Barriers to Entry

Defined Revenue Streams

Consistent Demand

Source: Bloomberg and CBRE Clarion Securities as of 12/31/2018. Percentages may not add to 100% due to rounding. 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. Forecasts and any factors discussed are not a guarantee of future results.

# Investment outlook supported by secular themes

Our outlook is tilted towards these five themes



## Digital Infrastructure and Fiber Networks

- Data consumption is accelerating, along with changing consumer trends and business' demands, tied to a rising number of internet based devices (20 bn by 2020)



## Rising Natural Gas Demand

- North America has significant supply of cheap and readily available natural gas.
- Natural gas is the default baseload power option globally, leading to pipeline, storage, and LNG import/export facility investments.



## Renewable Growth

- Dramatic changes occurring within the energy space include a move away from coal and nuclear to renewables (wind, solar) and natural gas



## Toll Roads/Airports

- Traffic fundamentals remain positive in most regions
- Widest public-private discount of major infrastructure sectors



## North American Rail

- Strong volumes reflect on-going economic recovery
- Precision railroading driving higher margins, expect double-digit cash flow growth for selected companies

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Section 3

# Investment outlook

# Why invest today

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We expect 12-14% total returns for global listed infrastructure over the next 12 months

## **Secular Drivers in Place: Predictable Growth Supported by Inflation**

- Infrastructure is a stable asset class that has predictable earnings driven by the need for investment in ageing infrastructure
- Inflation driven revenues as well as on-going investment to update, enhance and replace existing assets provides 3-4% recurring earnings

## **Listed Infrastructure Valuations Attractive Relative to Equities and Private Infrastructure**

- Private equity infrastructure transactions demonstrate EBITDA multiples for core infrastructure are 14-16x versus listed infrastructure at 10.6x
- Record fundraising in the private sector and significant dry powder is likely to support valuations, particularly if M&A activity continues to rise
- Relative to broad equities, listed infrastructure EBITDA multiple has compressed by over 25% the past 5 years

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# Global listed infrastructure discounted to equities

Listed infrastructure offers attractive income yield with stable growth that should deliver double digit returns

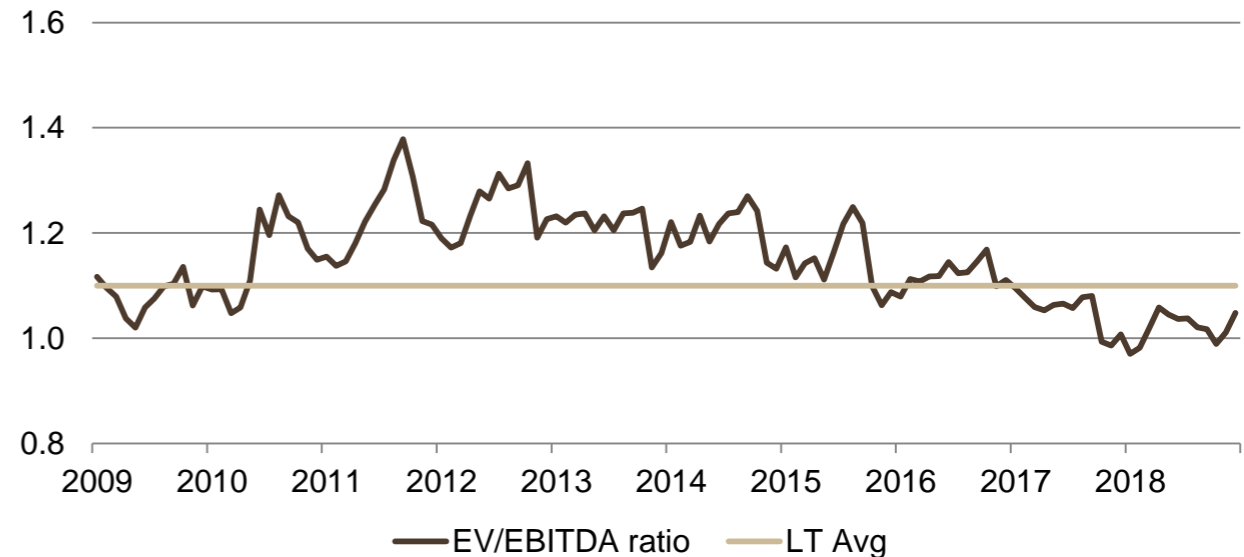
## Attractive Valuations

- Listed infrastructure is trading at a discount to its long-term average EV/EBITDA multiple relative to U.S. equities, despite accelerating earnings growth and supportive income yield.

## Global Listed Infrastructure Universe Valuation (forecasts)

PE/2019	15.2x
EPS Growth 2 YR CAGR 2020/2018	7.5%
EV/EBITDA 2019	10.6x
Div Yield 2019	4.1%
Dividend Payout Ratio	59.7%
Debt/EV	36.7%

## History of Ratios of Global Infrastructure to U.S. Equities EV/EBITDA Multiples

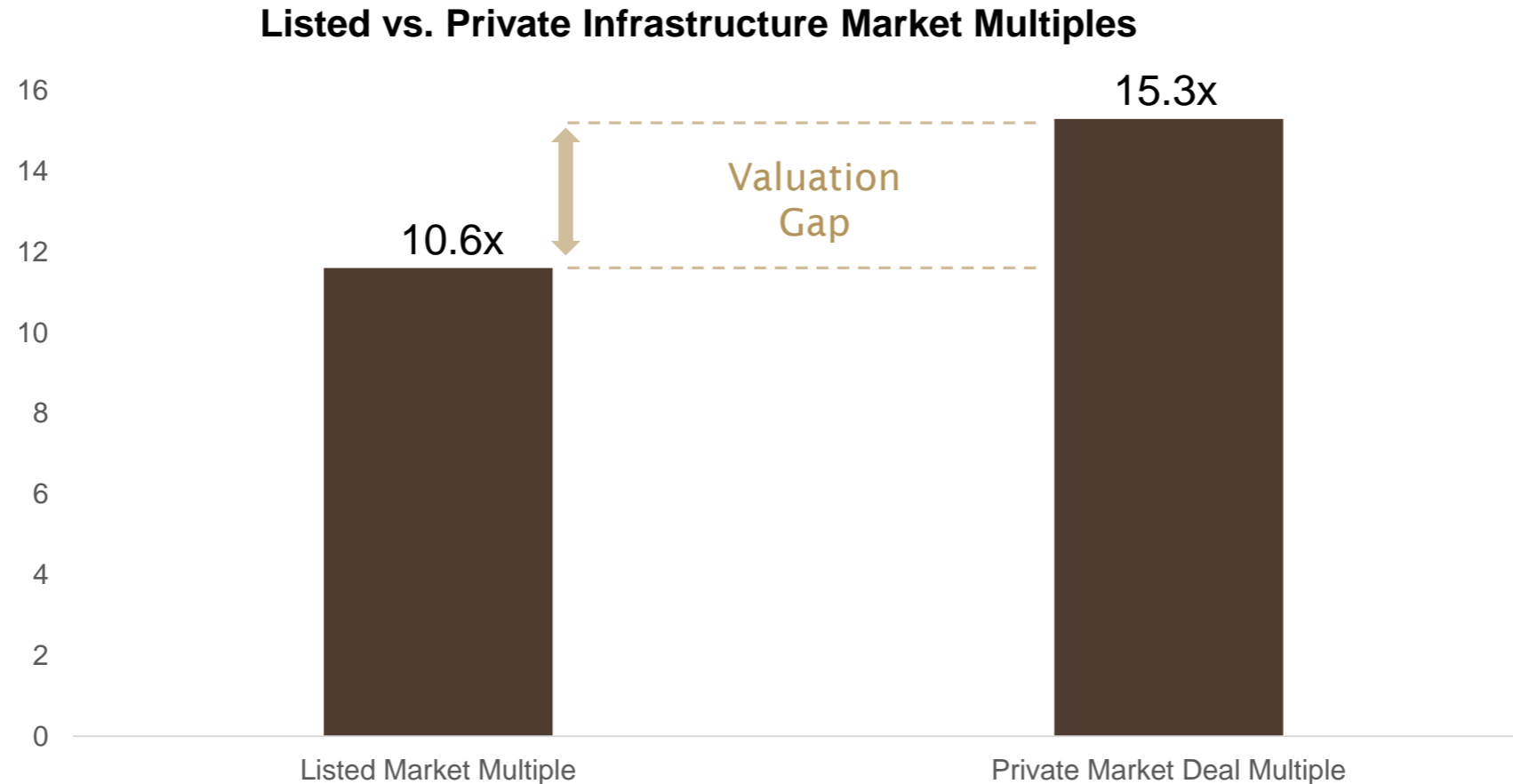


Source: CBRE Clarion investable universe, FactSet and Bloomberg as of 12/31/2018. Information is the opinion of CBRE Clarion, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not a guarantee of future results.



# Infrastructure assets in the listed markets are discounted

Investors allocating to listed infrastructure have the opportunity to gain exposure to the asset class at a 24% discount to private market values

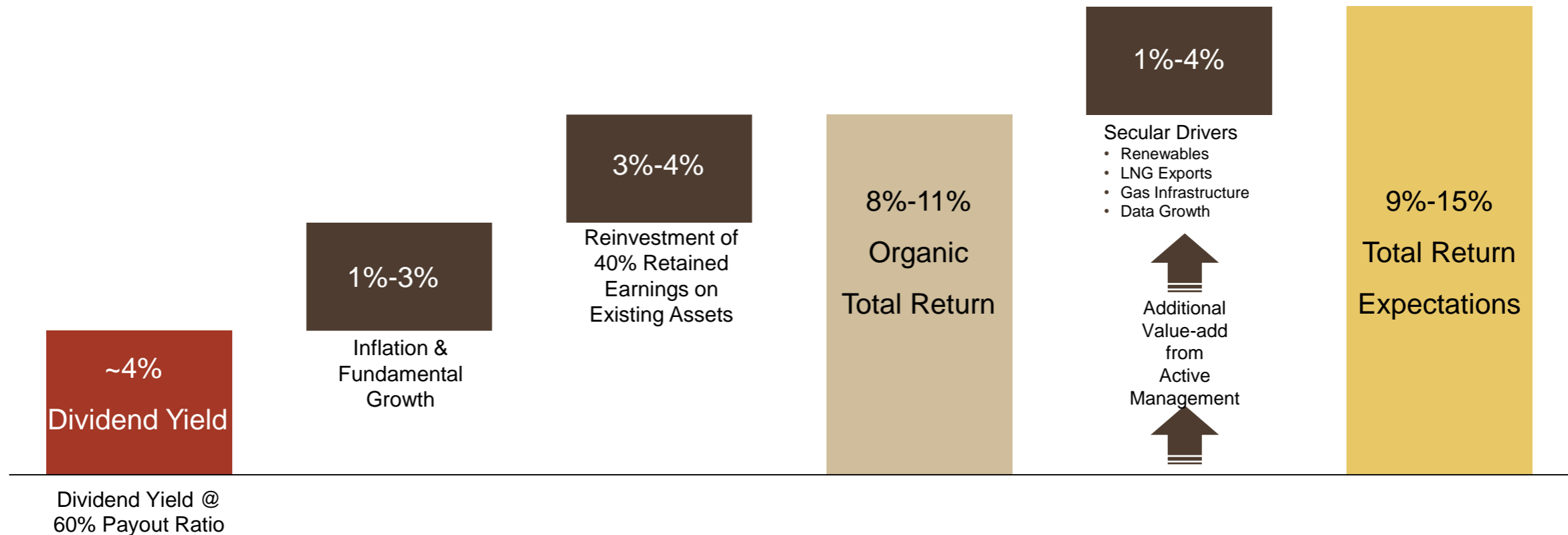


Source: CBRE Clarion as of 12/31/2018. Comparison of average EV/EBIDTA Multiples on 70 private infrastructure market transactions from 2015 through 2018 vs. listed infrastructure market multiples over the same period. Information is the opinion of CBRE Clarion, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not a guarantee of future results.

# Illustrative total return expectations

Listed infrastructure provides a defensive and stable growth profile anchored by dividend income, inflation-linked revenues, and growth from the reinvestment of capital. Also, secular trends enhance the total return potential of the asset class through active management

## Underwriting of Organic and Secular Building Blocks of Total Return



Source: CBRE Clarion. For illustrative purposes only. Not intended to provide current market analysis. 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. Forecasts and any factors discussed are not a guarantee of future results.

# UBS Clarion Global Infrastructure Securities Fund

The UBS Clarion Global Infrastructure Securities fund is unique relative to our peers and offers investors the potential for attractive risk-adjusted returns.



Infrastructure platform

- Private market resources of a US\$7bn asset manager
- Information edge in underwriting regulation, transactions and valuations



Global & well-resourced investment team

- Experienced and specialised team members in our offices worldwide
- Provide a local market perspective on regulatory and political factors



Broader investment universe

- Investment scope informed by assets targeted by largest private investors
- Broader investment set than peers has delivered value



High conviction active management

- Multi-step investment process adding value top down and bottom up
- Committed to responsible capacity management in concentrated asset class

# Fundamentals or ~~politics~~?

## Why Global Listed Infrastructure has a more predictable return profile

- The marriage of consistent inflation-linked cash flows and the ownership of essential assets
- The breadth of the investable universe with greater regulatory oversight
- The unlisted market creates effective pricing insight on the listed market

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