



CBRE CLARION SECURITIES GLOBAL LISTED INFRASTRUCTURE

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GLOBAL LISTED INFRASTRUCTURE EXECUTIVE SUMMARY

Investment in infrastructure is among the world's leading growth drivers and is a strategic priority for countries worldwide. Listed infrastructure companies are playing a dominant role in the accelerating growth of the infrastructure asset class globally.

More than \$50 trillion is likely needed to fund global infrastructure projects in the coming years, essentially making infrastructure among the world's largest growth industries.

The infrastructure sector exhibits attractive investment characteristics including:

1. Historically steady and predictable cash flow streams,
2. Monopolistic investment positions driven by high barriers to entry,
3. Demand that is generally uncorrelated to macro-economic conditions, and
4. Inflation protection.

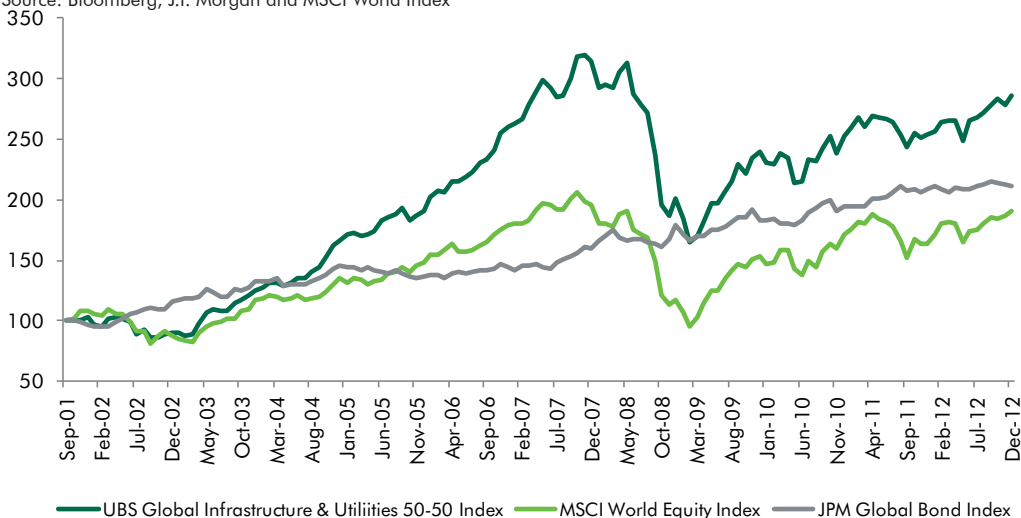
Allocating capital to the infrastructure sector is an ideal way to match long-duration assets with long-term benefit liabilities, while remaining well positioned to achieve strong risk-adjusted returns stemming from predictable income streams and capital appreciation potential.

Listed infrastructure may provide investors with much greater liquidity features relative to private market investment opportunities and allows for better diversification globally, both by sub-region and sub-sector.

Global listed infrastructure has outperformed global equities and global bonds over the past 10 years, while at the same time exhibiting lower levels of volatility than other equity sub-sectors. The UBS Global Infrastructure & Utilities 50-50 Index posted a ten-year +12.2% annualized total return versus the MSCI World Equity Index which delivered a +8.1% total return and global bonds which returned +6.2%.

Exhibit 1: Historical Returns versus Global Equities and Bonds (cumulative, USD)

Source: Bloomberg, J.P. Morgan and MSCI World Index



MARCH 2013

Global listed infrastructure offers attractive dividend yields with capital growth potential; adds portfolio diversification benefits with lower volatility than other asset classes; and provides an increased level of market transparency and liquidity versus private-market investment alternatives.

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INTRODUCTION

Global listed infrastructure has delivered attractive returns over the long-term, outperforming global equities and bonds, while exhibiting lower levels of volatility. Investment in infrastructure is a priority for countries globally and in many cases is seen as critical to sustaining and enhancing existing living standards. Today, listed companies are playing an increasingly important role in meeting this strategic priority. Global listed infrastructure may offer investors the potential to achieve competitive returns, with diversification benefits in a liquid, transparent structure.

An investment in global listed infrastructure should be considered in any mixed-asset portfolio to enable investors to benefit from an asset class that:

- is a strategic investment priority for countries worldwide;
- is a growing part of the investment universe;
- provides attractive dividend yields and capital appreciation characteristics;
- shields investors from the competitive threats typical of other industries given high barriers to entry;
- has steady, predictable cash flow streams that are generally linked to inflation;
- offers an increased level of diversification, transparency and liquidity versus private investment.

Infrastructure is among the world's largest growing asset classes.

Global economic conditions remain challenged and many countries are experiencing a deceleration in fundamental growth rather early in the recovery phase. The lack of any robust pickup in economic activity has forced governments around the world to remain focused on preserving fiscal stability by reducing spending habits and large debt burdens. Leaders recognize that sovereign coffers lack the adequate resources to absorb the infrastructure needs of the next generation and therefore must reach out to the private sector's willingness to join forces and provide the capital to preserve the viability of existing infrastructure and help fund the growth and expansion of emerging economies. An Organization for Economic Co-operation and Development (OECD) report estimated global infrastructure requirements through 2030 to be in the order of \$50 trillion¹, essentially making infrastructure among the world's primary growth industries.

As a result of this anticipated demand, institutions are partnering with the public sector to build and operate a broad range of infrastructure assets around the world and are playing a larger role in the development and financing of essential projects needed to sustain growth and preserve existing assets across global economies.

In this paper, we build the case in support of investing in global listed infrastructure as an attractive vehicle to gain exposure to the asset class and potentially capitalize on the articulated opportunity.



BEIJING CAPITAL
INTERNATIONAL AIRPORT

¹ Inderst, G. (2009), "Pension Fund Investment in Infrastructure," OECD Working Papers on Insurance and Private Pensions, No. 32, OECD Publishing, © OECD, 5.
<http://dx.doi.org/10.1787/227416754242>

WHAT IS INFRASTRUCTURE?

“Infrastructure” represents the structures and systems which are the real assets and organizational facilities that provide society with the essential resources to function. These long-standing assets are generally costly and difficult to replace and incorporate a myriad of product types across geographic locations. Infrastructure includes bridges, toll roads, and airports as well as complex networks that facilitate the distribution of water, electricity, oil and gas, and cellular communication networks and towers. Perhaps the most distinguishable attribute of infrastructure assets is their monopolistic position, which arises from high barriers to entry, generally dictated by the high levels of required investment and government mandated regulation which ensures minimal competition to existing asset classes.

Infrastructure can be divided into two categories; economic infrastructure and social infrastructure.

Economic infrastructure includes operating facilities and systems that support economic vitality of a community. This includes toll roads, utilities, tunnels, and communication networks. These assets are considered “demand assets” by nature, as revenue generation stems directly from user demand. Economic returns on these assets are typically funded by user fees based on specific demand for product. On the opposite end of the spectrum is social infrastructure which essentially enables the delivery of mainstream social services to a community regardless of demand levels. Social infrastructure can include schools, prisons, hospitals, and court houses, all of which result of the necessity to provide certain services that enable a community to function.

Exhibit 2: Types of Infrastructure

Source: CBRE Clarion Securities

Economic Infrastructure			Social Infrastructure
Transport	Energy & Utilities	Communications	
Toll Roads	Electricity	Fixed Line Networks	Education
Bridges	Gas / Oil	Towers	Healthcare
Tunnels	Water Supply & Sewer Systems	Satellite Systems	Correctional Facilities
Ports	Renewable Energy		Government Buildings
Airports			Police & Military Facilities
Rail	Project Types:		Parks
Parking Facilities	Generation		
	Transmission / Distribution		
	Transportation / Storage		

WHY INVEST IN INFRASTRUCTURE?

Investing in infrastructure is an ideal way for institutions to match their long-term liabilities with long-duration assets, while achieving strong risk-adjusted returns stemming from predictable income streams and capital appreciation. In a report published by the American Society of Civil Engineers, the authors assert that the physical condition of aging infrastructure in the U.S. is weak and in the need of meaningful capital re-investment to sustain¹. Hence, the ability to invest in irreplaceable regulated assets currently owned by the public sector is an opportunity for investors to potentially lock in stable, long-term returns in an asset class shielded by the high barriers in place to prevent unwarranted competition. In our view, infrastructure is positioned to perform well throughout an economic cycle as demand drivers of infrastructure are generally insensitive to changes in GDP and other economic factors.



¹ 2009 Report Card for America's Infrastructure, American Society of Civil Engineers, www.infrastructurereportcard.org.

INFRASTRUCTURE CHARACTERISTICS

Exhibit 3: Common Characteristics of Infrastructure Assets

Source: CBRE Clarion Securities

Attribute	Common Characteristic	Industry Example
Monopolistic	<ul style="list-style-type: none"> Large scale - Capital intensive High barriers to entry - Initial capital outlay and regulation serve as a barrier to entry 	<ul style="list-style-type: none"> Regulated utilities - Electricity, Gas, Water Toll roads, Airports, Rail Pipelines Satellites
Regulated / Government Oversight	<ul style="list-style-type: none"> Benefits to society as a whole 	<ul style="list-style-type: none"> Pipelines, Electric Transmission Toll roads, Airports Regulated utilities - Electricity, Gas, Water
Inelastic Demand	<ul style="list-style-type: none"> Provide essential community services Less sensitive to business cycle 	<ul style="list-style-type: none"> Electricity, Gas, Water Towers, Satellites
Predictable Long-term Returns	<ul style="list-style-type: none"> Assets are long-lived Steady user demand Reliable cash flows 	<ul style="list-style-type: none"> Toll roads Regulated utilities - Electricity, Gas, Water Pipelines
Inflation-linked	<ul style="list-style-type: none"> Real assets - long term asset appreciation in-line with inflation Concessions permitting rent escalations linked to inflation 	<ul style="list-style-type: none"> Toll roads, Airports, Rail Regulated utilities - Electricity, Gas, Water Towers

LISTED INFRASTRUCTURE PROVIDES LIQUIDITY IN AN OTHERWISE ILLIQUID ASSET CLASS

Investors can gain exposure to infrastructure in various ways. Direct investment offers pure exposure with operating control; however, the large capital outlay typically needed per project essentially eliminates the diversification benefit options and tends to lead to higher leverage. Private equity and other indirect investment vehicles provide for better diversification and allow for smaller capital outlays, but liquidity features are low and transparency of asset level returns and operating risks are lacking. Furthermore, historical data for private investments and funds is limited, making the analysis and comparison of historical returns and risks challenging. Investing via listed securities offers an attractive alternative with daily liquidity, transparency of reporting, significant diversification by sub-sector as well as by geographic region, and a historical data set to analyze returns, risks and correlations. We therefore believe the benefits of investing in a listed infrastructure vehicle may provide a better long-term risk-reward profile for investors, as compared to direct investment.

Exhibit 4: Primary Methods of Gaining Exposure to Infrastructure

Source: CBRE Clarion Securities

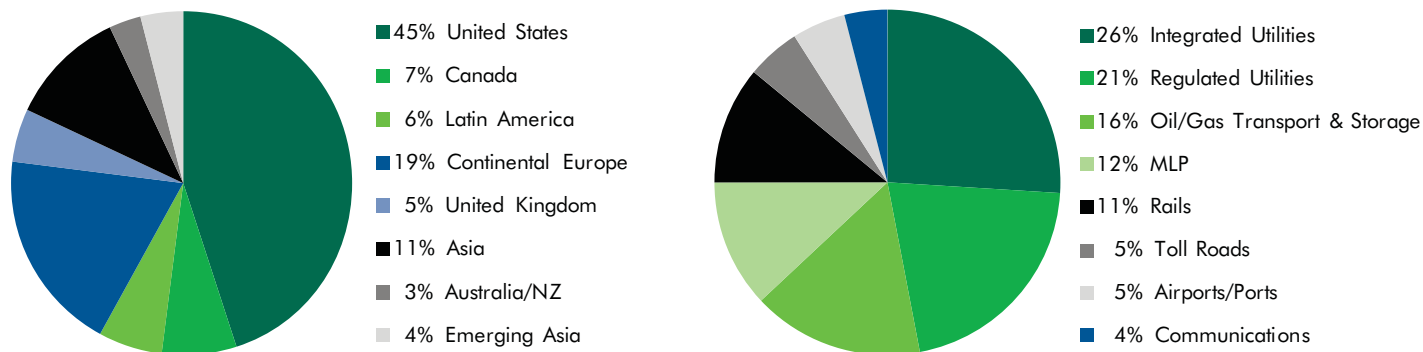
Method of Investing	Advantages	Disadvantages
Direct	<ul style="list-style-type: none"> Control Maximum transparency Discretion over capital structure 	<ul style="list-style-type: none"> Large capital outlay Little diversification Regulatory risk Low liquidity Specialist operating skills required
Private Funds / Partnerships	<ul style="list-style-type: none"> Better diversification Smaller capital requirements No operating skills required 	<ul style="list-style-type: none"> Lack of transparency / disclosure Some regulatory risk Low liquidity Slower investment execution
Debt Financing (Bonds)	<ul style="list-style-type: none"> Returns largely pre-determined Potential asset recourse on capital Lower volatility of returns No operating skills required 	<ul style="list-style-type: none"> Large capital outlay Little diversification Some regulatory risk Low liquidity
Listed Infrastructure Vehicles	<ul style="list-style-type: none"> Strong diversification potential Highly liquid No operating skills required Minimum investment threshold Daily pricing High levels of disclosure 	<ul style="list-style-type: none"> Higher volatility of returns Limited see-through to individual projects Some regulatory risk

THE GLOBAL LISTED INFRASTRUCTURE UNIVERSE

The global listed infrastructure universe is approximately \$2.3 trillion in free-float equity market capitalization and encompasses over 320 companies. We have broadly defined the universe to include those companies around the globe with a minimum equity market capitalization of \$100 million which generate a minimum of 50% of operating cash flows from the ownership or operation of infrastructure assets. Developed markets account for 90% of the listed universe, with the Americas, Europe, and Asia Pacific comprising 58%, 24%, and 18%, respectively.

Exhibit 5: Breakdown of the Listed Infrastructure Investment Universe

Source: Bloomberg and CBRE Clarion Securities



The listed infrastructure universe includes companies that own and derive income from a tangible asset base and meet the infrastructure characteristics as defined above.

Exhibit 6: Focus on Companies that Own Real Assets

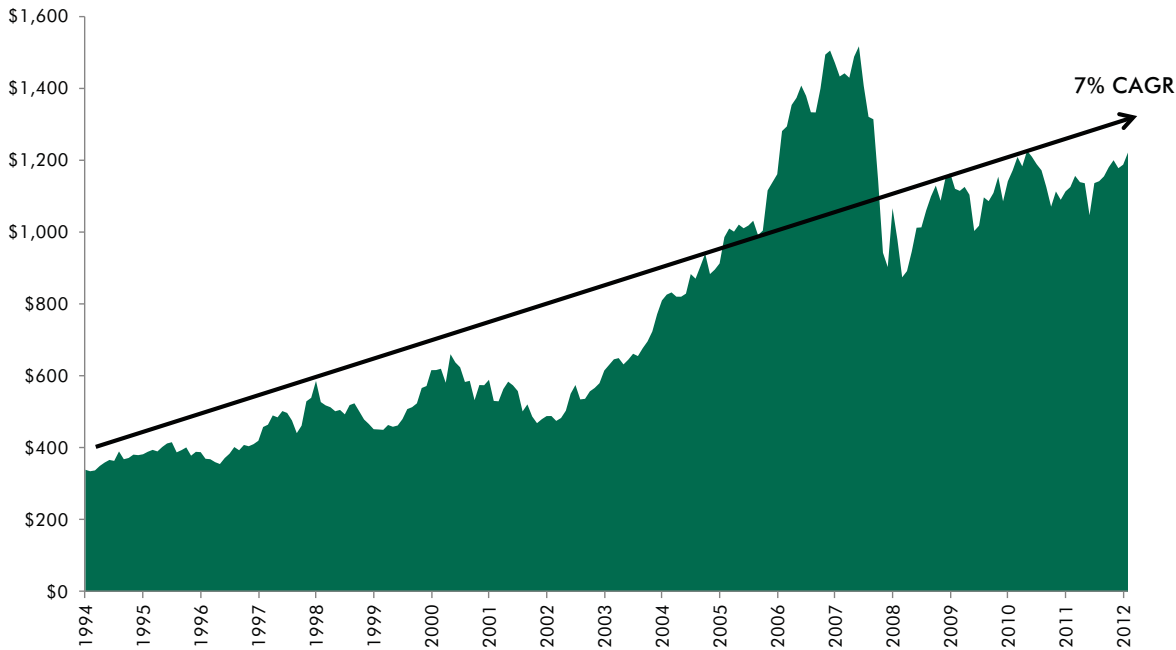
Source: CBRE Clarion Securities

	Included In Our Universe	Excluded from Our Universe
Description	<ul style="list-style-type: none"> Companies that own, develop, lease, concession or manage infrastructure assets Assets are long-lived and require high capital investment 	<ul style="list-style-type: none"> Companies that service infrastructure assets Companies whose sole business is to profit from the sale of commodities
Cash flow & Risk Profile	<ul style="list-style-type: none"> Contractual and stable with long duration High current yield Lower volatility 	<ul style="list-style-type: none"> Limited visibility Low yields and margins Higher volatility
Demand profile	<ul style="list-style-type: none"> Provide essential community services Less sensitive to business cycle 	<ul style="list-style-type: none"> Cyclical and linked to business cycle
Sectors	<ul style="list-style-type: none"> ✓ Oil and gas pipelines and storage facilities ✓ Electricity transmission and distribution lines ✓ Water pipelines ✓ Toll roads ✓ Airports ✓ Sea ports ✓ Railroads ✓ Communication towers ✓ Satellites 	<ul style="list-style-type: none"> ✗ Mining companies ✗ Shipping companies ✗ Pure merchant power generators ✗ Energy service companies ✗ Engineering companies ✗ Pure construction companies ✗ Cement manufacturers ✗ Machinery manufacturers

The listed infrastructure universe market capitalization has grown significantly, expanding at a compound annual growth rate (CAGR) of 7.0% since inception of the UBS Global Infrastructure & Utilities 50-50 Index in 1994. We expect the index to continue its rapid growth phase in the coming years, reflecting the growing need to fund infrastructure assets world wide as stated in the OECD reporting predicting \$50 trillion of infrastructure requirements by 2030.

Exhibit 7: Growth in Market Capitalization of Global Listed Infrastructure Index

Source: UBS Global Infrastructure & Utilities 50-50 Index

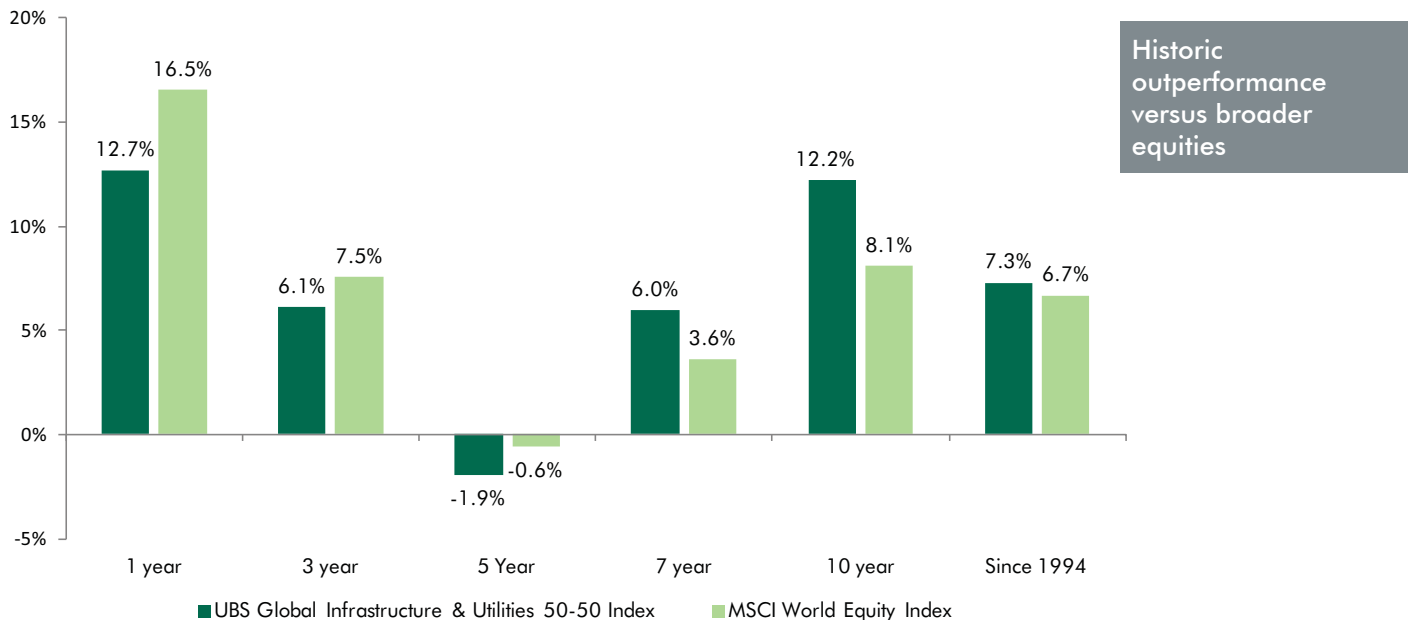


HISTORICAL PERFORMANCE & RISK ANALYSIS

Global listed infrastructure has outperformed the broader global equities market over various time periods since inception of the UBS Global Infrastructure & Utilities 50-50 Index in 1994.

Exhibit 8: Historical Total Returns versus Global Equities (annualized, USD)

Source: Bloomberg and MSCI World Index



Despite underperforming relative to broader equities over the more recent three-year period, global listed infrastructure has clearly outperformed over the longer-term. Moreover, it is important to highlight that in all periods presented, listed infrastructure has delivered at a lower level of volatility than other equities, contributing to higher risk-adjusted returns. Since inception of the global listed infrastructure index in 1994, annualized volatility has been just 13.7% versus 15.8% for the MSCI World Equity Index. While volatility levels have been elevated from historical trends, the higher level reflects the impact of the global financial crisis (GFC) of 2008-2009. Since the GFC, volatility levels have trended down toward the pre-GFC average of just 11.4%.

Exhibit 9: Historical 10-year Risk-adjusted Returns, 2002 - 2012 (annualized, USD)

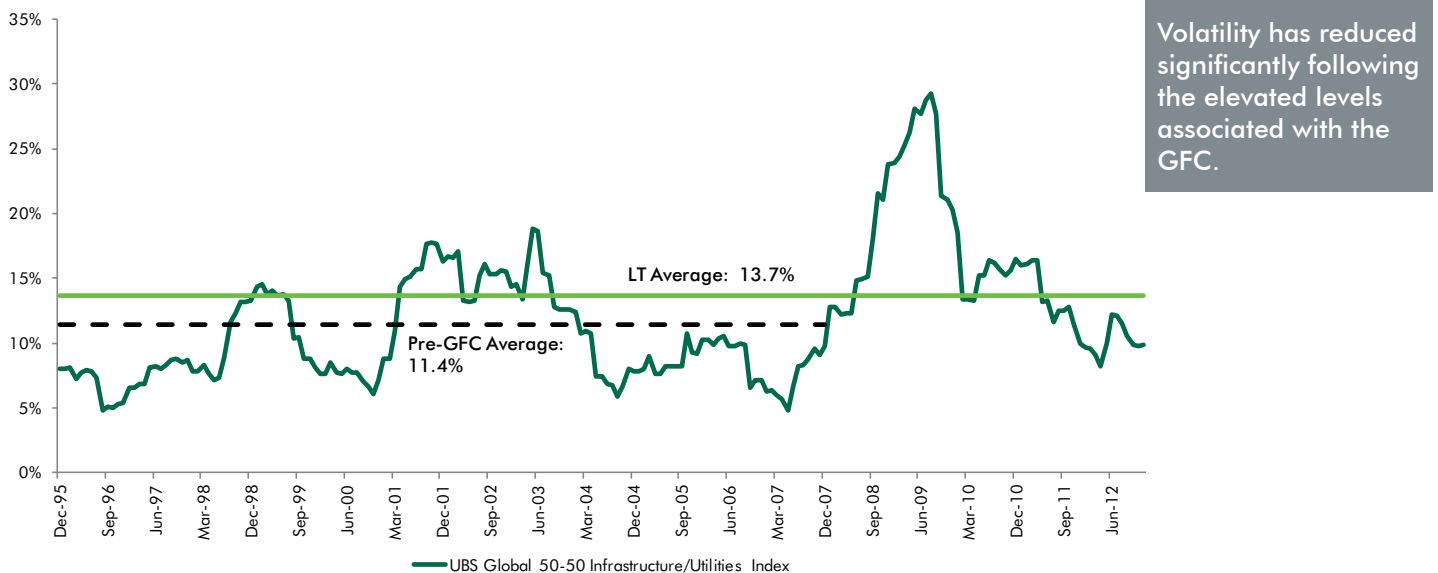
Source: Bloomberg, FactSet Research Systems, J.P. Morgan and MSCI World Index

Indices by Asset Class	Total Return	Volatility	Risk-adjusted Return*
JP Morgan Global Bond Index	6.2%	7.0%	0.65
MSCI World Equity Index	8.1%	16.2%	0.40
UBS Global Infrastructure & Utilities 50-50 Index	12.2%	15.0%	0.70

*Risk-adjusted return measured by Sharpe ratio, which calculates performance after considering volatility. Higher output reflects a better risk-adjusted return.

Exhibit 10: Rolling 12-month Volatility & Historical Averages since Inception

Source: Bloomberg and FactSet Research Systems



When compared to the sector constituents of the MSCI World Equity Index over the last ten years, global listed infrastructure has outperformed all but one sector while maintaining low levels of volatility, more similar to non-cyclical, defensive sectors like consumer staples and health care. On both an absolute basis and on a risk-adjusted basis, global listed infrastructure has been a top performer.



Exhibit 11: Global Equity Sub-sectors Historical Risk-adjusted Returns, 2002 - 2012 (annualized, USD)

Source: Bloomberg and MSCI World Index

Indices by Sub-sector	Total Return	Rank	Volatility	Rank	Risk-adjusted Return*	Rank
Consumer Staples	10.4%	4	11.4%	11	0.77	1
Infrastructure**	12.2%	2	15.0%	7	0.70	2
Utilities	9.4%	6	13.6%	9	0.57	3
Healthcare	7.5%	10	12.2%	10	0.47	4
Energy	11.6%	3	21.5%	3	0.46	5
Materials	12.3%	1	23.7%	1	0.45	6
Industrials	9.7%	5	18.8%	4	0.42	7
Consumer Discretionary	8.8%	7	17.5%	6	0.41	8
Telecommunication Services	7.6%	9	14.9%	8	0.40	9
Information Technology	7.9%	8	18.8%	5	0.33	10
Financials	3.8%	11	22.9%	2	0.09	11

*Risk-adjusted return measured by Sharpe ratio, which calculates performance after considering volatility. Higher output reflects a better risk-adjusted return.

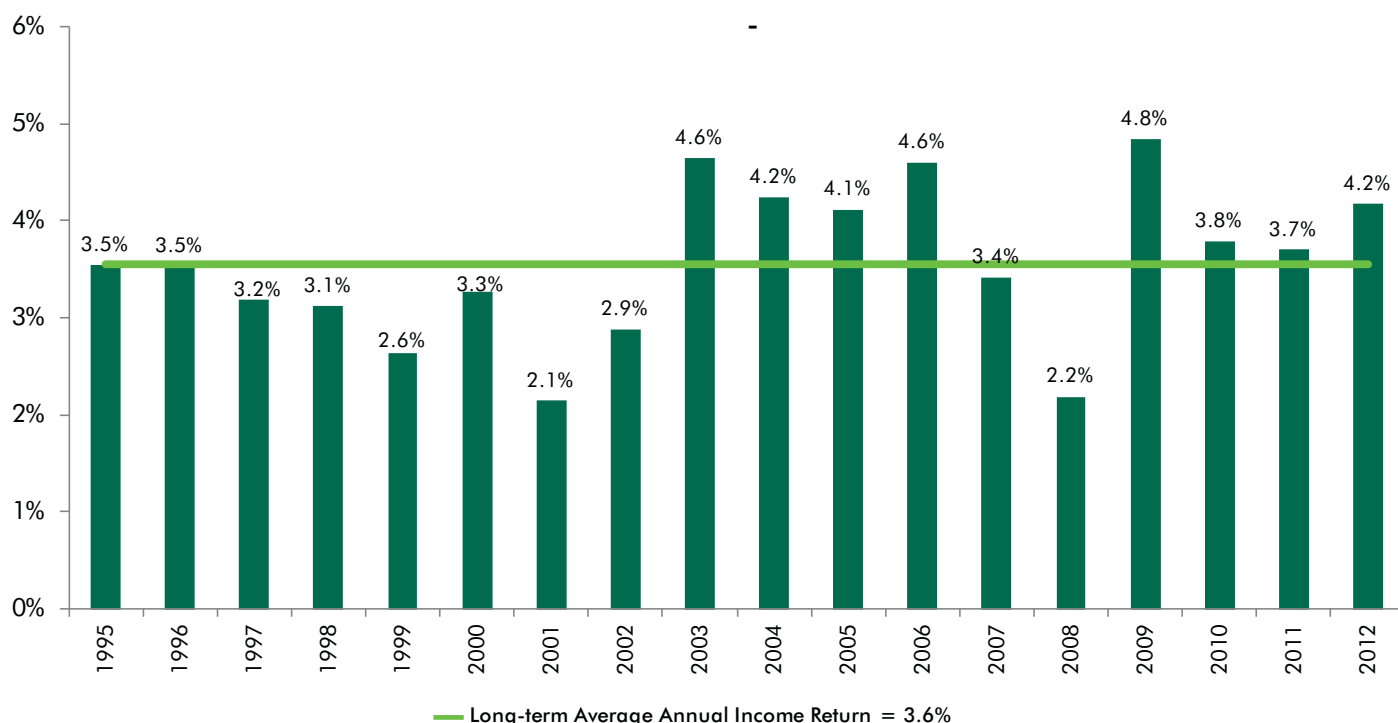
** As measured by UBS Global Infrastructure & Utilities 50-50 Index

ATTRACTIVE AND GROWING DIVIDEND YIELDS

Attractive in-place income and the potential to achieve long-term capital appreciation are among the core attributes of typical infrastructure assets. Global listed infrastructure companies have had a strong track record of producing stable dividend yields for investors on a consistent annual basis, and since inception of the global listed infrastructure index, the income component of the total return has averaged 3.6% annually. We expect dividends to continue to grow over time as companies expand their regulated asset bases and achieve steady organic growth from contractually driven, inflation-based revenue increases. Additionally, many companies are well positioned to capitalize on accretive external growth opportunities which may arise over time and drive further increases in distributions.

Exhibit 12: Annual Global Listed Infrastructure Income Returns Since Index Inception

Source: UBS Global Infrastructure & Utilities 50-50 Index. The inception date of the UBS Global Infrastructure & Utilities 50-50 Index is 12/30/1994.



DIVERSIFICATION BENEFITS

Since inception of the UBS Global Infrastructure & Utilities 50-50 Index in 1994, global listed infrastructure has exhibited low correlation with bonds (0.33) although higher levels versus equities (0.76). However, we believe the high correlation among global equity sub-sectors, including infrastructure, over the past few years has been unprecedented and driven initially by deep macro concerns of a global depression during the global financial crisis (GFC) of 2008-2009, followed by a massive government-stimulated recovery, which pushed all equities significantly higher in a rather short period of time. This phenomenon appears to be ending and we see correlations among equity sub-sectors again trending downward. From inception of the UBS Global Infrastructure & Utilities 50-50 Index through the onset of the GFC in 2008, correlations were significantly lower at 0.59 and we expect that over time correlations will revert back to pre-GFC levels.

GLOBAL INFRASTRUCTURE OVERVIEW & OUTLOOK

Large-scale privatization of infrastructure has been increasing in many global markets, though less pronounced in the U.S. In Australia, infrastructure investing by non-government institutions was pioneered over two decades ago, and is now considered infrastructure a core investment class. In Europe, Canada, and parts of Asia, privatizations of airports, roads, and rail systems have become part of mainstream investing. Still, all countries, developed and emerging, are spending billions each year to enhance, expand and upgrade their existing infrastructure. The capital intensive nature of the asset class is an obvious link to the global listed security markets given the depth and size the listed debt and equity markets globally. Listed infrastructure is thus a global investment opportunity driven by regional factors that share global commonality.

TSING MA BRIDGE
HONG KONG



North America

Given a traditional reliance on government to fund major infrastructure projects in the U.S., few listed companies have been able to gain sufficient prominence in this area with exception of utilities and the energy infrastructure sectors where the private sector has taken a dominant role in funding new projects. The discovery of an abundance of natural resources and the technology to properly extract these resources over the past few years has positioned the U.S. to become energy independent in the coming decade. Though in order to capitalize on this opportunity, billions must be invested in order to build the necessary infrastructure to transport, process and store these resources until they reach their ultimate destination. Given fiscal realities and budgetary constraints of late, a reduction in government spending habits has been mandated, likely suggesting a secular shift in infrastructure funding sources from public to private sources. Though the U.S. has ranked infrastructure spending among its primary initiatives, we believe public-funding sources are limited and as a result, a new era is emerging where a growing level of infrastructure spending will involve the participation of the private sector in partnership with local, state and federal governments.

Studies commissioned to assess the level of investment necessary to just maintain and upgrade existing infrastructure in the U.S. estimate a range of \$250-\$500 billion annually for five years,¹ approximating 2.5% of annual GDP.²

Two of the largest pension funds in the U.S. have allocated as little as less than 2% and as high as 6.5% to the infrastructure sector³, but a recent study by Prequin suggests that the target infrastructure allocation by pension funds has increased dramatically in recent years to nearly 8% of assets under management. This shift will likely drive a transformation in infrastructure ownership with a shift from public to private dominance.

While the privatization trend involving most infrastructure asset-types in the U.S. has not yet materialized, one area where the private sector has taken the lead, is in the funding of essential oil/gas related energy infrastructure. The energy resurgence in the U.S. has meaningful long-term ramifications for the region including, increased spending for infrastructure, job creation, and the increasing likelihood that the U.S. reverts back to a manufacturing-driven economy as it gains energy independence and production becomes more feasible and economical. Over the past four years alone, domestic energy production in the U.S. has surged over 30%, meaningfully reducing the energy requirements historically dependant on foreign imports. To manage the boom in domestic energy production, a massive wave of investment is underway with pipeline, storage, and rail capacity slated to rise significantly in the coming years to ensure the deliverability of these new supplies to market. The

In 2012, the Port of Wilmington, Delaware, one of the busiest water-gateways on the U.S. east coast, issued a request-for-proposal (RFP) seeking to establish a public-private partnership to provide the funding and expertise to expand the port and operate it more efficiently. The port has operated continuously for almost 90 years and is in the need of essential capital to remain competitive with other ports in the northeast U.S. corridor.

While final deal arrangements involving the Port of Wilmington have not been determined, it has been rumored that U.S. energy-infrastructure conglomerate, Kinder Morgan, has been selected by the Port, to begin negotiations to structure a long-term partnership where Kinder would potentially invest over \$500 million of much needed capital to upgrade existing port infrastructure in order to better compete in global port commerce activity. We believe this is one of numerous cases which may emerge in the medium-term demonstrating the much needed union of public & private capital in the form of partnerships to operate and expand existing infrastructure.

sector offers strong risk-adjusted returns driven by current income and substantial capital growth potential. As an incentive to promote investment in enterprises engaged in commerce involving natural resources, the internal revenue service (IRS) in 1987 created the master limited partnership (MLP) structure, offering favorable tax treatment for qualifying companies. Investment in energy infrastructure is supported by the MLP tax code and thus provides this growing sector an advantage unavailable to other infrastructure sub-sectors. Compelling economic incentives have driven a spree of new spending to construct ports and terminals to facilitate the exporting of energy to foreign markets, particularly in Asia, however, environmental and political concerns may keep the opportunities limited in the short-term. In aggregate, total energy infrastructure spending in North America is expected to be over \$300 billion by 2035.

Given our expectation that non-government sources begin to fund a disproportionate level of new infrastructure capital in the U.S., meaningful investment opportunities may arise for listed companies. To-date, the listed infrastructure sector in the U.S. has been comprised mainly of energy infrastructure, utility and communications companies, and includes names such as Duke Energy Corp, a regulated multi-state electric utility, and American Tower, the largest global owner of communications towers used by wireless carriers. These two companies alone comprise approximately \$80 billion in market capitalization.

The energy infrastructure sector in the U.S. comprises close to 100 listed companies focused primarily on the ownership of infrastructure assets providing transportation and storage oil and gas. These companies generally provide a contracted service for a pre-negotiated fee paid by a producer or shipper aiming to transport energy to an end-user customer, typically a utility or petrochemical manufacturer.

¹ Morgan Stanley, The Future of U.S. Infrastructure, June 2011, 2.

² Congressional Budget Office, Public Spending on Transportation & Water Infrastructure, November 2010, 3.

³ Prequin Infrastructure Spotlight, July 2012, Volume 4, Issue 7, Page 4.

This sector is growing rapidly as new pipelines and other forms of infrastructure are essential in order to alleviate regional bottlenecks and enable the efficient transport of natural resources essential for commercial and household needs. Over the medium term, we expect listed infrastructure companies in the U.S. to also gain exposure to other infrastructure segments including, toll roads, bridges, tunnels, and ports.

Canada's infrastructure landscape is mainly centered around the exploitation of the nation's rich commodity reserves with focus on the development of pipelines for transmission of natural gas and oil. In pursuit of stable, growing income streams, Canadian institutions have recently increased exposure to infrastructure. According to a recent report published by RBC Capital Markets, major pension funds in Canada have reached an infrastructure asset allocation target nearing 6%, which continues to grow off a low 3.8% base allocation in 2006. Some pension funds have considered increasing the threshold to be inline with their real estate targets given the favorable sector characteristics. Listed infrastructure companies in Canada are focused on the transmission of natural gas and crude oil across North America as well as the ownership of shipping terminals that export natural resources to Europe and Asia. TransCanada Corp and Enbridge Inc, both domiciled in Canada, are among the largest listed infrastructure companies globally totaling close to \$70 billion in equity market capitalization.

Latin America

In Latin America, where there is a significant need for improved infrastructure, governments have become increasingly focused on infrastructure spending while showing a willingness to embrace the public-private partnership (PPP) model. The Brazilian government, already in the midst of significant infrastructure investment in advance of the 2014 World Cup and 2016 Olympics, has recently announced a series of measures aimed at increasing spending on domestic infrastructure. The first plan announced in August 2012 contemplates a 25 year, R\$133bn stimulus package targeted at roads and railways in the country. Nearly 60% of this spending is expected to be completed over the next 5 years and will offer the private market the chance to participate through a number of concessions expected to be put up for auction. The government also recently announced a R\$54.2bn investment plan targeting the sale of ports in the country which will also rely on private market participation.

In Mexico, the government has remained on task as part of its National Infrastructure Program 2007-2012, which aims to "raise the coverage, quality and competitiveness of [Mexico's] infrastructure". The plan specifically noted the need to "strength[en] the legal framework and actively promote public-private partnerships for the development of infrastructure". Following the recent elections, the new political regime under President Enrique Peña Nieto, is expected to produce a similar plan for 2013-2018 further paving the way for the country's success in promoting infrastructure investment. UBS estimates that such plans could include

upwards of \$415.7 billion of investment across more than 1,100 infrastructure projects in the country which would in part be funded the private sector. The ongoing efforts of Latin America countries to promote infrastructure through PPPs is an encouraging trend and will present opportunities for well established, publicly traded companies operating in those countries to take part in what is likely to remain an extended period of heightened infrastructure investment.

Europe

Austerity measures and weak economies in Europe limited the effectiveness of government initiatives to spur investment in infrastructure in 2012. Some countries reduced government spending on infrastructure or delayed projects. For example, Spain cut government infrastructure allocations by 40% and Ireland suspended close to 90 road improvements because of budget cutbacks. Funding was a challenge given the reduced activity of the banking sector which had been a prominent source of project finance.

However, new initiatives have been announced to address some of these issues and EU members appear committed to meeting environmentally friendly agendas of reducing carbon emissions. The U.K., which announced its National Infrastructure Plan in 2011, updated the plan in 2012 to expand commitments to assist funding over £330 billion (up from £250 billion) over the coming years to transportation, communication, water and energy projects. Moreover, to address financing issues on projects, the government initiated a £40 billion loan-guarantee program to underwrite infrastructure projects ready to begin in the next 12 months that face funding difficulties. An additional £6 billion of loans to private-public partnerships aims at health, housing and education projects.

Continental Europe has also recently approved €50 billion to the Connecting Europe Facility ("CEF") for the period 2014-2020. The CEF will finance projects that are essential to Europe's energy, transport and digital backbone, as well as make Europe's economy greener by promoting cleaner transport modes, high speed broadband and facilitating use of renewable energy. Of the total amount approved, €23 billion has been allocated to the Trans-European Transport Network ("TEN-T"), a near fourfold increase in the amount granted to the TEN-T from the previous 2007-2013 period.

National Grid plc, the £35 billion U.K. listed electric and gas utility that serves over 10 million customers in the U.K., is directly involved in the build-out of the country's energy infrastructure. The company is expected to invest £35 billion in regulated networks, primarily electricity transmission, over the next 8 years¹.

¹ National Grid plc November 2012 National Grid Today.

Asia Pacific

The focus in emerging Asian markets is the development of new infrastructure to sustain the urbanization of major economies including China and India. In developed Asia, there has been a higher degree of privatization as a way to more efficiently fund infrastructure assets, and going forward, the need to revitalize these assets and operate them more efficiently will provide further opportunities for the private sector.

India has begun to leverage off of the availability of private-bank and investor financing to upgrade and expand its infrastructure base. India spends roughly 8% of annual GDP on infrastructure, among the highest allocations in the globe. The government is promoting a \$1 trillion national infrastructure plan covering 2012 to 2017, doubling the investment target of the past five years, concentrating on power, roads, rails and telecommunications.

Mature economies in Asia, where there are well-established property rights and more established infrastructure, tend to have a higher degree of privatization. For example, several key transportation assets have been privatized in Japan, Hong Kong, and Australia. Japan privatized most of its national high-speed rail network in the late 1980's, splitting the main rail lines into three separate listed companies; East Japan Rail, West Japan Rail, and Central Japan Rail. Similarly, Hong Kong privatized its world-famous subway system when it listed the MTR Corporation in 2000. Even more recently, Australia privatized the ownership and operation of Sydney Airport, selling an 82.9% interest to the Australian owner and operator of airports, MAp Group. MAp Group, now re-branded as Sydney Airport, is a AU\$6.3 billion market cap company solely focused on the airport ownership. Going forward, developed Asian economies will need to be able to revitalize these key transportation assets and also more efficiently fund their telecommunications, water, and energy infrastructure networks, providing further opportunities for privatization.

Political and regulatory stability are essential when assessing a particular geography's infrastructure and the need for new investment. The availability and cost of capital to fund infrastructure projects will almost surely depend on the outlook, support, and perhaps more importantly, the rhetoric of local and national regulators. In Japan, for example, the near term outlook for investment has improved, with a growing likelihood of seeing more clarity on utility tariffs and nuclear policy following a long period of uncertainty created post nuclear disaster of 2011. The recent transition at the national government level and formation of a new regulator agency could have positive implications for regulated business in that region.

China approved an estimated \$156 billion in new subways, highways and other infrastructure projects in September 2012. The projects approved include 25 subways, 13 roads, five ports and two waterways. The announcement followed on the recent accomplishments in China that include 46,000 miles of expressways, the world's most extensive high speed rail system, futuristic airport terminals and massive hydroelectric dams. China's investment has helped propel the country into the position of the world's second largest economy and put tens of millions of people to work as the nation leverages its export manufacturing gains.



Energy demand is driving investment in resource rich Australia as other Asian countries seek alternative fuel sources. Liquefied Natural Gas, or LNG, will be consumed more than produced in Asia's developing economies by 2020, whereas Australia continues to have the potential for significant LNG production. The result has been a boom in LNG liquefaction plant construction. The projects cost in the tens of billions of dollars, and are generally financed amongst a group of companies and investors.



“Economic infrastructure drives competitiveness and supports economic growth by increasing private and public sector productivity, reducing business costs, diversifying means of production and creating jobs.”¹

CONCLUSION

Global listed infrastructure has delivered attractive returns over the long-term, outperforming global equities while producing lower levels of volatility, ultimately achieving significantly better risk-adjusted returns. Infrastructure investment is an important and strategic priority for countries globally and in most developed and emerging countries, infrastructure innovation, repairs, development and management are seen as critical to sustaining as well as enhancing existing living standards.

Today, infrastructure is attracting capital from various sources other than the more traditional public funding mechanism; both institutional and private company investment are playing an increasingly important role in meeting the strategic priority for countries worldwide. We believe, global listed infrastructure offers investors the potential to participate in public-private partnerships which will comprise a meaningful level of future funding of infrastructure investment globally. Listed infrastructure provides access to stable and predictable income streams alongside good diversification benefits in a liquid vehicle with potential to achieve competitive investment returns stemming from both income and capital appreciation potential.

We welcome the opportunity to share with you our capabilities at CBRE Clarion Securities for investment in this growing asset class. For more information please contact:

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¹ Source: OECD Pension Funds Investment in Infrastructure, A Survey, September 2011, 15.

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IMPORTANT DISCLOSURES

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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.