Listed infrastructure as an income solution

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CBRE Investment Management is the listed equity management arm of CBRE Global Investors, a global real asset investment firm sponsoring investment programs across real estate, infrastructure, and private equity. CBRE Investment Management manages client portfolios with a focus on generating attractive risk-adjusted returns through total return and income-focused strategies.

Megatrend tailwinds for essential assets

Interest rates have been at all-time lows, creating a challenging environment for investors looking for income. With the emergence of infrastructure as a foundational need being recognized by governments across the globe, we believe an investment supercycle is at hand as increased infrastructure spending for sustainability and economic prosperity will generate a potential investment opportunity that may last for years.

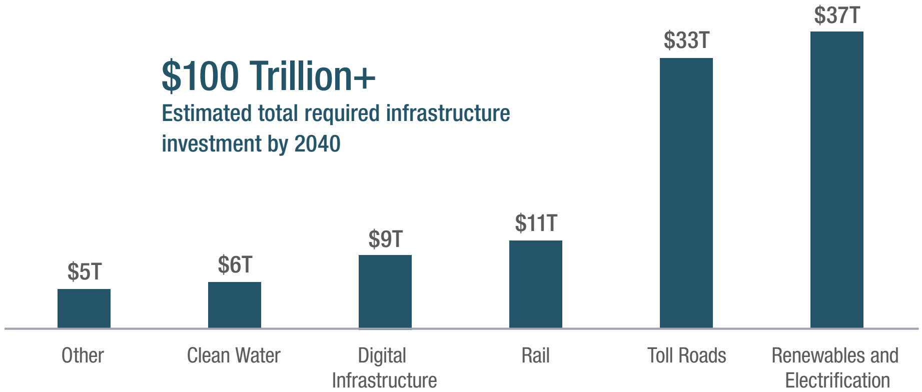
Given this backdrop, investment in global infrastructure can offer investors the opportunity to gain resilient income and total return potential for years to come. But where should investors look? Based on our research, we see opportunity stemming from **three key megatrends**:

Decarbonization | **Asset Modernization** | **Digital Transformation**

The infrastructure supercycle represents a potential investment opportunity that may last for years

Infrastructure is an essential component of economic expansion. Increased infrastructure spending for sustainability and economic prosperity is a potential investment opportunity that may last for years. It is estimated that the world needs over $100 trillion in infrastructure investment through 2040.[1] Global listed infrastructure companies are poised to participate in this investment opportunity.

Figure 1: Infrastructure investment forecast

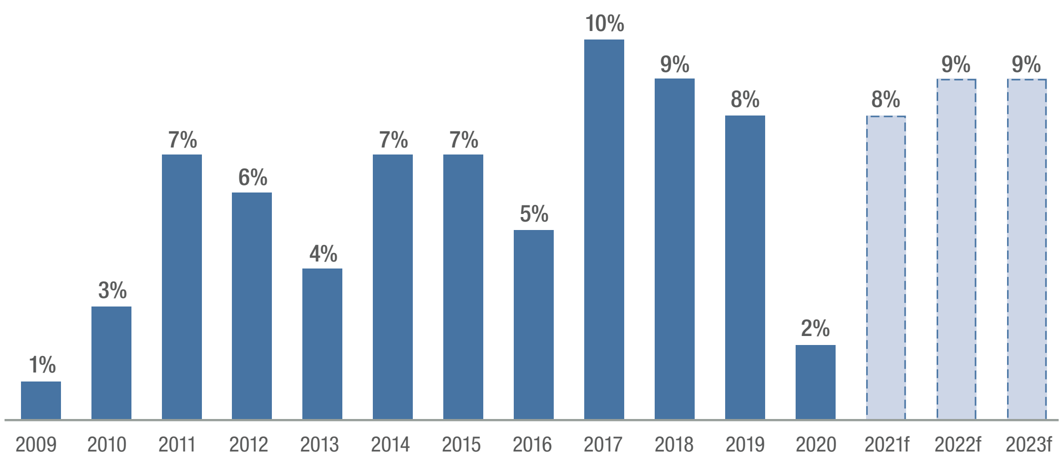


Sources: Global Infrastructure Hub, International Renewable Energy Agency (IRENA) and CBRE Investment Management, June 2021. The estimated total required infrastructure investment reflects the amount of infrastructure investment estimated to be required to meet current climate goals. Information is the opinion of CBRE Investment Management, 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 and are provided for illustrative purposes only. Past performance is no guarantee of future results.

Opportunity for resilient inflation-linked cash flows

Listed infrastructure generates cash flows from the ownership and operation of essential infrastructure assets. The ongoing investment to modernize and develop assets earns relatively predictable rates of return. Returns from ongoing investment provide the opportunity for attractive income growth. Post-pandemic, we expect dividend growth to rebound as infrastructure investment activity accelerates.

Figure 2: Global infrastructure dividend growth forecast

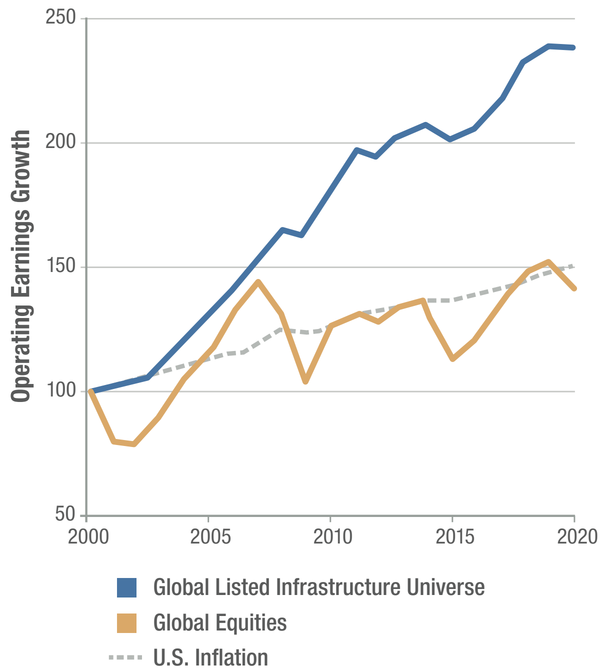


Source: CBRE Investment Management, 12/31/20. Information is the opinion of CBRE Investment Management, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Certain data represents past performance, which is no guarantee of future results. "f" refers to forecasts. Forecasts and any factors discussed are not a guarantee of future results and are provided for illustrative purposes only. It is not representative of any fund's potential dividend, return, or payout forecast, which cannot be predicted nor guaranteed.

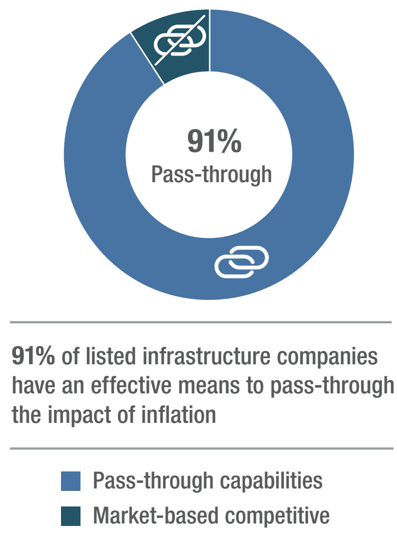
Infrastructure is also poised to provide investors with a unique combination of defensive portfolio characteristics, along with long-term income and growth potential. Infrastructure companies tend to produce stable and resilient inflation-linked cash flows that have little relationship to cyclical economic conditions. They generally rise in excess of inflation due to reinvestment in assets.

Figure 3:

Operating earnings growth comparison



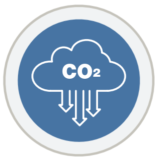
Inflation linkage across infrastructure



Sources: Chart 1: Global listed infrastructure universe is represented by CBRE Investment Management Infrastructure Investable Universe, Global Equities are represented by the MSCI AWCI Index and U.S. Inflation is represented by the U.S. Consumer Price Index, 12/31/20. Chart 2: FTSE Global Core Infrastructure 50/50 Index, 12/31/20. For comparison purposes, company operating earnings and the U.S. Consumer Price Index values were rebased to 100 on 12/31/00. This information is subject to change and should not be construed as investment advice. CBRE Investment Management Infrastructure Investable Universe: Under normal circumstances, the Fund will invest more than 25% of the value of its total assets at the time of purchase in the securities of issuers conducting their business activities in the infrastructure group of industries. The Fund's Subadvisor, CBRE, defines an infrastructure company as a company that derives at least 50% of its revenues or profits from, or devotes at least 50% of its assets to, the ownership, management, development, construction, renovation, enhancement, operation or maintenance of infrastructure assets. Examples of infrastructure assets include transportation assets (such as toll roads, bridges, railroads, airports, and seaports), utility assets (such as electric transmission and distribution lines, gas distribution pipelines, water pipelines and treatment facilities, and sewer facilities), energy assets (such as oil and gas pipelines, storage facilities, and other facilities used for gathering, processing, or transporting hydrocarbon products as well as contracted renewable power assets, which are any renewable energy generation assets (e.g., wind farm, solar farm, hydro-electric plant, biomass plant) in operation that have entered into contracts for delivery of power to a third-party), and communications assets (such as communications towers, data centers, fiber networks, and satellites. Information is the opinion of CBRE Investment Management, which is subject to change and is not included to be a forecast of future events, a guarantee of future returns, or investment advice. Past performance is no guarantee of future results and is provided for illustrative purposes only. An investment cannot be made directly into an index. Nothing here is intended to represent any Fund yield or return.

Three megatrends are reshaping demand—and providing long-term tailwinds

As infrastructure enters this investment supercycle, we believe three key megatrends will drive growth and create a very supportive infrastructure investment landscape: **decarbonization**, **asset modernization**, and **digital transformation**. Investors can gain several attractive portfolio characteristics by complementing an allocation to global equities or other real assets with an exposure to these three megatrends.



Decarbonization. Positive environmental impact, attractive total return potential

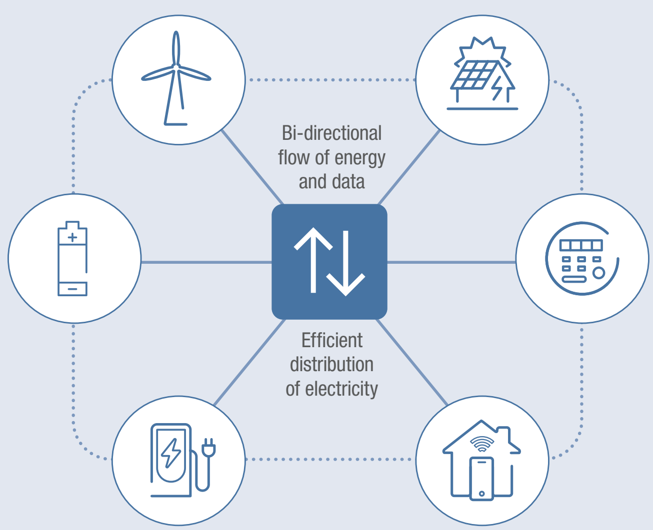
Governments around the world have acknowledged the dangers of runaway carbon emissions. Countries representing 68% of the global economy (as a percentage of global GDP) now have established a net-zero carbon emissions target—an increase from just 16% in 2019.[2] To reach climate goals, it is estimated that $1.6 trillion is required per year through 2040 in renewable and electrification infrastructure—the largest investment need of any sector.[3]

For investors, an allocation to infrastructure provides exposure to a long-term investment theme combining a positive environmental impact with appealing income and total return potential. Broad-based political, regulatory, and societal support for decarbonization, coupled with renewable-energy cost declines, have led to what we believe are a reduced investment risk and supported reliable returns in the infrastructure space.

Utilities are leading the way to a renewable and sustainable future

- 68% of the global economy has established a net-zero target, up from just 16% in 2019[2]
- Utilities are investing across their platforms, developing renewable power assets, and modernizing networks to support the increasing electrification of end-uses
- $1.6T of annual investment required per year in renewable and electrification infrastructure to meet climate goals[3]

Investing in the smart grid



Asset modernization. Organic growth regardless of market behavior

The need for increased investment to modernize and repair aging infrastructure assets is a global theme. For example, the American Society of Civil Engineers (ASCE) gives U.S. infrastructure an overall grade of C-minus, indicating the need for significant infrastructure investment. In the U.S., there is a water main break every two minutes and an estimated six billion gallons of treated water is lost each day.[4]

Global listed infrastructure companies invest billions annually to maintain and enhance their existing assets. The investment is repeating and undertaken regardless of market conditions or geopolitical events. We estimate that the required annual investment to modernize aging assets generates cash flow growth of 3%–4% per year for listed companies.[5] Recurring organic growth from investments made in existing assets provides an attractive baseline for infrastructure's total return potential.

Required infrastructure investment drives recurring organic growth

- The need for increased investment to modernize and repair aging infrastructure assets is a global theme
- We estimate recurring investment generates 3%–4% organic growth per year for listed infrastructure companies—an attractive baseline for total return[5]

Intensity of annual capital expenditure by sector

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

3%–4% estimated recurring organic growth

Digital transformation. Resilient cash flows and predictable growth

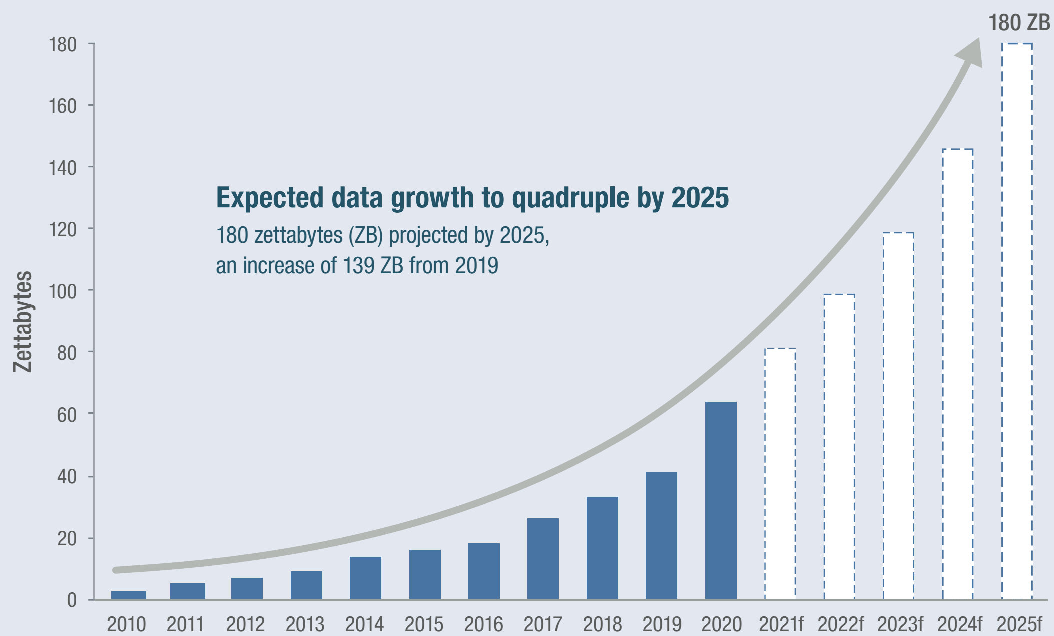
The amount of data created over the next three years will be more than the past 30 years combined.[6] The rate of data growth is expected to quadruple by 2025, driven by increased usage and innovation in fields such as cloud computing, network infrastructure, artificial intelligence, and cybersecurity. Although COVID-19 accelerated this trend by reshaping the way society lives and works, this widescale digital transformation will last long after the pandemic—increasing the need for critical digital infrastructure such as communication towers, data centers, and fiber networks.

Investors can benefit from this growing demand for the infrastructure assets critical to daily living and economic growth. Investment in these areas may offer resilient cash flow and benefit from long-term secular trends.

Critical assets enabling technology's data growth

- Digital infrastructure assets enable technological innovation and data growth
- Increased demand for innovation such as cloud computing, the introduction of 5G, and advancements in artificial intelligence and cybersecurity
- The amount of data created over the next three years will be more than the past 30 years combined[6]

Global DataSphere growth forecast



Source: IDC's Worldwide Global DataSphere Forecast, March 2021. A zettabyte is equal to one sextillion bytes of data. "f" refers to forecasts. Forecasts and any factors discussed are not a guarantee of future results.

Attractive income potential through consistent organic cash flows, even in a challenging yield environment

In an income-starved, low-interest rate environment, investors continue to look for the best path toward income and total return objectives.

For investors who allocate a portion of their risk budget from global equities—or other real assets—into infrastructure investment, we believe these goals are still attainable. Despite the challenging yield environment, the asset class offers income and total return potential—including the potential for consistent organic cash flows and attractive risk-adjusted returns.

Global policy support, increased spending, and key global megatrends should continue to drive significant growth in infrastructure for some time. And the CBRE team is well-positioned to capitalize on these themes.

1. Sources: Global Infrastructure Hub, International Renewable Energy Agency (IRENA) and CBRE Investment Management, June 2021.

2. Source: Energy & Climate Intelligence Unit, "Taking Stock: A Global Assessment of Net-Zero Targets," March 2021. GDP is assessed in purchasing power parity terms.

3. Sources: International Renewable Energy Agency (IRENA) and CBRE Investment Management, June 2021.

4. Source: American Society of Civil Engineers (ASCE), 2021 Report Card for America's Infrastructure.

5. Source: CBRE Investment Management, 2021. Information on recurring investment to be generated is the opinion of CBRE Investment Management, 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 and are provided for illustrative purposes only. Any factors noted are not indicative of future investment performance.

6. Source: The IDC report, Worldwide Global DataSphere Forecast, 2020–2024: The COVID-19 Data Bump and the Future of Data Growth, March 2021.

IMPORTANT DISCLOSURES

All investments are subject to market risk, including possible loss of principal. Diversification cannot assure a profit or protect against a loss in a declining market.

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