INVESTMENT INSIGHTS

Listed Infrastructure: Potential resiliency for investors during crisis

From CBRE Investment Management

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Persistent inflation, attendant monetary tightening and ensuing financial consequences continue to roil market expectations and alter the course of modern businesses. Given the current environment, we wish to provide our views on where infrastructure stands for investors. For the road ahead, we see listed infrastructure as:

1. Resilient based upon regulated and contracted cash flows driven by secular demand.
2. Advantaged given discounted valuations, strong balance sheets and access to capital.
3. Attractive, based on conservative underwriting that assumes higher financing costs and adverse economic developments.
4. Poised to perform, given its historic track record during economic distress and toward the end of hiking cycles.

The view in listed infrastructure

Listed Infrastructure comprises essential assets—utilities, communications, transport and energy—which have contracted and regulated returns. These contracted and regulated cash flows, enabled by secular demand forces, have enabled earnings and dividend growth over the course of economic cycles. As a result, we see infrastructure as a strategic allocation for investors.

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No Bank Guarantee	Not Insured by Any Government Agency	

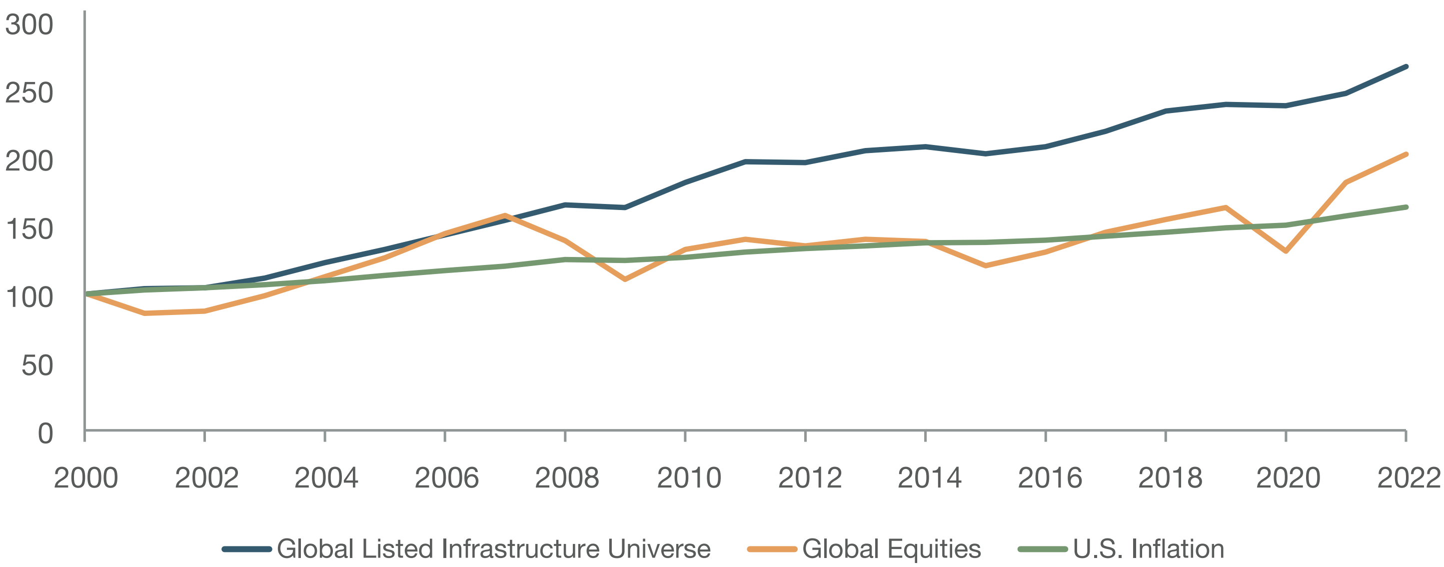
From a fundamental perspective, in the current crisis, access to capital remains unimpeded and infrastructure balance sheet are healthy. Over 90% of infrastructure corporates are investment grade. In our underwriting, our forecasts have already absorbed the impact of higher rates, while inflation pass-through remains an attractive feature for the asset class. We expect growth potential from listed infrastructure in 2023 and 2024, with growing dividends for investors.

We see listed infrastructure as defensive during tough times, with the potential to capture upside when conditions improve. Historically, the asset class has outperformed during periods of market distress, economic contraction and above average inflation. Importantly, listed infrastructure has a history of multiple expansions during contractionary periods compared to global equities.

We continue to see the asset class as discounted compared to private valuations. While private infrastructure volumes are likely to slow in the current environment after a record year of activity the past 2 years, we expect overall demand for assets to remain robust. Moreover, given the disconnect in pricing between listed and private markets, we likely will see further privatizations. We remain optimistic for an asset class that has outperformed global equities with lower volatility over the last two decades and which has had cash flows to offer comfort during crisis.

Figure 1: Resilient cash flows with durable growth

Stable and resilient cash flows that have little relationship to cyclical economic conditions and have risen in excess of inflation due to reinvestment in assets.



Market cycles

2002 – 2003	2004 – 2007	2008 – 2009	2010 – 2011	2012 – Present
• Post 9/11 Economic Recession	• Global Liquidity Boom • Abundant Debt Capital	• Global Financial Crisis • Balance Sheet Recapitalizations	• Fiscal Cliff • European Crisis • Fiscal and Monetary Easing	• Economic outlook transition from uncertain to improving • Corporate deleveraging

Figure 1: Source: Global infrastructure universe is represented by CBRE Investment Management Infrastructure investable universe, Global Equities: MSCI AWCI Index and U.S. Inflation: U.S. Consumer Price Index data as of 12/31/2022. 2022 is preliminary. This information is subject to change and should not be construed as investment advice. An index is unmanaged and not available for direct investment For comparison purposes, company operating earnings and the U.S. Consumer Price Index values were rebased to 100 on 12/31/2000. Yields fluctuate and are not guaranteed. Past performance is no guarantee of future results.

Definitions:

The **MSCI ACWI** is a market capitalization weighted index designed to provide a broad measure of equity- market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International (MSCI) and is comprised of stocks from 23 developed countries and 24 emerging markets.

The **U.S. Consumer Price Index** (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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