Global Listed Infrastructure: A Compelling Investment Opportunity
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As we emerge from the most severe global economic downturn in decades, investors are looking for investment strategies that offer the potential for attractive total returns, and that also provide defensive characteristics. We believe that global listed infrastructure securities offer both and can also offer advantages over illiquid, direct infrastructure investments. Sound fundamentals, attractive valuations and the need to address years of underinvestment will put global listed infrastructure securities in a position to generate long-term growth and income.

Advantages of Listed Infrastructure Compared with Direct Infrastructure
We believe there are significant advantages to investing in listed infrastructure compared with unlisted infrastructure, as outlined below.

- **Liquidity:** Public markets provide a high level of liquidity relative to the long lock-up periods and limited secondary markets for unlisted infrastructure. Listed investments can be sold at any time, while the exit strategies for unlisted investments can be unclear or indefinite.

- **Daily market pricing:** Listed infrastructure offers transparent daily valuations, while unlisted infrastructure relies on infrequent, appraisal-based valuations. It is our belief that true value is ultimately determined when an asset is sold.

- **Diversification:** Listed infrastructure companies typically invest in multiple assets, sometimes in several different infrastructure subsectors. This ensures significant diversification across asset type and geography, and helps mitigate the largest risk to the sector—regulatory risk. Unlisted infrastructure funds typically invest in just a handful of assets, which significantly concentrates associated risks.

- **Opportunity to add value:** Global listed markets are inherently inefficient (in part due to regulation, industry cycles and securitization) and provide opportunities for active investment managers to add value. We think that experienced listed infrastructure managers are well positioned to identify and act upon pricing dislocations.

- **Implementation:** Listed infrastructure portfolios can be constructed in relatively short periods of time via the public markets. Unlisted infrastructure portfolios can take several months to structure and several years to fund.

- **Smaller capital commitment:** While listed infrastructure provides similar investment characteristics as unlisted infrastructure, it does not require investors to commit the high levels of capital needed to achieve similar diversification through direct infrastructure investments.

- **Corporate governance:** The management teams of listed companies are subject to the discipline of public market standards. Unlisted infrastructure companies generally do not offer the same corporate governance transparency.

Listed Infrastructure Complements Direct Infrastructure Investments
With its attractive total return potential, income characteristics, liquidity and transparency, we believe that listed infrastructure can serve as either a stand-alone investment or part of a broader infrastructure portfolio that includes direct investments.

There is a strong similarity to real estate, where successful investors have long identified a role for both direct and listed allocations. These investors recognize that the underlying assets in listed and unlisted investments are similar, but that the differences in the vehicles in which the assets are held create return cycles that are out of phase. Investors have also recognized the informational advantage of being invested in both vehicles—the frequent pricing and valuation signals given by the listed markets offer a look into the likely upcoming shifts in valuations of unlisted investments.

An Asset Class that Offers Attractive and Stable Returns
As an asset class, global listed infrastructure has historically been characterized by a significant degree of regulation, monopolistic operations, inflation-linked cash flows and low long-term correlations with the broader equity and fixed income markets. The contractual nature of infrastructure companies' cash flows and their ability to pass on higher costs allow them to maintain real revenue growth and enhance their likelihood of long-term outperformance. While infrastructure securities are not immune to short-term share price volatility, their relatively predictable cash flows and high dividend yields do provide relative stability.

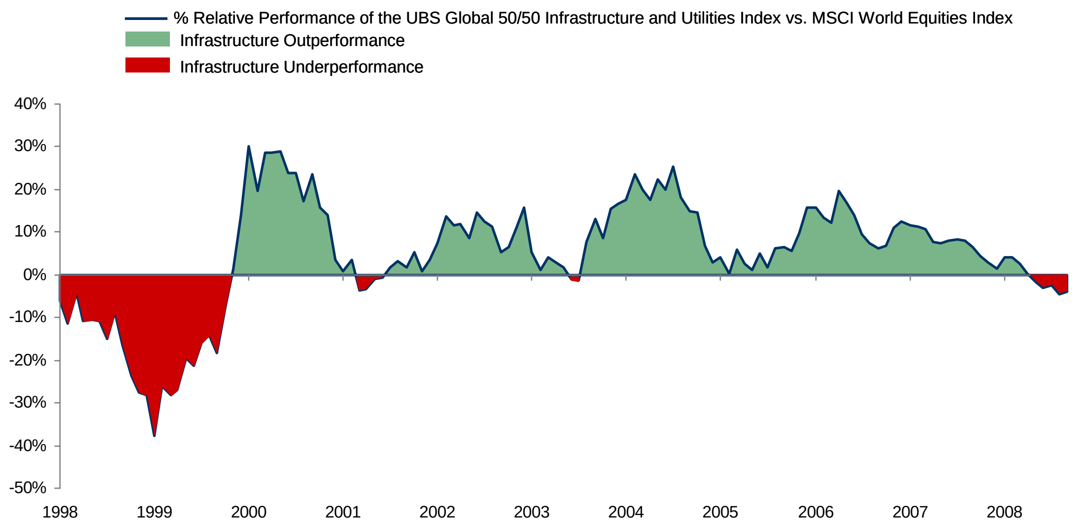
We expect growth in listed infrastructure investment opportunities, driven by:

- Historical underinvestment in infrastructure;
- Economic development and urbanization in emerging markets;
- Increased reliance upon private industry for infrastructure services;
- Growing demand for infrastructure assets globally; and
- Increased investor awareness and participation in the asset class.

Infrastructure spending tends to be relatively insulated from economic cycles. In fact, as seen recently, spending may rise in times of general economic difficulty. Furthermore, infrastructure companies generally remain near the top of the pecking order in terms of access to capital, given their relatively strong balance sheets, predictable cash flows and regulated business models. Utilities, for example, have been successful in issuing significant amounts of both debt and equity over the past year.

Considering the asset class's attractive characteristics, it is not surprising that it has historically outperformed global equities over time. The UBS Global 50/50 Infrastructure and Utilities Index has outperformed the MSCI World Index in nine of the past 10 calendar years.

Global Listed Infrastructure vs. World Stocks
12-Month Rolling Returns



Source: Cohen & Steers

Valuations and Fundamentals

Despite the rebound in global equity markets, we think that infrastructure securities remain attractively valued. We believe that investors overly discounted the fundamental headwinds created by the global economic slowdown in 2008 and early 2009, which led to significant underperformance for some infrastructure subsectors. At that time, some toll roads were pricing in zero traffic growth over remaining concession lives and several airports priced in no rebound in passenger traffic over the medium term. Even with the recent recovery in the equity markets, infrastructure valuations are still well below historical averages and do not reflect the expected attractive long-term earnings growth potential of the sector.

Currently, all infrastructure subsectors look attractively valued compared with their historical average cash flow multiples:

	Current Cash Flow Multiple (8/31/2009)	5-Year Average
Utilities	7.0x	8.8x
Toll Roads	8.9x	10.4x
Airports	10.5x	14.8x
Communications	10.1x	14.4x
Ports	12.7x	19.2x

Source: UBS

There also continues to be a divergence between private and listed infrastructure valuations, as recent transaction multiples have demonstrated. We expect listed and private valuation multiples to converge over time, reflecting both an increase in listed multiples and a decline in private transaction multiples. In fact, we have already seen evidence of private multiples beginning to contract. Furthermore, the cost of building new infrastructure assets is likely to remain high, and increasingly strict zoning and environmental regulations will continue to pose barriers to entry. Continued high replacement and development costs lead us to expect existing infrastructure assets to hold their value.

Characteristics

The infrastructure universe consists of approximately 300 companies with a total market capitalization of $1.5 trillion. Key characteristics of the universe, as represented by the UBS Global 50/50 Infrastructure and Utilities Index[1], are below.

Characteristics[2]	UBS 50/50 Index
Price-to-Earnings Ratio[3]	16.6x
Long-Term EPS Growth	7.20%
P/E-to-Long-Term EPS Growth (PEG Ratio)	1.1x
Dividend Yield	3.9%
Weighted-Average Market Cap.	$22.5B
Median Market Cap.	$9.0B

Infrastructure Subsector Outlook

Subsector	Outlook
Electric	Long-term global supply/demand outlook remains positive, leading to favorable pricing dynamics and capacity growth opportunities. Transmission segment is particularly attractive as antiquated networks are reinforced and new renewable electricity sources are connected to the grid.
Toll Roads	Toll road assets have long-term concessions with pricing linked to inflation. Growth is from new privatizations in North America and emerging markets.
Towers & Satellites	Increasing data intensity of wireless devices will drive network build-outs and increase demand for capacity.
Railways	Passenger railway performance is driven by passenger volumes, sensitivy to economic conditions, train type and region. This is a relatively defensive subsector with strong balance sheets.
Gas Distribution	Hybrid companies stand to benefit from the eventual rebound in natural gas demand. Current stock valuations are attractive. Commodity price increases pass through to customers.
Airports	Attractive investment opportunities exist in developing regions where air travel is a growing mode of transportation.
Pipelines	The need to transport energy from new supply regions is leading to pipeline project development

[1] The UBS Global 50/50 Infrastructure and Utilities Index is a managed index with a target weighting of 50% in utility infrastructure and 50% in transportation and telecommunications infrastructure.
[2] Based on Cohen & Steers estimates and data from Wilshire Atlas as of August 31, 2009
[3] Based on estimated 2010 fiscal earnings

	opportunities. Supply/demand outlook is favorable. Companies generally have strong balance sheets.
Ports	Shipping volume is most sensitive to economic activity. These companies are set to benefit from an increase in global trade.
Water	Aging infrastructure, global supply constraints and increasing quality standards are leading to investment opportunities in emerging and developed markets. Privatization will provide investment opportunities.

Conclusion

Global listed infrastructure is a unique, emerging asset class that offers investors both defensive benefits and compelling growth opportunities. We believe that today's volatile market conditions provide a very attractive investment environment, and an actively managed allocation to listed infrastructure has the potential to enhance long-term risk-adjusted returns.

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