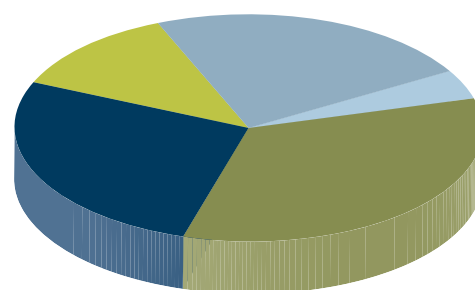


Infrastructure Investing Throughout the Economic Cycle

- > Within a diversified portfolio, the infrastructure asset class may help to provide both stability and resilience throughout all phases of the economic cycle.
- > Investors should consider a strategic allocation to the infrastructure asset class as a long-term core portfolio holding.
- > The appropriate universe for global listed infrastructure consists of owner/operator companies within the communications, utilities, energy, and transportation sectors.
- > Our investment strategy is focused on core and value-added infrastructure with the objectives of low-risk, moderate growth, and above average income relative to the broader market.

There was a tremendous need for infrastructure capital spending prior to any talk of economic stimulus spending. As a matter of fact, over the next 20 years the global need for investment in energy, water, transport, communications, and electricity networks is an estimated \$52 trillion. Given the size of the investment needed over a long time horizon, we believe a long-term growth opportunity exists for the owners/operators of infrastructure companies.

In the “Infrastructure and Strategic Asset Allocation: Is Infrastructure an Asset Class?” paper, Ibbotson, a Morningstar Company, suggests that infrastructure should be a core portfolio holding, representing a strategic allocation of up to 6%, through all economic and market climates. This supports our independent analysis that infrastructure as an asset class is an appropriate diversification vehicle.



- Energy - \$2 Trillion
- Water - \$18 Trillion
- Communications - \$14 Trillion
- Transportation - \$6 Trillion
- Electricity - \$12 Trillion

Figures above are from the Organization for Economic and Cooperative Development, 2006 & 2008; figures are for emerging and developed markets.

What differentiates our investment strategy?

We invest exclusively in developed market listed securities of infrastructure owners/operators and believe owners/operators are best positioned for longer-term sustainable growth under various economic and market conditions. This economic resiliency can be attributed to the following financial characteristics which are common among most infrastructure owners/operators:

- > Revenue with low variability
- > Stable and predictable cash flow
- > Above average dividend payout
- > Some inflation protection

The four industry sectors that we believe represent the appropriate universe of infrastructure companies are:

- > **Communications**
- > **Utilities**
- > **Energy**
- > **Transportation**

In terms of sector weightings, we benchmark approximately 35% each in communications and utilities, 20% in energy, and the remainder in transportation.

Infrastructure Investing Throughout the Economic Cycle

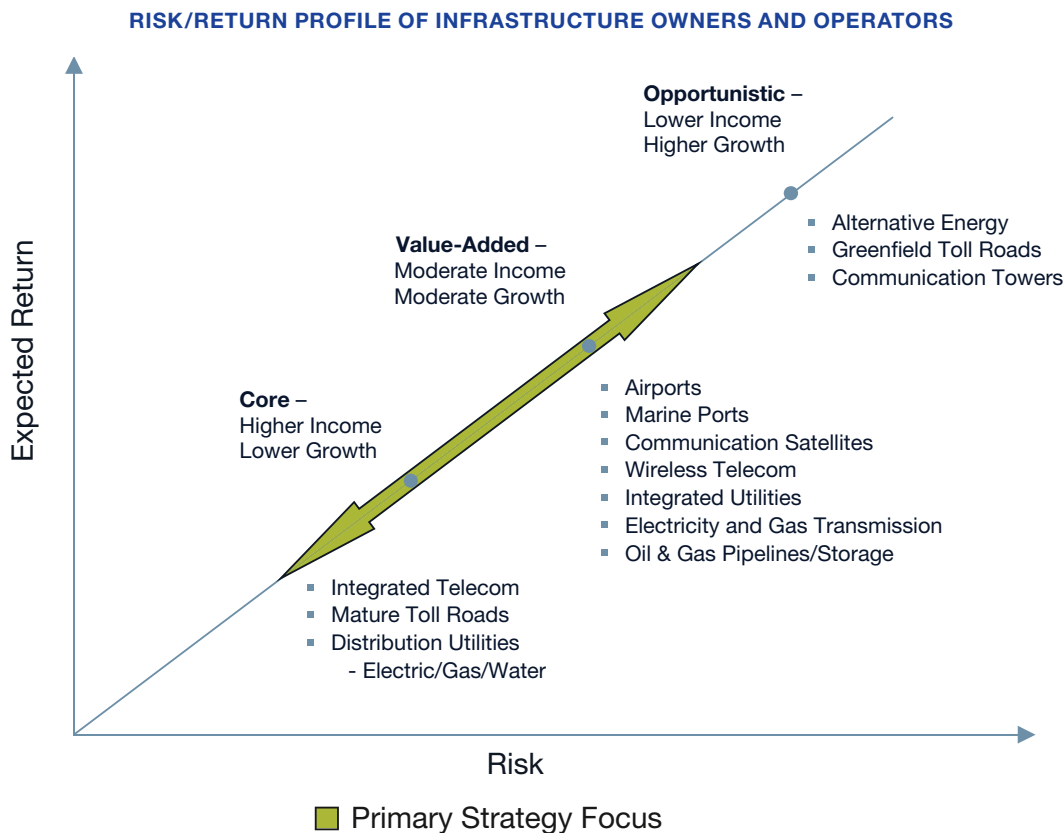
In order to capture the long-term risk/return benefits of adding infrastructure to a diversified portfolio, we believe that strict adherence to our strategy of investing only in owners/operators is key. While there are many companies that specialize in infrastructure design, development, engineering, manufacturing, or construction, they do not fit our investment strategy. Typically, such companies have revenues that are highly variable or short-term in nature, neither of which is desirable when positioning infrastructure as a long-term core portfolio holding.

Some infrastructure investors consider other industry sectors, such as social infrastructure (i.e., prisons, schools, and healthcare facilities), as appropriate for inclusion in a core infrastructure portfolio; we do not. Social infrastructure owners/operators are limited in number and size, and most do not exhibit the financial characteristics discussed on the previous page that are necessary to be considered as appropriate infrastructure.

Risk/Return Profile of Infrastructure Owners and Operators

Our investment strategy divides the owners/operators of infrastructure assets into three categories:

- > **Core** — companies with mature businesses that have higher income potential but generally lower growth prospects
- > **Value-added** — companies which generally exhibit moderate growth and are paying out moderate levels of income
- > **Opportunistic** — companies that are involved in the rapidly growing areas of infrastructure and, as such, pay out very little in dividends



The efficient risk/return line represents the highest expected returns possible for given levels of risk pursuant to modern portfolio theory. No assumptions should be made regarding the risk or returns that would be experienced by an investor.

Core and value-added categories account for about 98% of our infrastructure universe. Within these two categories, the universe is fairly balanced with 46% in core and 52% in value-added. By focusing on the core and value-added categories, we are positioned to achieve moderate growth with above average income, relative to the broader market. However, one of the keys to our actively managed, low-risk strategy is that we have significant flexibility to shift among the categories depending on prevailing economic and market conditions.

Infrastructure Investing Throughout the Economic Cycle

The Economic Cycle and Infrastructure

A strategic allocation to the infrastructure asset class may reduce portfolio volatility and increase diversification. Adding infrastructure may help to provide both stability and resiliency throughout the economic cycle.

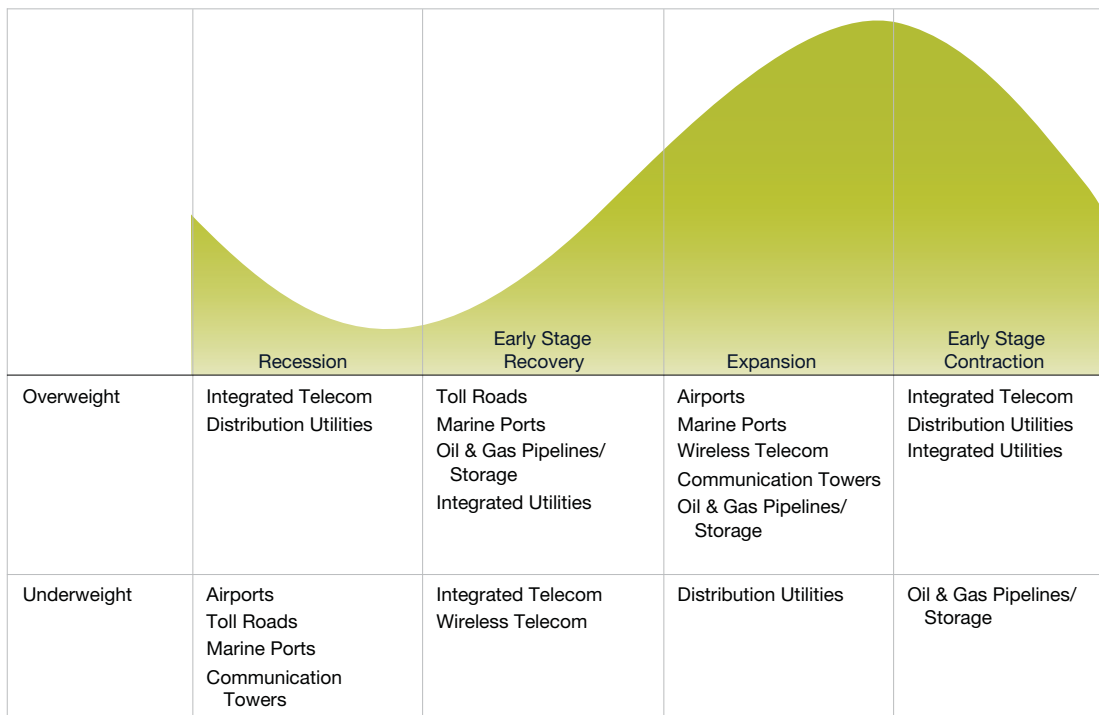
A typical economic cycle consists of four major phases with each exhibiting certain characteristics:

- > **Recession** — Shrinking demand, revenue and profitability declines, excessive leverage is troublesome, deflation is the worry, interest rates are low, commodity prices drop
- > **Early stage recovery** — Modest pickup in demand, revenue and profitability stabilize, leverage is reduced, worries turn to inflation, interest rates remain low, commodity prices bottom then rise
- > **Expansion** — Demand grows, revenue and profitability soars, leverage increases, inflation is a concern, interest rates peak, commodity prices peak
- > **Early stage contraction** — Growth in demand slows, revenue and profitability flattens, excessive leverage is a threat, inflation peaks, interest rates begin to decline, commodity prices decline

As business activity rises and falls, asset prices respond, but not in unison. The infrastructure asset class consists of several non-homogeneous sectors which respond differently to economic cycles. Each exhibits separate and distinct performance behavior, producing varying growth, yield, risk, and economic profiles. For any given stage of the economic cycle, there will be divergent performance across the infrastructure sectors and, in some cases, across the underlying companies within each sector. This is the source of infrastructure's diversification benefit, and it also provides the opportunity to actively manage the infrastructure portfolio based on prevailing or expected economic conditions.

With the phases of the economic cycle in mind, we have analyzed companies within our infrastructure owners/operators universe in order to determine how they generally perform throughout the cycle, as shown in the chart below.

THE ECONOMIC CYCLE AND INFRASTRUCTURE



Note: The above chart is only an illustrative example. In reality, economic cycles do not display such symmetry. According to a table viewed July 2009 on the website of the National Bureau of Economic Research, over the last 10 cycles, the recovery and expansion stages have on average lasted over five times as long as the contraction and recession stages; future expansion and recovery stages may differ.

Infrastructure Investing Throughout the Economic Cycle

The analysis depicted on the previous page provides a powerful instrument which can be used to make portfolio decisions. We have the ability and flexibility to position the portfolio based on economic conditions. While it is not the driver of our investment philosophy, it provides a useful tool. However, there are limitations. This analysis can guide overweight/underweight decisions but is not and should not be used to materially change the character and purpose of the portfolio. The stage of the economic cycle is only one of many considerations made when determining portfolio weightings.

Our investment philosophy is based on fundamental analysis and the goal is to find the most attractive companies in all sectors, throughout all economic cycles. This is not a sector rotation strategy. For example, divesting all utility positions during the expansion stage would materially change the risk and income profile of the portfolio, perhaps negating the benefits of the asset class. To prevent such an occurrence, as part of our investment process, we have limited the weightings of our four broad sectors to less than $\pm 1,000$ basis points of relative exposure to our benchmark. This provides us with ample latitude to take advantage of the relative attractiveness among the sectors, yet maintains the character of the portfolio, ensuring that it continuously reflects the investment profile of infrastructure as an asset class.

Our Global Infrastructure Product provides investors with the potential to capitalize on the long-term investment opportunity available in the infrastructure asset class. A strategic allocation of infrastructure may add benefits to a diversified portfolio by lowering risk and increasing overall return.

Duff & Phelps Investment Management Co. has a long history of researching and investing in infrastructure securities. The goal of our infrastructure investment strategy and process is to create a portfolio that provides moderate growth and above average income with a lower risk profile, regardless of where we are in the economic cycle.

To learn more about the Duff & Phelps Global Listed Infrastructure Product please visit www.dpimc.com or call Barry Cope at (312) 917-6545.

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