Global Listed Infrastructure – A Strategy for All Seasons

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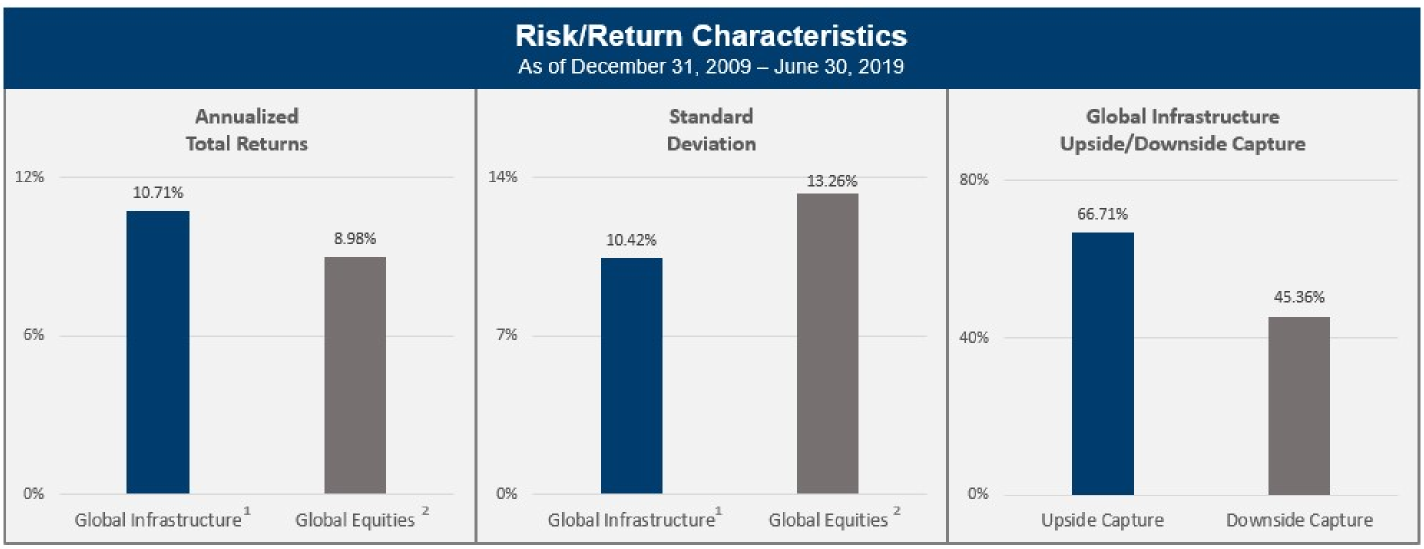
The market has taken us on quite a ride thus far in 2019. A severe selloff around the end of 2018 quickly dissipated in the new year as the economy seemed to be on track and the Fed decided to pause its rate hiking path. That positive sentiment didn't last long though as fears of trade wars reemerged and the global economy appeared to hit a slow patch and the Fed and cut the federal funds rate in July, for the first time since 2008. In the uncertain economic environment, global listed infrastructure is an attractive investment option due to a number of factors that are inherent in infrastructure.

Providing essential services, high barriers to entry, and operating under regulated or contractual agreements are all attributes which benefit infrastructure sectors. These qualities generally mean infrastructure companies are less sensitive to economic cycles due to revenue streams that have less variability and cash flows that are relatively stable and predictable. Additionally, infrastructure is largely immune to concerns around trade wars as the assets tend to be driven more by local economic trends than global trade.



Source: eVestment. **Past performance is not indicative of future results.**
[1]Global Infrastructure is represented by the FTSE Developed Core Infrastructure 50/50 Index (net). [2]Global Equities is represented by the MSCI World Index (net).

While infrastructure shows defensiveness in a volatile market, this does not mean that the companies are without growth opportunities. Within the energy infrastructure sector, several new pipelines are scheduled to come online this year, supporting the secular growth story that is being demonstrated by strong earnings and cash flows. Mobile communication tower companies also provide a long runway for growth from the buildout of 4G and 5G networks to meet increasing levels of data and video usage. The opportunities for growth across the various transportation industries (i.e., railroads, toll roads, and airports) depend on multiple drivers, such as the region or country of operation, traffic trends, and tariff increases. Even utilities, which are generally viewed as a low growth industry, have articulated growth strategies, with a focus on renewable energy.

While we are mindful of the market disruption caused by trade tensions and the impact this could have on global economic growth, we believe our Global Listed Infrastructure portfolio is appropriately positioned based on our views of macroeconomic trends, industry drivers, and geopolitical risks. If we look beyond the current market environment, infrastructure has shown resilience over long term market cycles. As always, we will continue to closely monitor global developments through our travels and management meetings and incorporate changes to portfolio positioning.

About the Author

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Connie Luecke serves as Senior Managing Director with a career that spans 30-plus years in investment management, research, and capital markets. Ms. Luecke is the Senior Portfolio Manager for the firm's Global Listed Infrastructure Strategies and serves as the Chief Investment Officer of the DNP Select Income Fund Inc. Ms. Luecke joined Duff & Phelps in 1992 and has held the roles of senior research analyst and portfolio manager. Her research was focused on the global telecommunications and transportation infrastructure industries. She holds a BS degree from DePaul University and an MBA from Loyola University of Chicago.

The FTSE Developed Core Infrastructure 50/50 Index (net) is a free float-adjusted market capitalization weighted index designed to measure the performance of developed market infrastructure companies. It is adjusted semi-annually to cap the exposure to certain infrastructure subsectors and holdings. The constituent weights are 50% Utilities, 30% Transportation (including capping 7.5% for railroads/railways), and a 20% mix of other sectors including pipelines, satellites, and telecommunications towers, as well as a company weight of 5%. The Index base date is December 31, 2009; the Index launch date is March 2, 2015. Returns shown before the launch date reflect hypothetical historical performance calculated by FTSE.

The MSCI World Index (net) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of global developed markets.