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RESILIENT REAL ASSETS, DUFF & PHELPS

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Founded in 1932, Duff & Phelps has built its brand on quality, reliability, and specialization. When we speak of our strategies and the type of companies we invest in, we typically look for attributes such as; owners of commercial real estate, operators of core infrastructure, earnings predictability and sustainability, reliable and growing cash flows, and high quality assets with significant barriers to entry. Against that backdrop, and with the heightened concerns about the COVID-19 virus, it is worth noting that to date none of the top 10 holdings in either our Global Listed Infrastructure or Global Real Estate Securities strategies have cut their 2020 earnings estimates. Compare that with the S&P 500®, in which over the last few weeks about 20% of companies have already trimmed 2020 guidance and many wall street firms have preemptively revised down US and Global GDP Growth for 2020.* The fundamentals of our underlying companies may prove to be more resilient than the broader market during this recent global health crisis. Consider that global listed infrastructure and global real estate benchmarks have held up materially better than global equity markets over the last couple of weeks, as well as in Q4 2018 when markets last corrected. Investors almost never experience an “average” return, which is why we like to say that their “ride” over time is what matters.

For all the concerns about the COVID-19 virus we recommend staying the course with infrastructure and real estate investments over the short-term, as markets have shown remarkable resiliency over longer periods of time. However, with fears of a global pandemic driving volatility, investors may benefit from prudent rebalancing and diversification to get risk budgets back in line. The extended bull market has made many investors’ portfolios skewed toward large cap U.S. growth companies, perhaps causing some portfolios to fall out of their original allocations.

Real assets have historically provided diversification in the form of lower correlation to traditional stocks. They also have the potential to offer more stable and defensive cash flow, since they are secured by long-term leases and contractual agreements. This cash flow has translated into relatively high and growing dividend yields that may give investors some downside protection in markets like we have today. And if the current situation persists, earnings may be cut but the long lived and critical nature of real assets may help earnings rebound quicker than general equities in the recovery period. Real assets were made for these types of market conditions because of their unique characteristics. No one knows how long this current crisis will last, but good companies with visible and stable earnings should prove their mettle over the long term.

*Source: Bloomberg as of 2/28/20

About the Author:



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John Creswell serves as Executive Managing Director at Duff & Phelps Investment Management Co. where he leads business development and client relationship services, and has operations and investment responsibilities. Mr. Creswell joined Duff & Phelps in 2016 after managing another investment boutique within Virtus Investment Partners. He has over two decades of experience working in the investment management industry.

Before joining Virtus in 2012, Mr. Creswell worked for BNP Paribas as Head of Consultant Relations and Product Strategy for North America. Prior to that he spent twelve years at Nuveen Investments in a number of senior positions as the firm grew from a \$40 billion single asset class manager to a global investment management firm with over \$200 billion in assets under management. Prior to his investment career, Mr. Creswell was an auditor and management consultant for Ernst & Young.

Mr. Creswell has appeared on Fox Business News and Bloomberg TV, and been quoted in the Wall Street Journal and Barron's. He has authored numerous articles and is a frequent speaker on trends in the investment management industry, capital markets, and geo-political issues. He earned a degree in business administration from California State University at Fullerton and a master's degree in Public Policy from The Claremont Graduate University. In addition, he is a Certified Public Accountant (CPA), and remains active in various civic and non-profit organizations.

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