Global Listed Infrastructure

The global infrastructure securities market, as represented by the FTSE Global Core 50/50 Net Tax Index, had a total return in U.S. dollars of 2.2 % for the full year 2023.

Investment Review

Global infrastructure stocks posted modest gains in 2023 but did not keep pace with the broader market. Listed infrastructure's performance stood in contrast to the broader equity market in 2023, which rose on the strength of just a few sectors, led by technology—which rallied sharply on optimism surrounding advancements in generative artificial intelligence. As a result, listed infrastructure's valuations moved below their historical average premium relative to the broad equity market. Listed infrastructure subsectors posted mixed returns for the year.

Commercial infrastructure sectors outperformed. These more cyclical sectors did well as the economy generally performed better than expected. Marine ports (15.9% total return[1]) were among the top performers for the year. Strong fourth-quarter gains for several key operators in India, the Philippines, and Brazil boosted full-year returns. Railways (11.1%) also outperformed substantially, as companies benefited from higher freight volumes. Midstream energy (4.4%) performed well. Fundamentals remained solid as the macroeconomic backdrop appeared likely to support energy throughput volumes.

Index Performance by Sector

Sector	Q4 2023	YTD 2023
Diversified	19.50 %	22.25 %
Marine Ports	13.07 %	15.86 %
Railways	11.22 %	11.13 %
Airports	4.19 %	8.18 %
Toll Roads	7.68 %	7.83 %
Midstream	7.23 %	4.37 %
Gas Distribution	5.49 %	-0.29 %
Communications	23.12 %	-0.75 %
Water	10.11 %	-4.85 %
Electric	7.78 %	-5.37 %

Source: Cohen & Steers.

Data quoted represents past performance, which is no guarantee of future results. Risk of loss is possible. This information is not representative of any Cohen & Steers account and no such account will seek to replicate an index. You cannot invest directly in an index and index performance does not reflect the deduction of any fees, expenses or taxes.

Transportation-related sectors posted positive returns. Airports (8.2%) and toll roads (7.8%) generated healthy returns on improved global growth expectations and continued pent-up demand from the COVID pandemic.

The utilities and communications sectors generated negative returns. Performance across the regulated utility subsectors—electric utilities (-5.3%), water utilities (-4.9%) and gas distribution (-0.3%)—was weak. In the risk-on broader market environment, investors generally favored less-defensive sectors in 2023. Higher interest rates for much of the year also weighed on performance. Communications stocks (–0.8%) also performed poorly as tower companies were negatively affected by higher rates increasing their cost of capital.

Investment Outlook

We remain somewhat defensively positioned as we manage the portfolio for slower economic growth. We maintain our preference for higher-quality businesses that we believe can perform relatively well in a below-trend growth environment. We are also focused on the potential capital needs of individual companies to strengthen their balance sheets.

We believe the credit environment will remain challenged. Although interest rates moved lower in late 2023, our longer-term views remain unchanged. We continue to closely monitor the impact from higher financing costs and tighter financial conditions (including their potential impact on earnings and cash flows) across the infrastructure universe. We remain focused on infrastructure companies that have strong balance sheets, with limited near-term maturities and manageable refinancing schedules.

Persistent inflation and "higher for longer" interest rates may be a headwind for certain sectors. However, most infrastructure businesses can generally pass rising costs along to consumers; as a result, they have tended to perform well during periods of above-average inflation.

(1) All sector returns in this commentary are in local currencies. Sector classification of securities in the index is determined by the investment advisor.

COHEN & STEERS

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The FTSE Global Core Infrastructure 50/50 Net Tax Index is a market-capitalization-weighted index of worldwide infrastructure and infrastructure-related securities and is net of dividend withholding taxes. Constituent weights are adjusted semi-annually according to three broad industry sectors: 50% utilities, 30% transportation, and a 20% mix of other sectors, including pipelines, satellites, and telecommunication towers.

Important Risk Considerations: Investing involves risk, including entire loss of capital invested. There can be no assurance that the investment strategy will meet its investment objectives. Diversification is not guaranteed to ensure a profit or protect against loss.

Since the strategy concentrates its assets in infrastructure securities, the strategy will be more susceptible to adverse economic or regulatory occurrences affecting infrastructure companies than an investment company that is not primarily invested in infrastructure companies. Infrastructure issuers may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, operational or other mishaps, tariffs and changes in tax laws, regulatory policies and accounting standards.

Special risks of investing in foreign securities include (i) currency fluctuations, (ii) lower liquidity, (iii) political and economic uncertainties, and (iv) differences in accounting standards. Certain foreign securities may represent small- and medium-sized companies, which may be more susceptible to price volatility and less liquid than larger companies.

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The views and opinions in the preceding commentary are as of the date of publication and are subject to change. There is no guarantee that any historical trend discussed above will be repeated in the future, and there is no way to predict precisely when such a trend might begin.

There is no guarantee that any market forecast or investment objective set forth will be achieved. This material should not be relied upon as investment advice, does not constitute a recommendation to buy or sell a security or other investment and is not intended to predict the performance of any investment.

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