ClearBridge Investments

RARE

INTERPRAC WEBINAR

October 2020

Firm Overview

Firm Overview

43 employees
(14 investment focused)

Ownership
RARE is a part of ClearBridge Investments, and is 100% owned by Franklin Resources, Inc.[1]

Global distribution
Australia[2]
UK & Europe
US & Canada
Asia Region

Global Value	Income	Emerging Markets	Smart Beta
AUD 3.9 billion	AUD 2.2 billion	AUD 0.16 billion	AUD 11.8 million
USD 2.7 billion	USD 1.5 billion	USD 0.11 billion	USD 8.1 million

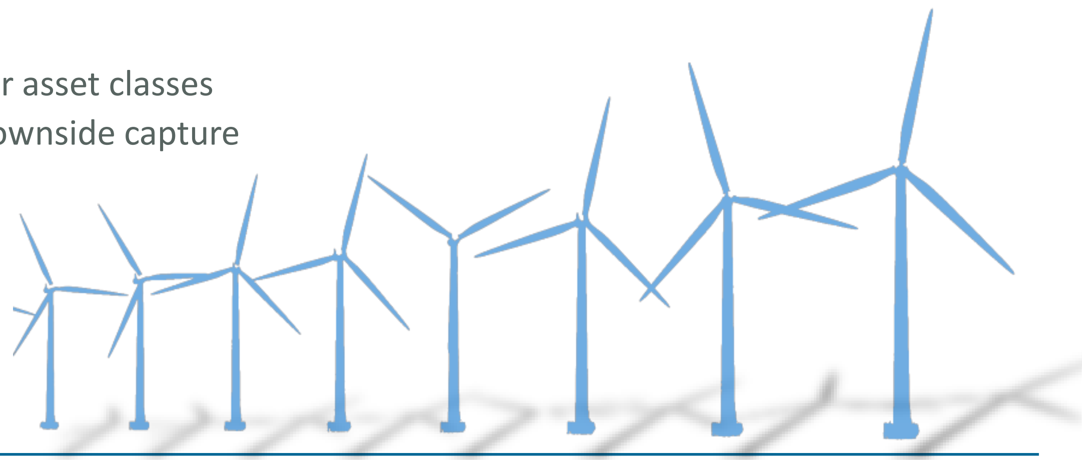
FUM as at 30 June 2020
1. As at 31 July 2020
2. Head Office, Sydney Australia

Why Listed Infrastructure?

Why Listed Infrastructure in an Uncertain World

Advantages of the infrastructure asset class

Stable cash flows/dividends	❖ Cash flows underpinned by regulation or long-term contracts ❖ Cash flows attractive during periods of economic stress
Significant growth	❖ Secular growth story - global infrastructure stock set to more than double by 2030 ❖ Sovereign fiscal constraints lead to greater private funding ❖ Competition for capital underpins allowed returns
Inflation hedge	❖ Most revenues are linked to inflation
Diversification	❖ Lower correlation to most major asset classes ❖ Strong upside capture, lower downside capture



What is an Infrastructure Asset?

Services and facilities necessary for an economy to function

Utilities – regulated electricity, gas and water



Asset-based regulation, return on assets/equity

Poles, wires, pipes

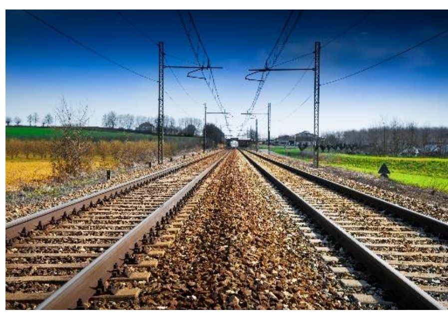
Defensive assets, high income, low GDP exposure

Economically sensitive assets – railways, toll roads, airports, pipelines

Concession-based contacts

Volume sensitive

Growth assets, lower income, leveraged to GDP



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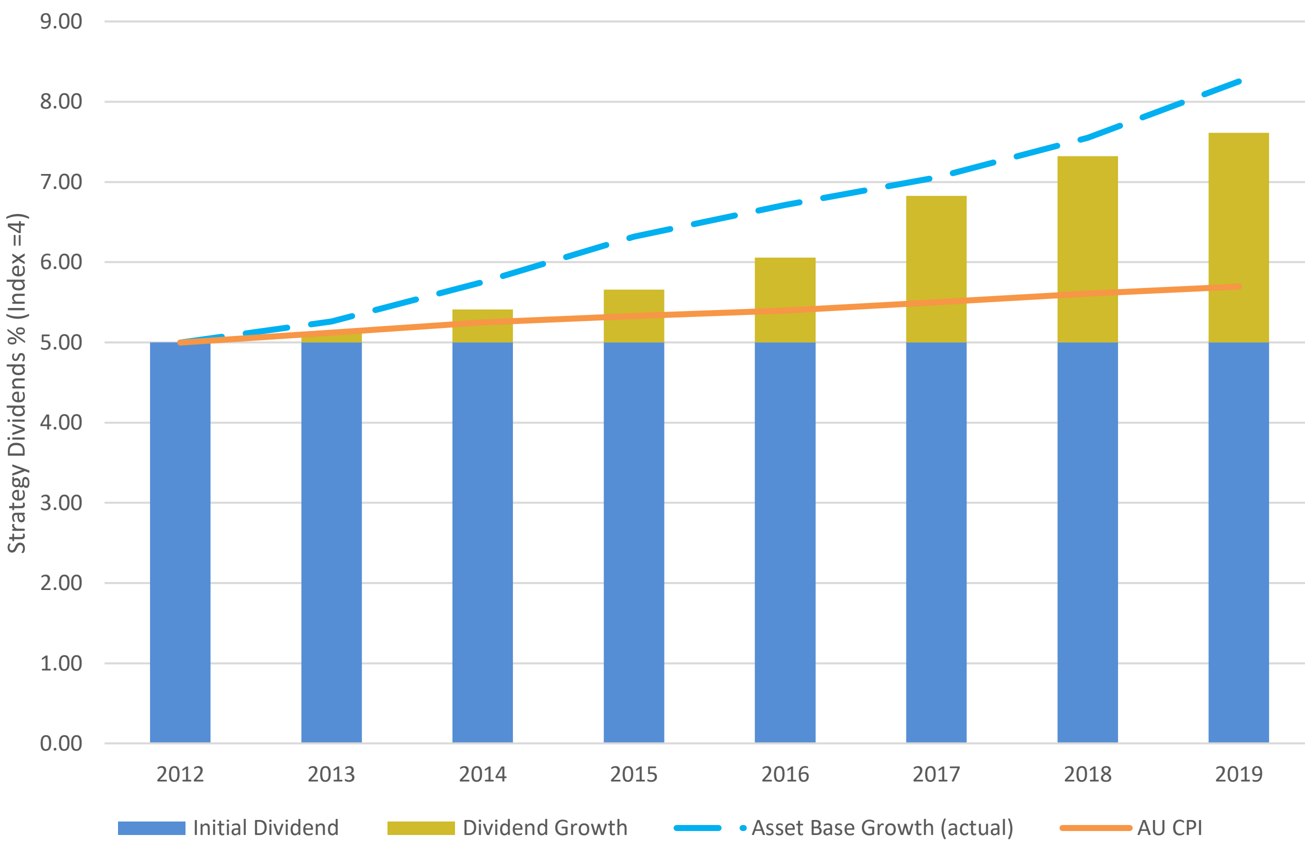
Growing Asset Base Drives Growth In Dividend Yields

Above inflation DPS growth over time

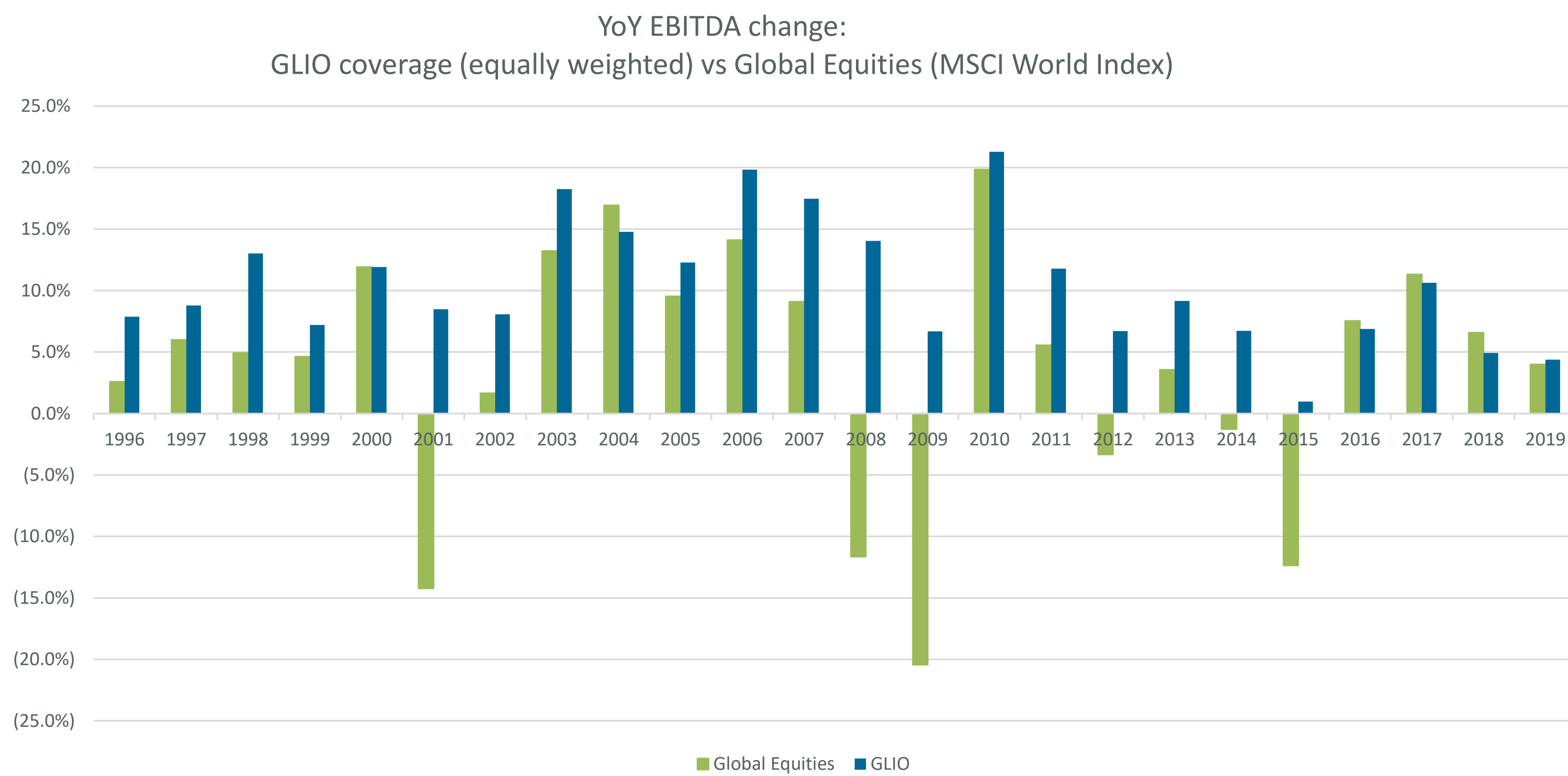
Income Strategy Annual Dividend over time (index =5)



- 2012-2019 compound annualised dividend growth ~6.2%p.a.
- Net PP&E growth of the Income Universe of ~7.1%p.a.
- Compares to inflation at 1.6% p.a. over the same period.

Internal calculations as at 31 December 2019
RARE Infrastructure Income Strategy.

Infrastructure Resilient Through Cycles



GLIO data to December 2019 and Internal Research

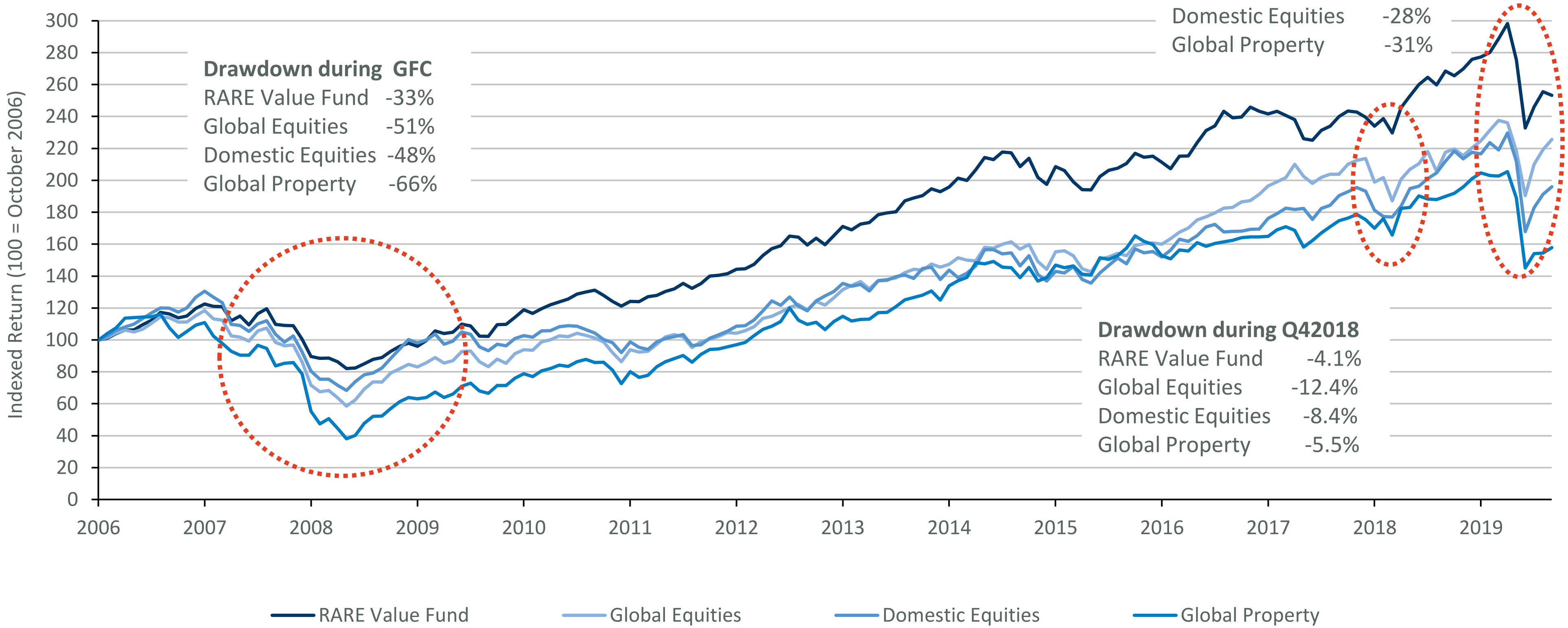
Equities, Property and Infrastructure

Lower volatility with faster recovery

Cumulative Returns Chart

RARE Value Fund (Hedged) vs Domestic Equities, Global Equities & Global Property

COVID Jan to March 2020
RARE Value Fund -23%
Global Equities -20%
Domestic Equities -28%
Global Property -31%



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Internal calculations as at 30 June 2020. Past performance is not a reliable indicator of future performance.
RARE Value Fund – Net, AUD Hedged, FactSet Research Systems (Portfolio Code – Client:RIVAF_Net)
Global Equity – MSCI AC World – Gross, Local, FactSet Research Systems (Index Code – MSCI:892400)
Domestic Equity – S&P / ASX 300, TR, AUD, FactSet Research Systems (Index Code – ASXT:186748)
Global Property – FTSE EPRA / NAREIT Developed NR, AUD Hedged, FactSet Research Systems (Index Code – FEPNRT_AH:160364).

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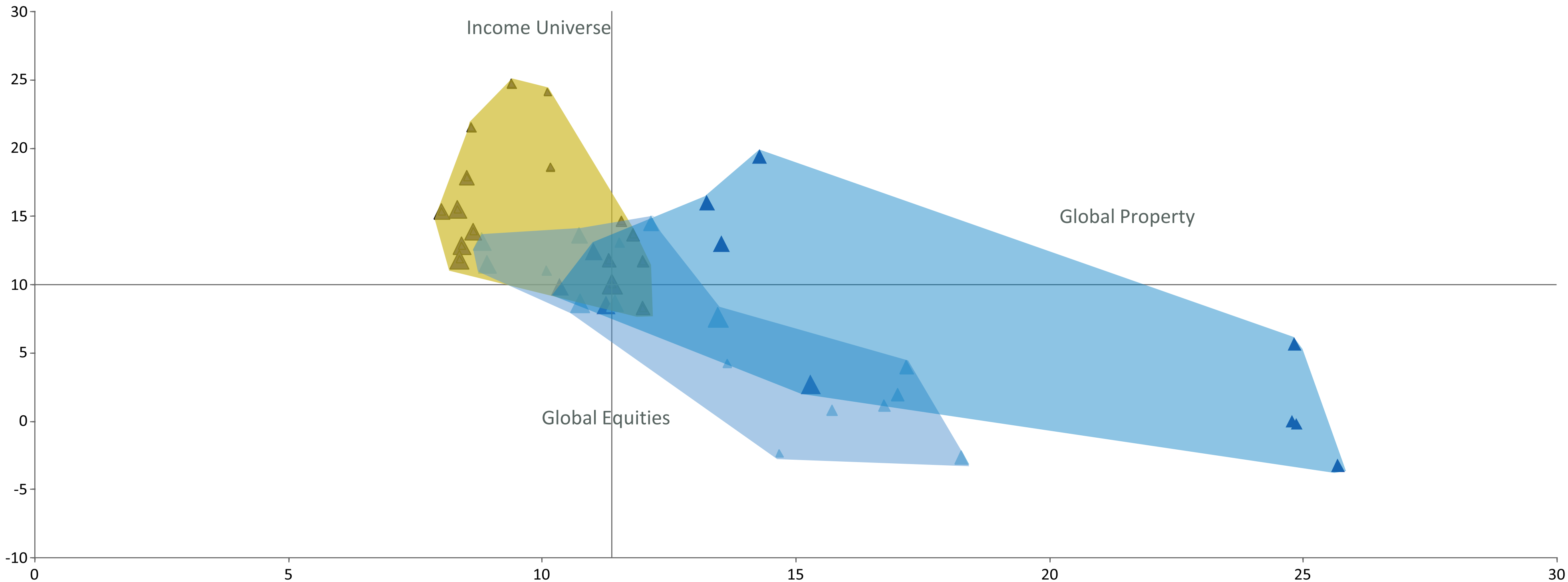
Long-Term Returns vs Volatility

Annualised total returns vs standard deviation, local currency
Listed universes (Rolling five-year periods, from June 2000 to June 2020)



Internal calculations as at 30 June 2020
Global Infrastructure – Yield Universe, Local, Factset Research Systems (Portfolio Code - CLIENT:Yield_Universe_New)
Global Property – FTSE EPRA / NAREIT Developed TR, AUD Hedged, FactSet Research Systems (Index Code – FEPNRT_AH:160364)
Global Equities – MSCI AC World, Gross, Local, FactSet Research Systems (Index Code – MSCI:892400)
The performance data for the RARE 200 is non-actual performance data and reflects the performance of stocks which have been chosen retrospectively. Past performance is not a reliable indicator of future performance.

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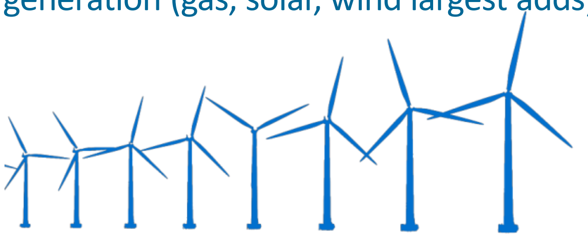
What Will Drive Infrastructure Spending?

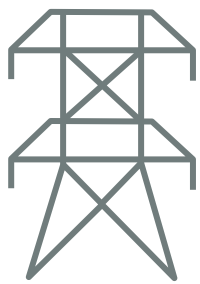
Developed Mkts: Maintenance, upgrades, capacity, sustainability

USD 20 trillion investment in electricity supply/efficiency[1]
2018-2040

USD 8.4 trillion in regulated/contracted generation (gas, solar, wind largest adds)



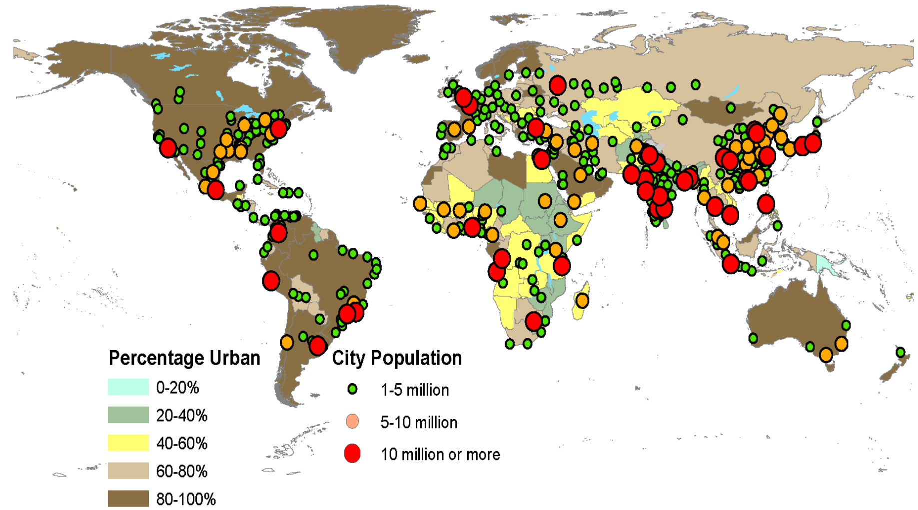
USD 8.6 trillion
in networks/storage



2018-2038

144%

passenger travel[2]
from global airports



- In 2030, there are projected to be 43 megacities (population greater than 10m) vs 33 in 2018
- By 2030, 60% of the world's population is projected to be urban compared with 55% in 2018

Emerging Mkts: Population growth and urbanisation

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1. International Energy Agency, (2018), World Energy Outlook, iea.org/weo2018/electricity
2. Measured in Revenue Passenger Kilometres (RPKs), Boeing (2019), Commercial Market Outlook

United Nations Department of Economic and Social Affairs, Population Division, World Urbanization Prospects 2018 – Percentage urban and urban agglomerations by size class.

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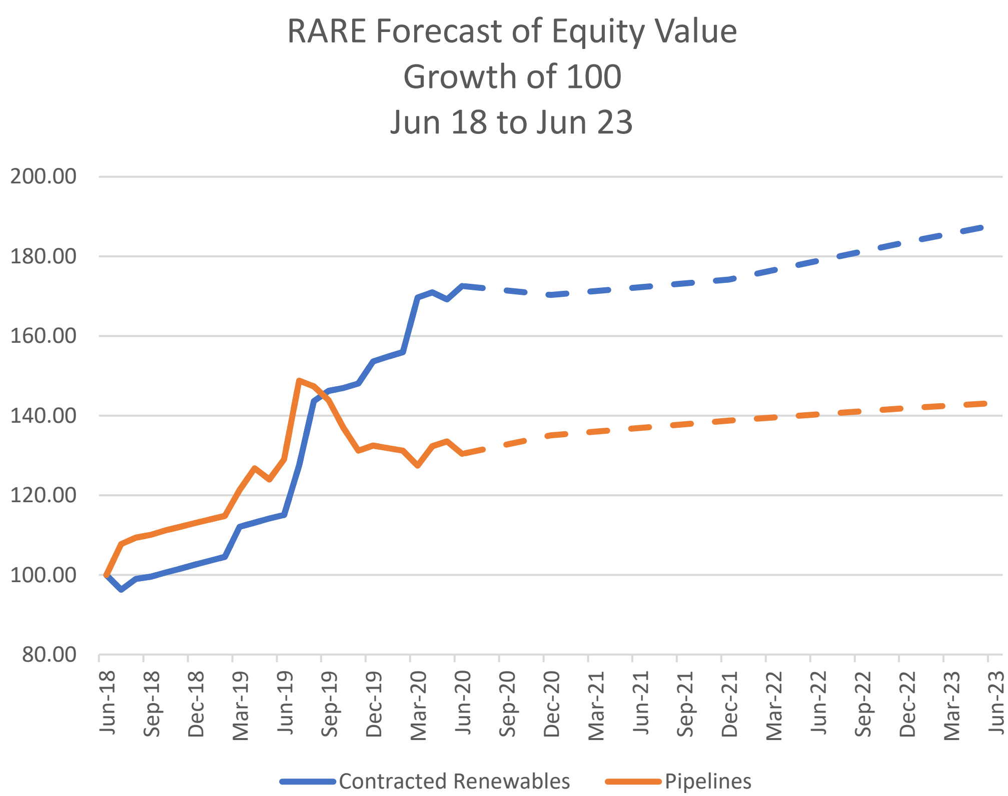
Question

- **A diversified portfolio of Infrastructure securities is expected to provide investors over an investment cycle**:
  - A: A portfolio of securities with a high degree of predictable long-term cashflows
  - B: Stable dividends growing at or above inflation
  - C: Lower beta to most equity market indices
  - D: All of the above

- **Utility company revenues are primarily influenced by economic growth within an economy:**
  - A: True
  - B: False

Renewable Energy: A Long-Term Growth Thematic

Renewables Growth Continues to Evolve



- Cost of electricity from wind has fallen 49% and solar 85% since 2010
- Lithium Ion battery packs costs are also down 85% since 2010
- **80% of new capacity growth will be renewable**
- **By 2050, renewable market share est. to be 50%, currently 17% - a $10tn investment**
  - Gas falling to 17% from 24% market share
  - Coal only 5% market share down from 28% today
- Global government support - over 150 countries with policy support
- Euro Green deal and extension of US safe harbour

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Internal Research as at 30 June 2020
Opinions may change at any time without notice.

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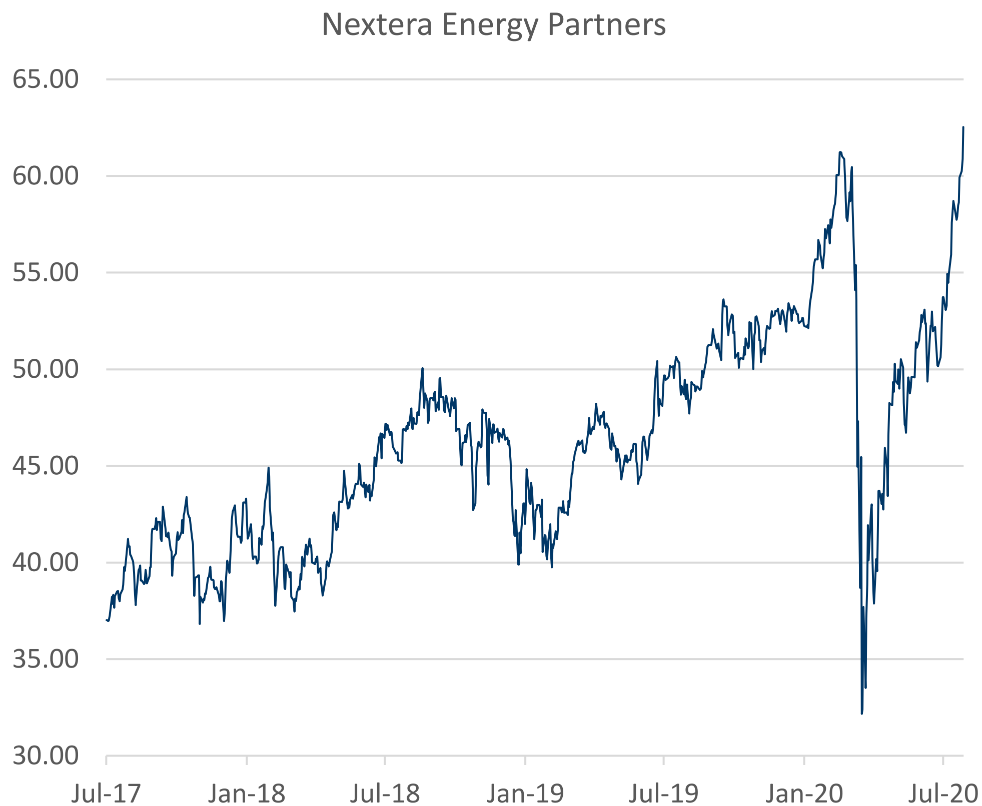
Nextera Energy Partners (NEP)

A leader in renewable energy



- NEP owns over 5GW of wind and solar assets
- NEPs parent company NextEra Inc (NEE) is the largest utility company in the US with over 20GW of wind and solar assets and a large Florida based utility
- Competitive advantages driving equity returns above cost of capital
- Attractive dividend and dividend growth
  - Forward yield est. is 4.3%
  - RARE expects DPS to grow at 15% pa until 2024
  - Renewable capacity is expected to increase by +50% over the next 3 years
- Optimistic scenarios could add +USD60bn to NEE and NEP equity value.

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Bloomberg 3 year daily close share prices to 29 July 2020 and Internal Research.
As at 30 June 2020. Opinions may change at any time without notice and forecasts may not be met.

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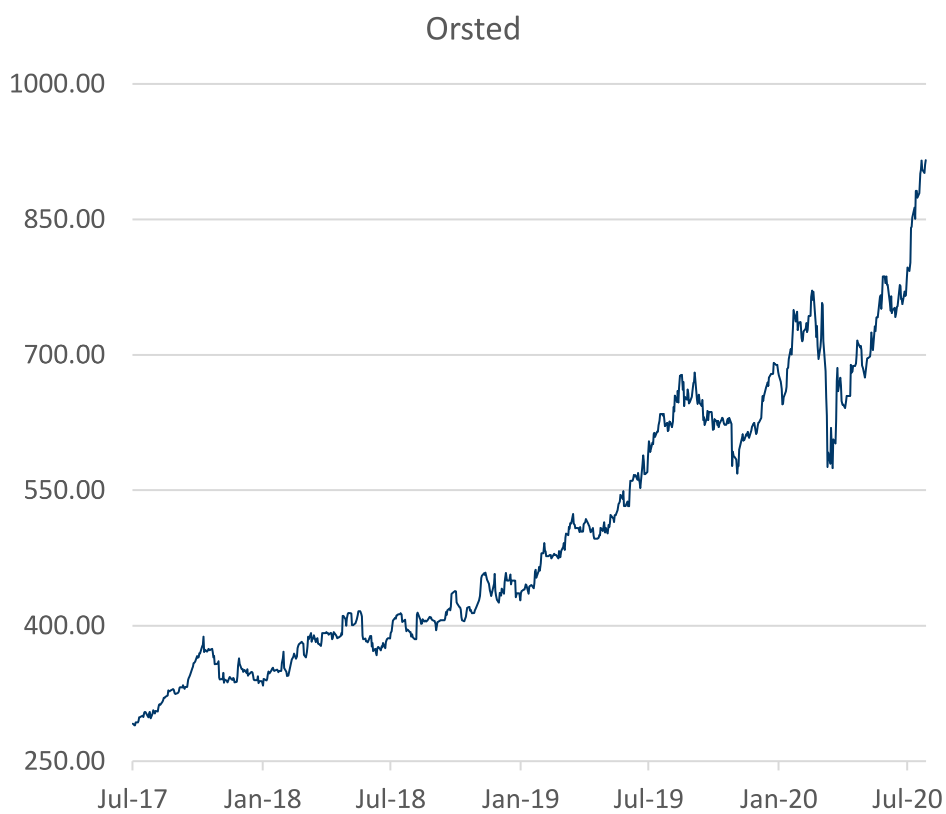
Orsted A/S

One of the world's most sustainable companies



- Company has first mover advantage and a long-term track record
  - Built first offshore wind farm in 1991
  - A leader in offshore wind with circa 30% market share – 1500 turbines
- Pure play on renewable energy
  - 90% of earnings from renewable energy
  - Expected to be 100% "green" by 2025
- Global reach
  - Growth in Europe, North America and Asia
  - Recent deal announced in Taiwan. 920MW facility under 20 year fixed price contract
- Offshore wind still in early stages
  - Capacity expected to increase by 3x by 2025 underpinned by USD$32bn in capex
  - EBITDA expected to grow by +20% CAGR to 2025
- Optimistic scenarios could add +USD40bn in equity value

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Bloomberg 3 year daily close share prices to 29 July 2020 and Internal Research.
As at 30 June 2020. Opinions may change at any time without notice.

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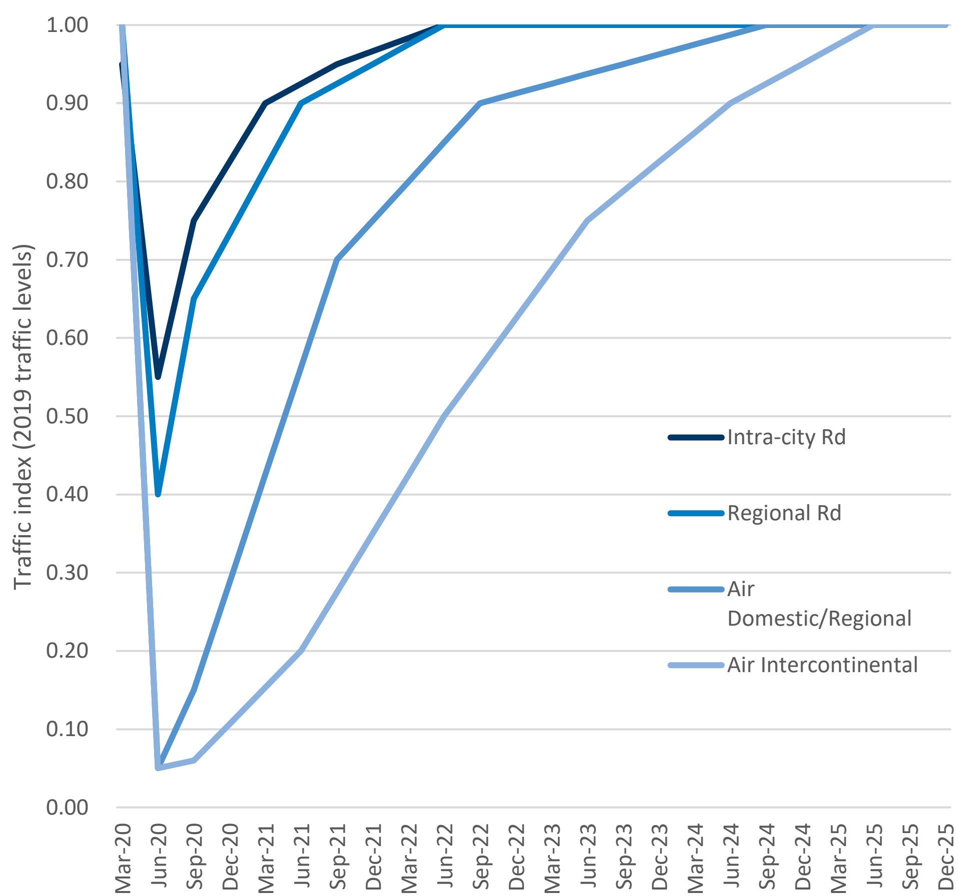
User Pay Assets

Outlook for User Pay Asset Recovery Profile

Testing and tracking regimes and vaccine development

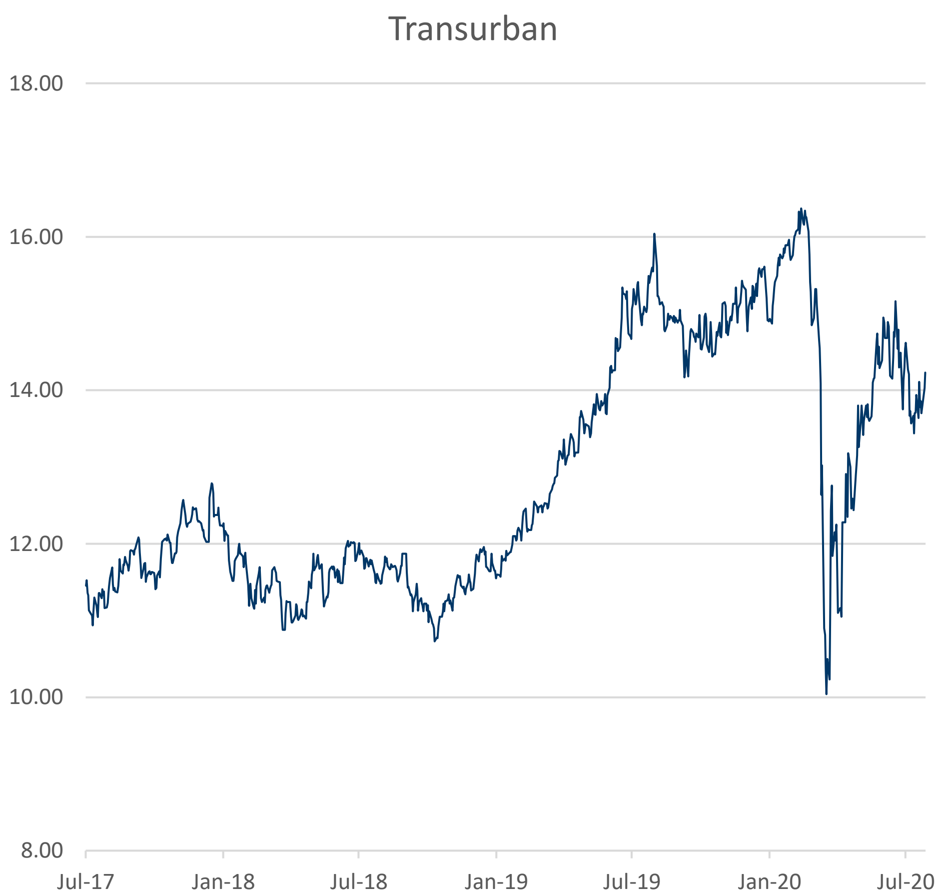


- Intercity road usage expected to recover before other forms of transportation
- Domestic air travel
  - Focus on pax where routes can be trusted i.e. Sydney – Melbourne
  - Social distancing may be required on flights influencing pax per flight and ticket prices.
- International air travel dependant on:
  - Borders opening and potential alliances
  - Concentration of pax from regions (e.g. Auckland expected to benefit from high concentration of Australian pax).
  - Reason for travel e.g. Business travel expected to be slower to recover given risk to employees. Holiday traveller potential avoidance of countries deemed higher COVID risk

Internal Research June 2020
Figures are based on the managers expected recovery profile . There is no guarantee these targets will be met. RARE's opinions may change at any time without notice.

Transurban

The Impacts of Lockdown



- Traffic fell by +50% from March to April – seasonal impact of Easter in these numbers
- Traffic flows in June were down ~20% from pre-COVID-19 levels. Second wave remains a key risk
- Large vehicles seem to be more resilient - currently down ~5% from pre-COVID-19 levels. Typically pay 3x car tolls
- 20k customers with hardship claims including 14k frontline workers - $3.5m of toll credits granted (June 2020)
- Projects opening: M8 (7/20); NorthConnex (Q1 2021); new M5 in FY21; Westgate Tunnel in 2023
- Strong pipeline of potential projects: Govt has 49% minority interest in WestConnex, Western Tunnel, Coomera Connector, Maryland Express lanes and Elizabeth River Crossing (USA)
- Remains in a strong financial position

Bloomberg 3 year daily close share prices to 29 July 2020 and Internal Research.
As at 30 June 2020. Opinions may change at any time without notice.

Sydney Airport

The Impact of Travel Restrictions

- Highly uncertain outcomes requires flexibility and liquidity
- Pre-COVID-19 levels SYD attracted 44.4m passengers in CY 2019
- Unprecedented times
  - June 2020 - pax down 93% for domestic and 98% for international travel compared to June 2019
  - Domestic expected to recover ahead of international travel. In June 2020 – domestic pax was up +100% from previous month (still down 94% from June 2019)
- Financial outlook:
  - Syd has a solid liquidity position to at least 2021
  - Capex cut 50%, opex reduced 35%, suspended dividends
- Key investment considerations:
  - Domestic and International border restrictions
  - Medical breakthroughs
  - Structural impacts
  - Valuation

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Bloomberg 3 year daily close share prices to 29 July 2020 and Internal Research
As at 30 June 2020 .Opinions may change at any time without notice.

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Question

- **By 2050, the market share from renewable energy sources is expected to be:**
  - A: 20%
  - B: 30%
  - C: 50%
  - D: +60%

- **Revenue earned by user pay assets is closely linked to movements in interest rates:**
  - A: True
  - B: False

Sector Outlook and Valuations

Core Universe, 5 year real IRR and CoE

5 year real IRR and Cost of Equity - Core

	Asia Pacific Developed		Asia Pacific Developing		Eastern Europe		Latin America		Middle East		USA & Canada		Western Europe	
	Real IRR	Real Ke	Real IRR	Real Ke	Real IRR	Real Ke	Real IRR	Real Ke	Real IRR	Real Ke	Real IRR	Real Ke	Real IRR	Real Ke
Electric	11.6%	3.5%	24.4%	6.1%			9.2%	6.1%	--		10.7%	3.9%	7.2%	4.6%
Gas	8.8%	2.6%	19.4%	5.6%			13.8%	5.6%	--		13.2%	4.2%	9.7%	5.3%
Water	--		19.5%	5.1%			7.5%	4.5%	--		5.1%	3.2%	6.7%	3.3%
Airports	13.2%	3.9%	17.3%	4.9%			11.7%	5.4%	--		--		14.0%	3.5%
Rail	16.0%	2.9%	39.1%	11.0%			11.1%	7.7%	--		7.2%	4.7%	9.5%	4.2%
Toll Roads	6.0%	3.4%	18.3%	6.4%			6.9%	6.7%	--		--		14.1%	4.4%
Ports	--		31.1%	4.5%			--		--		--		--	
Communications	--		21.6%	8.0%			12.7%	8.5%	--		6.9%	3.6%	36.2%	2.7%
Other Infrastructure														

As at 30 June 2020. Core Universe is a subset of all internal determined infrastructure sector companies. Internal calculations. Equal weighted averageColour key: Dark green/red if Real IRR is 1.5% or more greater/less than the Real Cost Of Equity. Light green/red if Real IRR is between 0-1.5% or more greater/less than the Real Cost Of Equity. Figures are internal expected returns based on internal research. There is no guarantee targets will be met. Internal opinions may change at any time without notice.

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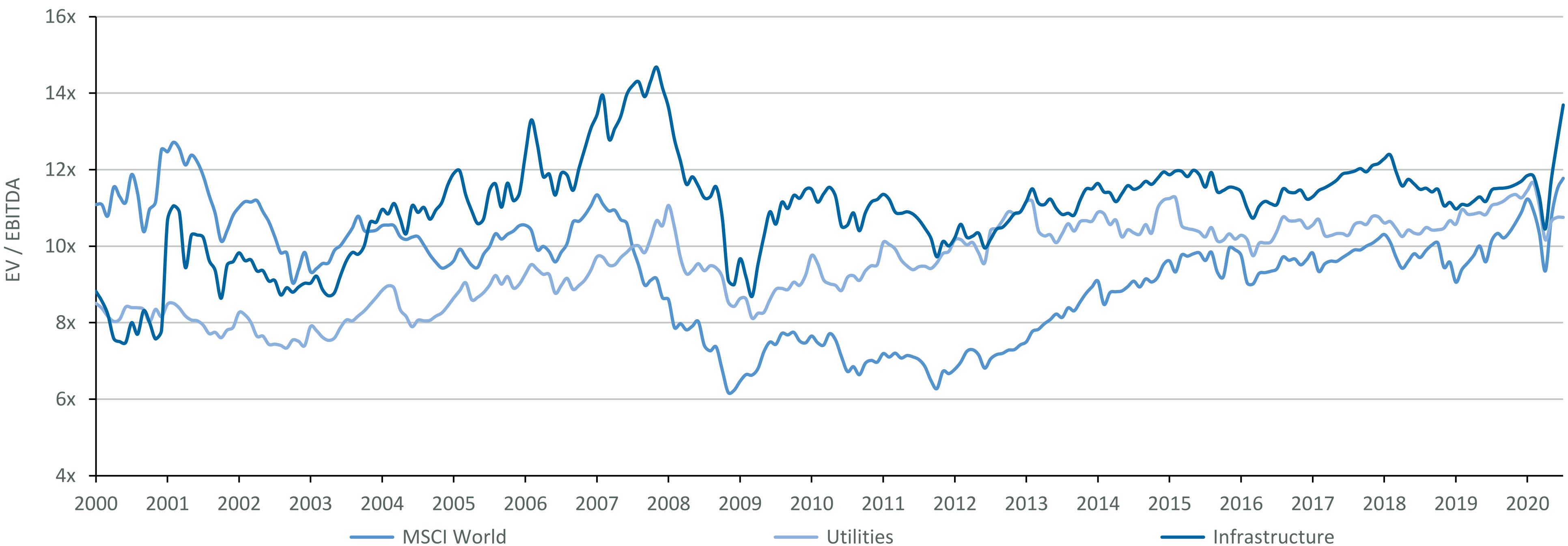
Utility vs Infrastructure Consensus EV / EBITDA

EV / EBITDA - Historical trend using FY1 EBITDA



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As at 30 June 2020. FactSet Research Systems and internal calculations
Arithmetic average, current EV divided forward consensus EBITDA (or, if not available, internal forecasts). EV = market cap + net debt + minority interest and preferred stock.
EBITDA means earnings before interest, tax, depreciation & amortization.
Opinions may change at any time without notice.

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RARE Infrastructure Income Fund

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RARE Infrastructure Income Fund

Investment Objective
To provide investors with a regular and stable income comprised of dividends, distributions and interest plus capital growth.

Investment Strategy
Invests in a range of listed infrastructure securities across different infrastructure sub-sectors spread across geographic regions in both developed and emerging markets.

Income Target
Yield focus of +5%, with a total return expectation of 7% to 9%.

Key Fund Characteristics
Historically, the Strategy has a higher exposure to regulated, less economically sensitive assets
Low historical beta in down markets due to the defensiveness of underlying assets

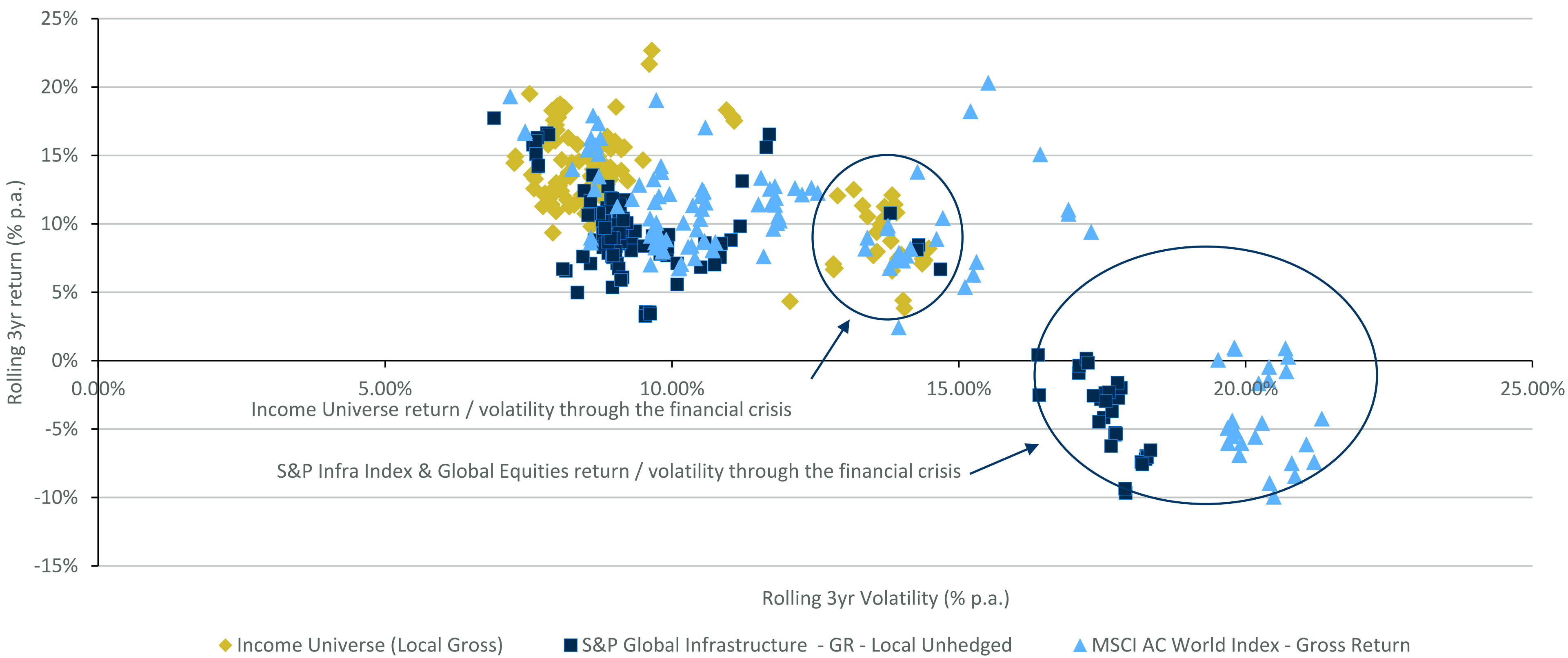
Benchmark
OECD G7 Inflation + 5.5%.

RARE Income Strategy Yield Quality

- RARE uses Yield Quality when constructing the Income universe and as a secondary portfolio construction measure
- Yield Quality is calculated using the following formula:
  - Yield Quality = Dividend Yield Score X Coverage Multiplier
  - Dividend Yield Score (size and growth): The Dividend Yield Score is calculated by taking the average of the current dividend yield and the company's dividend yield in five years time
  - Coverage Multiplier (capacity to pay dividends): The Coverage Multiplier is calculated by dividing the average dividend coverage of a stock (current and in five years) by the median average dividend coverage of stocks within the Income universe.

RARE Has Chosen Lower Risk Companies

Monthly rolling 3-year returns and volatility since RARE inception (Aug-06)



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Internal calculations as at 30 June 2020.
Income Universe – Local, FactSet Research Systems (Portfolio Code – CLIENT: YIELD_UNIVERSE_NEW)
S&P Global Infrastructure – Gross, Local, FactSet Research Systems (Index Code - SPLO_G:STRGLIFX), monthly since 31/08/2006
MSCI AC World – Gross, Local, FactSet Research Systems (Index Code – MSCI:892400), monthly since 31/08/2006
The performance data for the Income Universe is non-actual performance data and reflects the performance of stocks which have been chosen retrospectively.
Past performance is not a reliable indicator of future performance.

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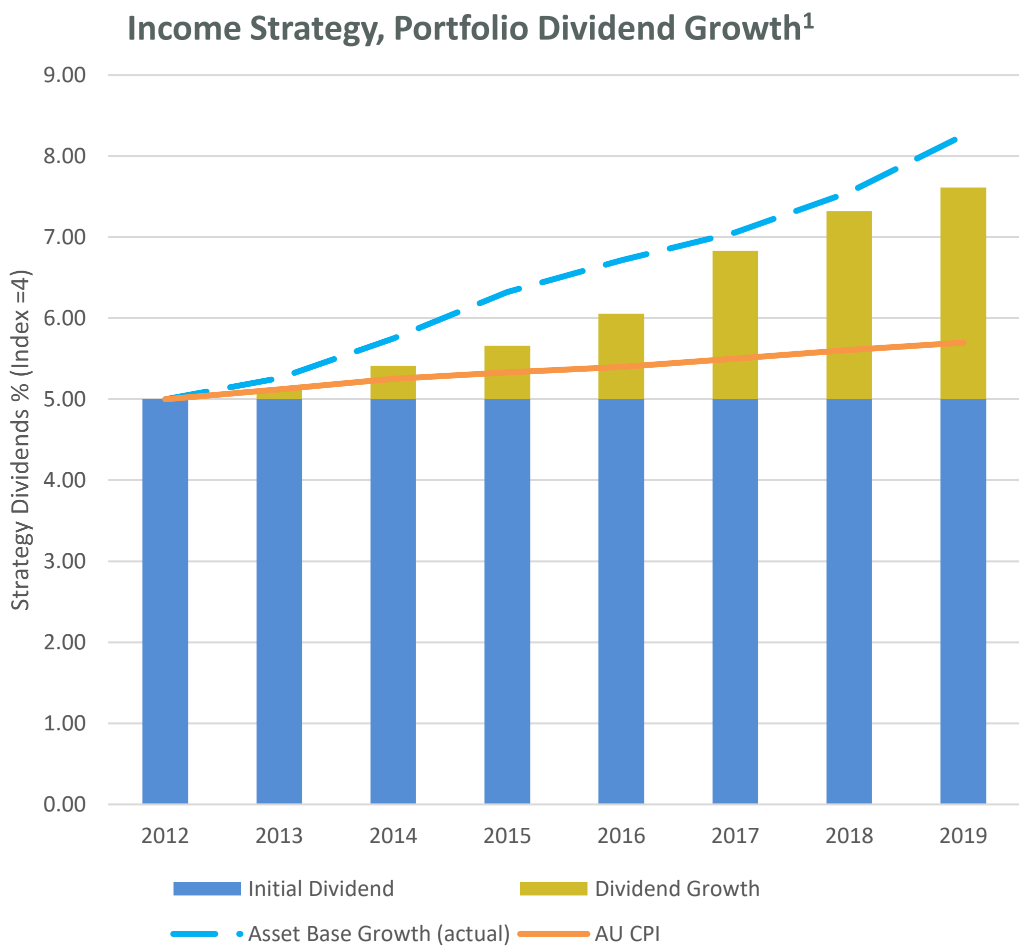
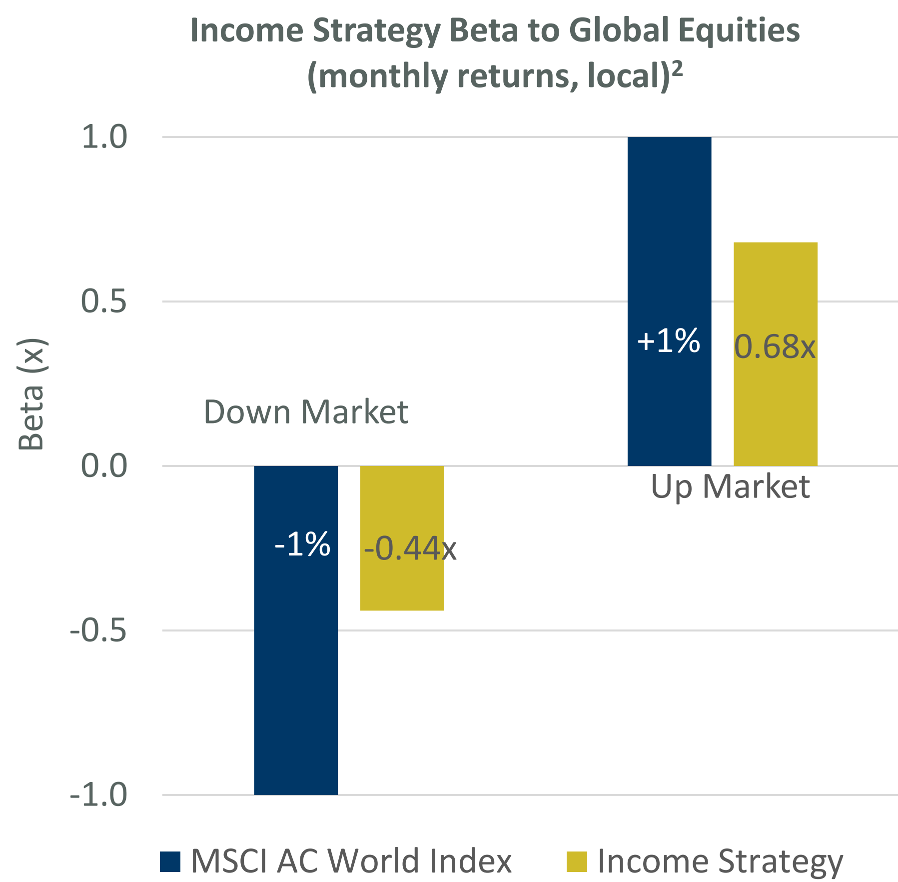
Focus on Asset Base Provides Income/Return Stability

Growing DPS and lower beta to global equities





1. Internal Calculations as at 31 December 2019. RARE Infrastructure Income Strategy
2. Global Equities – MSCI AC World, Gross, Local, FactSet Research Systems (Index Code – MSCI:892400) since 31/10/2010. Calculations as at 30 June 2020
RARE Infrastructure Income Strategy Rep Mandate, Local, since inception 31/10/2010
Past performance is not a reliable indicator of future performance.

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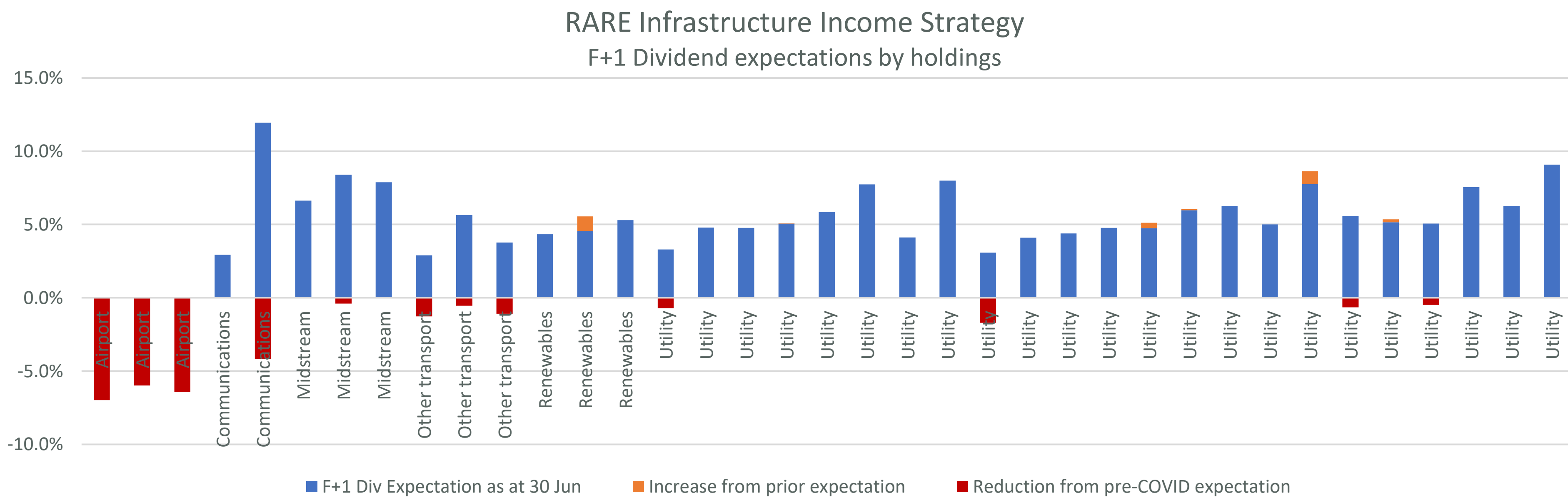
Strategy Dividend Expectations Remain Strong

- The Income Strategy portfolio construction assumes dividend downside. Transport assets (total exposure 9%) have the most impact
  - PMs have assumed no dividends from Airports and around half for Toll Roads
  - Utility earnings are generally more resilient although a small number may take this opportunity to rebase dividends
- Portfolio 1yr forward yield expectations have come down by ~0.35%
- Longer-term capex plans of utilities to drive DPS growth



Internal calculations as at 30 June 2020
Figures are the manager's expected income based on internal research and internal analysts' projections and assumptions.
Actual results may be materially different if those assumptions and projections are incorrect.
Opinions may change at any time without notice

Portfolio Positioning – Value Strategy

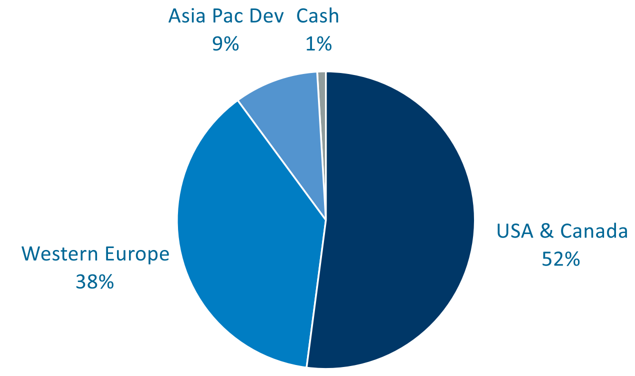
At 31 August 2020

Top Stocks	Country	Sector	Weight (%)
Sempra	USA	Electric	4.8
Vinci	France	Toll Roads	4.7
Union Pacific	USA	Rail	4.6
Transurban	Australia	Toll Roads	4.5
Severn Trent	UK	Water	4.0
Cheniere	USA	Energy Infra	4.0
GetLink	France	Rail	3.9
Terna	Italy	Electric	3.8
Nextera	USA	Electric	3.8
American Tower	USA	Comms	3.7

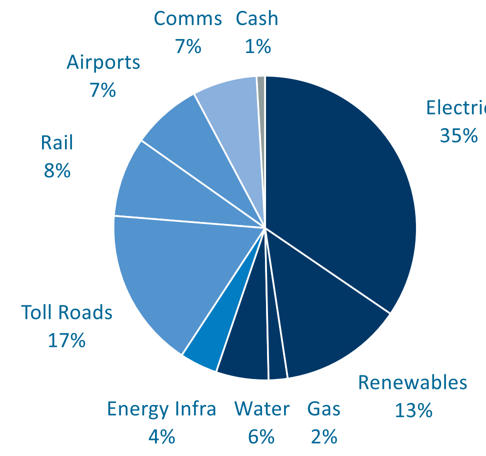
Key Portfolio Statistics [1]

Avg Market Capitalisation	47.3bn
RARE Div Yield (Fwd) Gross[2]	3.0%
DPS Growth (Est. 5 Year)[2]	7.3%
Gearing (Current)[3]	38.6%
Interest Cover (Historic)	3.6x
EV/EBITDA (Forward)[2 4]	15.1x

Regional exposure



Sector exposure



Internal calculations at 31 August 2020. FactSet Research Systems (Portfolio Code - Client:/publisher/RIVAF.ACCT)
1. Based on weighted averages. 2. Internal Div Yield (Fwd) Gross, DPS Growth and EV/EBITDA forward estimates reflect internal analysts' projections and assumptions. Actual results may be materially different if those assumptions and projections are incorrect. 3. Gearing (or leverage) is measured as: the book value of net debt (at last reporting period) divided By EV (see below). 4. EV (Enterprise Value) = market capitalisation + net debt + minority interest and preferred stock. EBITDA means earnings before interest, tax, depreciation & amortisation. The above information is included for illustrative purposes only and does not constitute specific investment advice or recommendations on any particular securities.

Portfolio Performance

To 31 August 2020

	1 month (%)	3 month (%)	1 year (%)	3 year (%)	5 year (%)	Inception (%)[3]
RARE Infrastructure Income Fund - Class A[1]	**-1.4**	**2.3**	**2.7**	**6.2**	**9.1**	**11.0**
Growth[2]	**-1.4**	**-0.5**	**-2.8**	**-0.6**	**2.9**	**2.7**
Income[2]	**0.0**	**2.7**	**5.5**	**6.8**	**6.3**	**8.3**
BENCHMARK: OECD G7 Inflation Index +5.5%	0.4	0.8	5.7	6.9	6.8	6.8

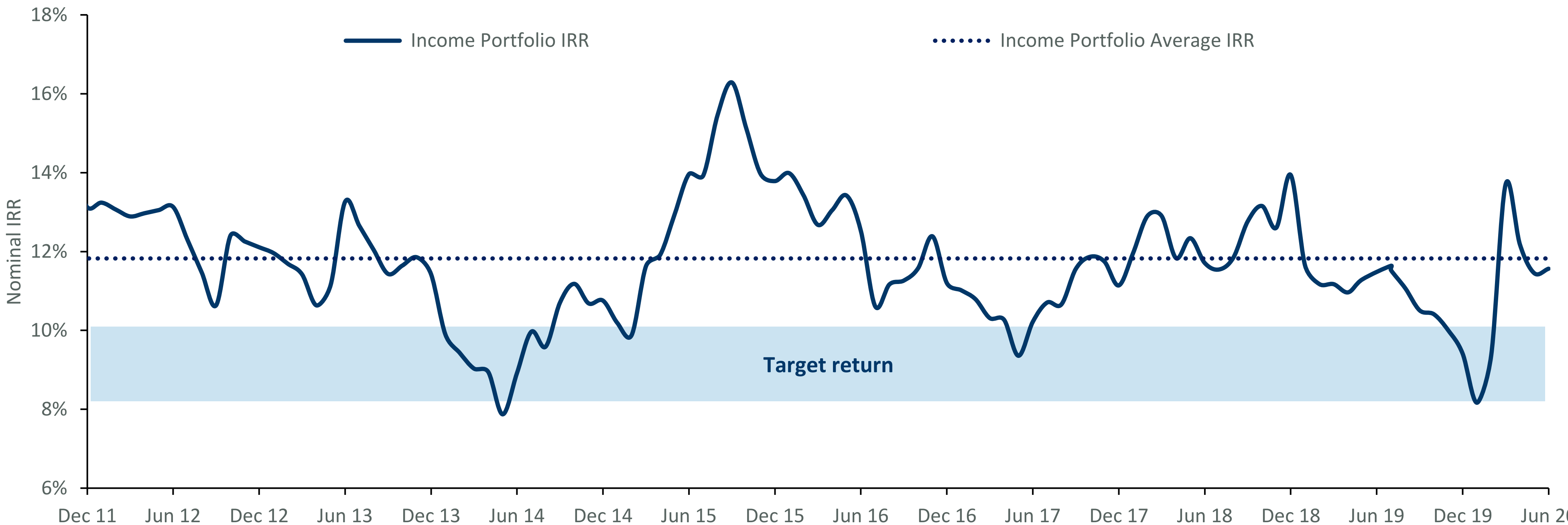
1. Internal calculations to 31 August 2020. FactSet Research Systems, AUD, Net (Portfolio Code - Client:/publisher/RIRSVL.ACCT)
2. Income and Growth data sourced from RBC
3. Inception date is 30/09/2008

BENCHMARK: OECD G7 Inflation Index +5.5%, FactSet Research Systems (Index Code - CLIENT:BENCHMARK)
Growth - Net, AUD, FactSet Research Systems (Index Code - CLIENT:RIRSVL_GROWTH_GROSS)
Past performance is not indicative of future performance.

Expected Returns from the Income Strategy

- Equity IRR has been reasonable predictor of portfolio performance
- Portfolio companies currently offering a 5yr equity IRR of circa 11.6% on average.

Portfolio stocks (expected 5 year returns annualised from internal financial models)



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Internal calculations as at 30 June 2020
Portfolio – Weighted average of manager calculated 5 year nominal IRR for Income Strategy portfolio stocks, monthly. Average represents average of observations over graph period. Figures are the internal expected returns based on internal research. There is no guarantee these targets will be met. Opinions may change at any time without notice.

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Conclusion

Build a more defensive portfolio with Infrastructure

Why listed Infrastructure?

- Strong cashflow from growing asset base
- Offers downside protection from higher predictability of returns.

Why RARE?

- Infrastructure Specialist with tighter definition of infrastructure – focus on pure infrastructure assets which are governed by regulations or concessions
- Benchmark unaware process – active management allows RARE to find sectors and stocks with most compelling value.

Why now?

- Provides strong defensive characteristics for the cycle ahead
- Ability to provide strong income with moderate growth.

Past performance is not a reliable indicator of future results.
There is no guarantee these targets will be met.

Important information

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