CEF Track Panel #3: REITs, Real Assets and Infrastructure Investing in 2024 and Beyond

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ROXANNA ISLAM: All right, I guess we're ready to get started after that break. Welcome back, my name is Roxanna Islam, I'm the head of sector and industry research at TMX VettaFi. So you may know us for ETFs, but we actually provide some of the indexes for some of the ETFs of closed-end funds out there, and personally I worked in closed-end fund research many years ago back at Wells Fargo, so closed-end funds are not a new thing to me. Very excited to get started, we have a panel about REITs, real assets, and infrastructure, so a broad range of topics, all of which are real asset, real asset adjacent, and we have some very skilled speakers up here so I think this will be an exciting panel, and very timely panel actually, to talk about. So before we get started, why don't we have each of the panelists just introduce yourself real quickly, your name, your role, your company,

and maybe a little bit about what you do there. Yeah, Larry, why don't you get us started?

LARRY ANTONATOS: Sure, thanks. Good morning, I'm Larry Antonatos, I'm with Brookfield Asset Management. I manage the Brookfield Real Asset Income Fund. Brookfield is a global asset manager, we're one of the largest investors in real estate, one of the largest investors in infrastructure, we have approximately one trillion dollars of assets under management. We invest both in private fund structures as well as public securities, and we are also a majority owner of Oaktree Capital Management. So within my fund I'm responsible for asset allocation, I allocate capital to various Brookfield and Oaktree investment teams to pick the individual securities within my closed-end fund Brookfield Real Assets Income Fund.

AXEL MERK: Good morning, I'm Axel, Axel Merk, Merk Investments. We are a boutique shop, smaller than most folks here, we manage $1.6 billion in real assets, the true real asset in gold. We are a gold and precious metals management company and we manage ASA Gold and Precious Metals, that's a closed-end fund founded in 1958, the oldest closed-end fund I think that's around here. Merk Investments manages this fund since April 2019, and I'm the founder and chief investment officer of Merk Investments.

JIM BAKER: Good morning, I'm Jim Baker with Kayne Anderson Capital Advisors. I'm a managing partner in our energy infrastructure group, we have a closed-end fund KYN that focuses on energy infrastructure. As a firm we manage $36 billion, quintessential alternative asset management firm, where there is a focus being real estate, private credit, energy and energy infrastructure.

JOSH DUITZ: Good morning, my name is Josh Duitz, I work at Abrdn Asset Management. I manage ASGI, which is the Abrdn Global Infrastructure Income

Fund, I've been managing infrastructure funds for over 16 years. ASGI is a unique infrastructure fund, it's a closed-end fund that we listed about four years ago and we went public, and in it we invest in traditional infrastructure which includes transportation, roads, ports and airports, rails globally as well as energy infrastructure, pipelines, utilities, and communications, and when I talk about communication, really it's the large wireless towers that you see all over the country.

ROXANNA ISLAM: All right, so let's get started with a topic that I think is on everyone's mind, and that's the election, and maybe you're tired of hearing about it now, but there's been a lot going on and we saw a pretty healthy stock market rally. When I was sitting there earlier, I saw that Bitcoin was about $90,000, so there's just a lot of things going on that happened in a short period, so let's talk about the election, maybe what you think is going to happen over the next four years. I know that's a pretty broad question, but are there any policies or issues affecting the specific areas you work in? And do you think that that will be significantly different in this administration versus the previous administration? Maybe talk a little bit about domestic and international if that applies to you. Let's start with Larry again for this one.

LARRY ANTONATOS: Thanks. In terms of real estate and infrastructure, I would say that the new administration has created, I think, a sense of optimism within the small business community. As I think about the spaces that we invest in, real estate tends to be more cyclical, infrastructure tends to be more steady, so I do think that business optimism encourages a soft landing, which is good for real estate and good for economic growth, so this makes me more optimistic about the recovery in real estate. If I shift to infrastructure for a minute, I think the administration has one area where there is good news/bad news, and maybe others on the panel can

comment on this, and that is within energy. In terms of energy policy, the Democratic Party, the Democratic Administration has been very pro-renewables in terms of tax breaks, et cetera, and I think the new administration will be more traditional carbon-based energy. So that creates some divergence within the energy infrastructure space, maybe I would say on the margin, bad news for renewables and good news for pipelines and traditional carbon energy.

AXEL MERK: I'll stay very high level. I'd love to talk for hours about implications, with the caveat that we are almost always wrong about predicting what's going to happen next year. One of the key things that happened on the election, real yields popped a little bit higher, normal yields in total as well. Real yields would pop higher when the overall growth potential might increase, that's traditionally a headwind to the price of gold, simply because gold is competing with real yields in the long run, and then as a consequence potentially with miners as well. That said, neither the Harris nor the Trump campaign really had fiscal discipline on the top of their agenda, and so that is something that in the long run many of the gold investors appreciate. On the tariff side, that historically is a positive for the dollar, which could be a headwind to gold as well. As you take it more broadly as the economic cycle, and we'll talk about that more I think on the inflation subject, but when you have the potential for an economic slowdown, that tends to be good for this sort of environment. On the regulatory side, there's a lot of geopolitical risk in gold mining, and that includes the US. There might be some easing permitting on strategic minerals, but gold mining specifically in our space is likely going to get easier. Not going to have a huge impact on the portfolio, but there might be some opportunities.

JIM BAKER: And maybe to pick up on Larry's comments with respect to energy and power infrastructure, certainly from our vantage point we think the tone at the top

is going to be a lot more constructive. I think we've already heard comments with respect to along the lines of recognizing the US as an energy superpower, flexing up or taking advantage of the energy dominance that we have, and hopefully providing more certainty with respect to infrastructure permitting. It's also very clear the administration understands the important role of datacenters and keeping up in the AI arms race, to use a clumsy phrase, and so net/net for energy and power infrastructure in particular. In the US we see it as a very constructive and more durable environment, which as investors certainly makes us happy. You talk to the companies, and ultimately you'd start to dig into what could happen to demand over the next five or 10 years, it starts to take your breath away, and ultimately for them to be able to facilitate that demand growth, this administration, in our opinion, will provide more certainty as allowing that to actually take place.

JOSH DUITZ: I think there's a lot of concern about repeal of the IRA, the Inflation Reduction Act, and what it would mean for renewables. So just to frame it a little bit, under the previous Trump administration, wind and solar deployment increased by 28% versus the Obama administration, so I think the IRA, they'll probably take a scalpel to it rather than a sledgehammer, and they'll probably make changes to it rather than just repeal the whole thing. And partly is that if you look at where the spending is taking place, the number one state is California that has invested in renewables, about $94 billion, but right after that is [Florida 0:08:59] at $69 billion, [Florida 0:09:01] about $29 billion, and then Georgia. The majority of the spending from the IRA is taking place in red districts, republican districts. So I don't think the Congress will allow a full repeal of the IRA, so I think the panic over the IRA being totally repealed is probably incorrect. In addition, we'll see if offshore wind probably stop, is my guess, but on shore wind and solar we'll continue to invest in, so I think we will see [inaudible 0:09:32]. Another part of

the infrastructure, like I said, we invest across a broad spectrum of infrastructure, is transportation. We've had a two and a half year freight recession, and I think with the Trump administration, with lower regulations, getting rid of a lot of regulations as well as lower corporate tax will probably spur investments. One area of concern is certainly on the tariffs, if he's going to increase tariffs, which will probably hurt the short-term rate, but over the long term it'll probably help domestic growth, so we think that's a positive over the long term, although in the short term it could be a bit of a headwind.

ROXANNA ISLAM: All right, great answers. Jim, you brought up something that I thought was really interesting. You brought up the power grid and artificial intelligence, so I'm a generalist now, and to me that's one of the biggest stories of the year. It's the power demand and how we're going to make up for all that demand that AI is creating, particularly on datacenters, on energy sources. Why don't we start with you actually, Jim, why don't you tell us about what factors are causing this increased need for power, maybe expand on the AI you mentioned earlier, and then maybe some of the opportunities there and pitfalls in investing.

JIM BAKER: Sure, so as a baseline, power demand has been roughly flat, it's grown less than 1% per year over the last 20 years. You look at the forecasts and there are different forecasts, and it's obviously regional but you'll see datacenters become a much larger component on the demand side, so I think it's less than 3% today, depending on the forecast you view, it's closer to 10% over the next five or 10 years, and so how are we going to satisfy that need? The other things that are happening is re-shoring and increasing industrial activity and industrial users as a consumer of power with a backdrop of a push to electrify a variety of things, and so power demand is going to grow pretty meaningfully, we can debate how much. And then so do we have the backbone ultimately to satisfy that, and can we do it in a way

where there aren't outages and you don't have inflation with respect to power, and that's a challenge that ultimately a comprehensive energy and power infrastructure bill to allow for more streamline permitting is extremely important with the republicans in control of the White House and what appears to be both chambers of Congress, perhaps they can use that two-year window to get something done to make it easier. It's not going to be easy, but ultimately they're going to have to, for us to satisfy those needs, it's going to have to be more straightforward for people to put these large infrastructure projects in place.

JOSH DUITZ: If I could just add onto that?

ROXANNA ISLAM: Yeah, sure.

JOSH DUITZ: You mentioned the US power demand has grown a little less than 1% in the past 20 years. In Europe it's actually down about 10% since 2008, that's inflecting from a lot of the reasons that you talked about, and datacenters make up about 1.5% of the power demand in Europe, that's expected to grow to 8% by the end of the decade, so a huge, huge increase, and what's really driving that is increase of GPUs rather than CPUs, you need GPUs for artificial intelligence, machine learning, high-performance computing. I'm not sure how many in the audience have used ChatGPT, I use it all the time, I call it my new best friend. A ChatGPT search uses 10x as much energy as a Google search, so there's a huge, huge explosion. Just one other number I'd like to throw out there. Texas, which is the largest power market in the US, ERCOT has said there's about 85 gigawatts of power usage, by 2030 we need 152 gigawatts, last year that estimate was 111 gigawatts, so a huge, huge explosion in demand plus artificial intelligence, and that's what we're trying to capitalize on and invest in.

AXEL MERK: Maybe just tangentially related to our fund, we invest in mining, and while we focus on the precious metals side, the mining teams, they don't really care

whether they get gold out of the ground or strategic minerals, and one of the big challenges in the industry is just talent. It is not hip to go into mining, not in the US, and in Australia it's a little better, but there is not enough qualified staff there, and we need to mine to get the lithium out of the ground and whatever it may be, and that's a huge, huge challenge. To just spin it a little bit towards our fund, we really do a bottom-up analysis, and what we invest in is management teams more so than anything else, and there are very, very few that can actually execute, execute a project on time and on budget, and that of course gets ever more difficult for these mega projects.

ROXANNA ISLAM: Yeah, yeah.

LARRY ANTONATOS: Let me just add a lot of the conversation has been about the growth in demand for electricity. Let's talk about a word that Jim used, which is the backbone. Whether electricity demand grows or not, I do think one of the things that we should consider is the source of generation, the location of that generation is changing. Old coal power plants, carbon burning plants are being shut down and replaced with renewable plants. Despite any tax incentives that may or may not go away, renewables is and will continue to be a growing part of electricity generation. And the important thing to consider for the electricity distribution grid is that the location of a coal plant and the location of a wind farm are vastly different, therefore utilities need to build long distance transmission lines to get that wind power or that solar power into the existing electricity distribution grid to make that power accessible, and then we also need to continue to make the electricity distribution grid more resilient, more reliable, as Jim mentioned. Those create great opportunities for electric utilities, they have to reinvest capital into their existing wires or build new wires, and they will earn a regulated return on that investment. You may think, oh, it sounds very, very expensive, it is expensive,

but you make a great return on every dollar you invest, so that's another opportunity of growth for old school utilities.

ROXANNA ISLAM: Yeah, great story for me as a sector specialist, really love that AI power story. Let's switch gears just a little bit and talk about closed-end funds as a wrapper. So many of you might be from firms that offer closed-end funds, ETFs, other fund structures, so when we're looking at these real assets, these REITs, gold, gold mining, energy infrastructure, why hold it in a closed-end fund wrapper versus something like an ETF, which it's growing in popularity? It's not just me being biased coming from an ETF firm, but ETFs are growing in popularity, so are some other fund structures, so why hold it in a closed-end fund? Let's start with Axel this time.

AXEL MERK: Well, we are a niche product investing in gold miners, and when we started managing the fund in 2019, we shifted the portfolio from an index targeting large cap funds to really junior mining companies, exploration and development companies, those are companies not held in ETFs, even GDXJ the junior mining ETF that's out there doesn't really hold super small companies. An ETF will not be able to fund the development of a company, so we've really turned this fund in somewhat of a venture capital type of fund to help institutionalize these assets, trying to take advantage of the increased valuations as bigger investors go in. I would allege that the sort of thing that we do in ASA is not available in any other public product, at least not that we are aware of, and so we're really providing access. What you can do with a closed-end structure is you have the patient capital, so you can be with these companies for an extended period. Notably, many of these securities are rather illiquid, people go public quite early in this space but they're very illiquid, and so having the closed-end wrapper provides somewhat more liquidity, it's not like the closed-end fund is super liquid itself but we provide access

to something that you simply cannot do in an ETF, and so we tried to clearly differentiate and I think we've succeeded, and the return profile is as you would expect by shifting to where we have shifted.

ROXANNA ISLAM: Okay. Jim, do you have anything to add?

JIM BAKER: Yeah, so maybe for our closed-end fund KYN, it's been public for just over 20 years, it was really designed to get retail investors to invest in energy infrastructure, but in particular master limited partnerships, MLPs, in an efficient form, so we allowed them to do that without the burden of K-1s, so they would get one 1099. Ultimately the rules have evolved, but there still are limitations for a 40 Act, so virtually every mutual fund or ETF is subject to RIC rules which limit what you can own in an MLP, they have other things, and so we as a fund have more flexibility for people to get exposure to that asset class. The structure allows us and others to do that in a way to pay a high attractive dividend yield, the closed-end fund investors generally speaking prefer income or more income-seeking than other areas. And then the last thing that we've done, certainly that we think makes a heck of a lot of sense in a closed-end fund structure, is ultimately to responsibly do private investments as well. We talked about the growth opportunities, and I think we would all agree in infrastructure, the listed market as opposed to the private market is where very large companies are going to be doing very large projects, but there is a role for the private companies in capital formation, and closed-end funds can then earn nice returns for their investors by responsibly augmenting that public portfolio with private investments as well.

ROXANNA ISLAM: Josh and Larry, anything you guys have to add? I'd love to hear.

JOSH DUITZ: I'd just like add on the infrastructure side. So I've been managing an open-end infrastructure fund for 16 years, and what we've seen is a huge, huge explosion, as you mentioned, on the private side, and retail investors don't have

access to that. What ASGI has done is invest both in public and private infrastructure together, and we try to use it as a puzzle to fit. What's interesting about infrastructure if you look at it on the public side, the valuations are actually cheaper than the private side, which makes no sense whatsoever, right? Private, to me, private investments should trade at a discount, should trade at an illiquidity discount not at a liquidity premium, and what ASGI does is we actually look for opportunities where on the private side they're actually trading at discounts when they're in the public market, so really at the mid-tier side of infrastructure investing. Because there's been so much capital on the private side investments, you see valuations too high, so when you could actually meet the two and really work together and find opportunity sets you can't find in the public markets, that's what makes infrastructure investing in ASGI so interesting.

LARRY ANTONATOS: Let me just add that in my view the closed-end fund wrapper offers two advantages. One is we can use leverage to amplify returns, keep in mind leverage can be a double-edged sword, it amplifies returns on the way down as well. And second, there's been some conversation about investing in privates, we don't do too much private investing in my fund, but we do a reasonable amount of investing in what I would say is less liquid public securities, where we find convertible preferreds, more complicated structures, more complicated companies, we can get some very good outsized returns in less liquid securities, and we're comfortable doing that in a closed-end sort of permanent capital structure, much more so than in an open end structure.

AXEL MERK: Let me just make a comment on privates. We historically have invested sometimes in private just before IPO, something an ETF also typically cannot do, we have on occasion also invested in privates that don't plan to go public right away when we thought the opportunity was just tremendous. We currently

hold one larger position, and it's not that we bought a larger position, but that our thesis has been unfolding and there have been third-party transactions that has continually valued that private security significantly higher. So there are things you can do in a closed-end fund that's just not possible in many other spaces.

JOSH DUITZ: Just one more point. When we look historically at public versus private infrastructure, over the long term the returns are very similar, there's just a bit more volatility on the public side. So when investors think they're getting this great return by only investing in privates, they're just getting a little less volatility and the returns actually might be better going forward on the public side because of the valuation. But when you can marry the two and have liquidity and provide that for investors, you can't get that in an ETF or an open-end fund where you can invest in both because of the liquidity issues with it.

ROXANNA ISLAM: All right, well, you all have sold me on closed-end funds, so let's look at infrastructure and real assets. How do investors look at these? How do they position them in their portfolios? Is this a sector play, is this an income play? How do these types of funds fit into a broader portfolio? And then maybe let's touch on inflation a little bit, I know these are typically inflation hedges, but is it still something that you need to be concerned about? How do allocations look in an inflationary environment versus a dis-inflationary environment? And then we can start with Josh this time and mix things up and go this way around.

JOSH DUITZ: So since I started, we've always talked about infrastructure being a hedge of inflation, but [inaudible 0:23:44] test it because there was no inflation for years and years, and then in 2022 when there was inflation for the first time, managers saw infrastructure assets do exactly what they were supposed to do as a hedge against inflation and really outperform. And now I look at our debt as a whole and I just can't get over the levels we're at, $30 trillion plus and growing and

growing, I truly believe that we'll continue to have inflation and it'll be a concern, and infrastructure and real assets continue to be a great place to invest as a hedge for inflation. What I've seen, investors didn't really know where to put it in their asset allocation initially because infrastructure was somewhat of a new asset class [inaudible 0:24:23]. Years ago I think there were only four or other funds at the time, now there's many others because investors understand the value of infrastructure, so they're putting it in a lot of different places. Sometimes in place of real estate, and as you mentioned it's a great income generator asset, so it's a part of that allocation, and others are just looking at it as a broader global asset allocation because we are invested across regions, including emerging markets, and across different asset classes that I mentioned, utilities and transportation, which are industrial, and communications, so we've seen a lot of different places that investors are using it, and now they recognize that it should be a bigger part of their portfolio. It used to be 1-2%, now I've seen 5-10% allocated towards infrastructure.

JIM BAKER: Yeah, maybe just to quickly pile onto a couple of Josh's comments. You look at what's going on domestically, look at what's going on in the world, and it's sort of hard to think that we're not going to have challenges with inflation going forward. We've had a wonderful period where things are very low, globalization sort of feels like the trend is moving the other way, and certainly we don't have a crystal ball per se, but the role of having inflation protected assets seems more important today with what's going on. And then you think about what's the overall role of infrastructure real assets in a portfolio, we certainly think of it as a work horse. Where does it fit? Well, it actually ticks a lot of boxes, and ultimately the other nice thing, in particular what we do, for investors that necessarily want to increase their domestic exposure, so they're a US investor, or increasingly we're having conversations with international investors saying, "You're the hedge

against the risks we wake up every day with," and ultimately having a way to put on a US infrastructure-focused trade certainly seems to resonate with people right now, and ultimately feels like over the next five or 10 years, it's probably going to be a pretty good place to be.

AXEL MERK: I'd like to first do a little myth busting that higher inflation is necessarily good for many of these inflation hedges, at least in the short term. Markets are discounting and so in any country when you have an inflation print that's higher than expected, typically that currency goes up rather than down, and the reason is because there's the assumption that the central bank is going to do something about it and have tighter policy going forward, instead only when the policy ends up being not quite as hawkish that reality sinks in. So I think it's important context why often the correlation doesn't quite work, on the gold side you see that very explicitly. We recently published a study how gold, gold mining, but also the S&P and other sectors have done in different inflationary environments, and the one environment that's hostile to gold and gold mining is a serious financial repression environment where interest rates are super low and inflation is above average. The current environment that we have been in is somewhat of a Goldilocks environment, you're coming down from higher rates, you're coming down from higher inflation, that tends to boost those sort of assets, and so it depends a bit on the environment that one is in. On the investing side of course there's the flipside, just to round that out, when inflation is higher, the cost of doing business is higher as well, and that affects gold miners as much as anything.

LARRY ANTONATOS: So as I think about overall portfolio positioning and what real assets can do to enhance a portfolio, I think about the traditional benefits of real assets, I think about it as a triangle. At the base of the triangle are the things that

you should get through thick and thin, income and capital appreciation, and at the top of the triangle is inflation protection. You don't have inflation all the time, but when you do have inflation, infrastructure and real estate and natural resources can protect you from inflation, so it's a nice triangle, stable base of income, and capital appreciation, and inflation protection at the top. As we think about real estate and its inflation protection characteristics, it really boils down to replacement costs, it costs let's say $100 to build a building, and if the inputs to construction increase, the cost of concrete, wood, nails, labor, replacement costs goes up. And so what you would think is that over time replacement costs goes up with inflation, therefore the value of an existing building sort of keeps up with inflation costs adjusted for any obsolescence. What we do find though is if you think about the essence of inflation, it's all about pricing power. You can get great inflation protection in assets that have nothing to do with real estate and infrastructure as long as that business has pricing power, and I think that's where real estate because it is cyclical sometimes falls short. The long term path that real estate value growth is with inflation, but the real estate market is cyclical and moves with supply and demand. What we typically see is that property developers can be very optimistic and they build a lot of new property, so if you think about supply and demand, when there's too much supply and not enough demand, rental rates come down which lowers income. So that's one thing to think about real estate, long term, a great way to make money, a great way to keep up with inflation, but it can be sort of a bumpy ride. If you shift gears and think about infrastructure, it gives you the same benefits as real estate, income, capital appreciation, and inflation protection, but with a much smoother ride, and that is because in infrastructure the supply is regulated by the government, there's only one airport in most cities, there's probably only one choice for your electric utility or your

water utility, so supply's very constrained, demand tends to be very steady because infrastructure provides essential services that we will all use whether the economy is good or bad. And if you think about pricing, infrastructure pricing tends to be regulated, so what you have is a low-volatility business model in contrast to real estate which is a high-volatility business model. So think about those two ways to get your real asset exposure, and what I would argue is that infrastructure should perhaps be the base of your real asset exposure, real estate, use it a little more sparingly, try to invest in more real estate when you're in a cyclical upturn and less real estate when the markets are going to be weak. Easier to say that than to actually execute on it, but that's how I think about the spaces. Also think about where most of you, where most institutions, where most Americans have invested, they've gone into real estate first. Many people still do not have infrastructure in their portfolios, or if they do, it's only MLPs or energy infrastructure. So I think there is this huge tailwind of capital moving into infrastructure as a new investment space that provides I think a great long-term return prospect for infrastructure.

AXEL MERK: Let's talk about what people are not invested in. Many people are not invested in gold miners, and the volatility in that space gives tremendous diversification.

ROXANNA ISLAM: Yeah, so sort of a follow-up to that, Larry, we can start with you on this one, let's just talk about the different types of investors you're seeing. I think you sort of addressed this already, but what are the types of investors that are showing interest in this asset class, in this space? And what are some of the opportunities and maybe roadblocks to adoption that you've seen, and has that changed over time?

LARRY ANTONATOS: So in the individual investor market, I think what we're seeing is people who have traditionally invested in real estate as some small portion of their portfolio is typically five to 15% are increasingly blending infrastructure in with that, and I think that's part of the story I just mentioned a minute ago. We see the same thing happening with institutions. If you think about insurance companies, pension funds, they've had allocations to real estate for 50 years, 100 years, and now they're starting to have a growing interest in infrastructure, so that's driving I think a lot of capital flows to infrastructure and it's benefiting all of us who invest in that space.

ROXANNA ISLAM: Okay. Axel, Jim, Josh, if you have any quick comments. We also do need to move to Q&A, so if there's anything quickly to add.

AXEL MERK: Investors in closed-end funds of course are investing for many different reasons, aside from investing for discount strategies, the gold mining space tends to attract the diversification investor, the investor concerned about the purchasing power of the dollar, and the key underlying price, not so much in the closed-end fund space, but on the physical side is of course foreign governments buying gold as well. So the dynamics are a tad different, historically a lot of retail investors, but in the current environment we've been talking to a lot of institutions as well.

ROXANNA ISLAM: All right, thank you for that conversation, by the way, I think we've touched on a lot of interesting topics. Let's take some questions from the audience, if there are any. Any questions out there? Yes?

AUDIENCE QUESTION: Yeah, I'm curious how you differentiate [inaudible 0:33:55]

JOSH DUITZ: Sure, I'll start here. So there's different types of infrastructure investments in the US versus overseas, overseas many of the roads, airports, ports have been privatized, where in the US we're just really starting to see that. We're

starting to see managed lanes in the US, which is great, in Texas, North Carolina, and now Georgia just went out for bid, so it's fantastic that we're seeing it, it's taking a lot longer than I expected, so a lot of the investments in the US are around utilities where we like the regulatory construct here versus overseas, and there's less power pricing risk, less commodity risk, where there's more overseas. In emerging markets, they're really building their infrastructure for the first time, they're using a lot of private capital to do that, so we are seeing good opportunities to invest in roads and airports and ports overseas, as well as rails, so that's really the opportunity, less on the energy side where we have really developed markets for the pipelines here in the United States. But we think there are good opportunities in both, and it's part of a portfolio, and one of the reasons for that is emerging markets, it's just urbanization. If we look at the world's population, it's doubled over the past 50 years, the number of people living in cities have tripled. If you look out to 2050, the world's population is expected to grow another 22%, the number of people living in cities is expected to grow 50%. The vast majority, if not all that, is happening in emerging markets, so I think we'd be remiss to ignore that opportunity set. I know EM scares a lot of investors, and if you look historically over the past 10 or 15 years, EM has really underperformed. If you look at our funds, even with our overweight to EM, which is about 15-25% [inaudible 0:35:54], we've outperformed in our peer group as well as our benchmark with our gained exposure because all those people are going to need water and utilities, are going to need cell towers and roads, so we do think it's a good opportunity there.

JIM BAKER: Yeah, for us, for our product, really it's North American focused for the vast majority, so energy infrastructure in the US, so call it 90%, 10% Canada, and it's really the opportunity set which we think is very robust, and how both the US and Canada have become energy superpowers. I'd say the way, to build on Josh's point,

as with respect to emerging markets, that you're getting exposure via US-listed infrastructure is exports, so we are now the largest exporter in the US of really any energy-related commodity. That's only going to grow over time and those are the assets, the logistical assets really along the Gulf Coast of Texas and Louisiana primarily that are facilitating us shipping products to the rest of the world really for many, many decades to come.

LARRY ANTONATOS: Let me add on that, within infrastructure it's particularly important to look at the regulation. Regulation differs by geography, one important area is within utilities. In North America utility regulation tends to be generally driven by a nominal return on invested capital, in Europe by contrast, utility regulation tends to be driven by a real return on invested capital. So that regulation can drive differences in return, and it's great to have both domestic and international in your portfolio so that you have diversified sources of return.

AXEL MERK: We don't invest in the infrastructure side directly, but we are exposed extensively to geopolitical risk, and I suppose the only comment I can make on that is that diversification matters, it phases in and out. If you just take Mexico, the election had a big impact on clarity on some things, and so the other side of that is though, that valuations when you do projects, they tend to be much lower when there is risk so the risk is somewhat priced into these things, and so for the active manager there are opportunities.

ROXANNA ISLAM: All right, thank you, we have hit 11:25 exactly. So thank you to our panelists, I really enjoyed the conversation. If you have any more questions, I'm sure they'll be happy to answer it later on in the day. But thank you, guys, it was a great conversation.

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