

Why listed infrastructure is essential for ESG and sustainability

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CBRE Investment Management

CBRE Investment Management is the listed equity management arm of CBRE Global Investors, a global real asset investment firm sponsoring investment programs across real estate, infrastructure, and private equity. CBRE Investment Management manages client portfolios with a focus on generating attractive risk-adjusted returns through a total return and income focused strategies.

The missing link: Listed infrastructure neglected in ESG and sustainable strategies

Environmental, Social and Governance (ESG) and sustainable investing should prove to be a dominant investment theme for the next decade. Unfortunately, today's most popular ESG strategies are underexposed to the very asset class, infrastructure, that is an essential component of our energy transition, our environmental stewardship, and enable economic growth with a far more efficient carbon footprint. We find and elaborate in this paper that:

- Top global ESG funds have 5% exposure to global listed infrastructure, even though its companies will likely invest trillions in capital to enable the clean energy transition and lead some of the sustainability initiatives that many investors care about most.
- Clean-tech ETFs, which offer exposure to sustainability, also tend to over-allocate to commoditized industries that tend to have a history of volatile earnings and returns.
- An integrated ESG approach to listed infrastructure, an asset class with relatively steady rates of return and clear ESG themes, is an essential and underrepresented component in global sustainable portfolios.



ESG is missing infrastructure.
Certain ESG funds allocate **5%** to infrastructure, but
infrastructure may drive **50%** of all
decarbonization investment.

Source: MSCI, IRENA 2020 Global Renewables Outlook, and CBRE Investment Management. ESG exposure in infra represents cross holdings between the 20 largest ESG funds as ranked by MSCI in April 2021 and the FTSE 50/50 Global Core Infrastructure Index. Infra's share of decarbonization spending represents the share of renewables, transmission, and infrastructure spending required to achieve decarbonization per IRENA forecasts.



INVESTMENTS

Not FDIC/NCUA Insured

Not a Deposit

May Lose Value

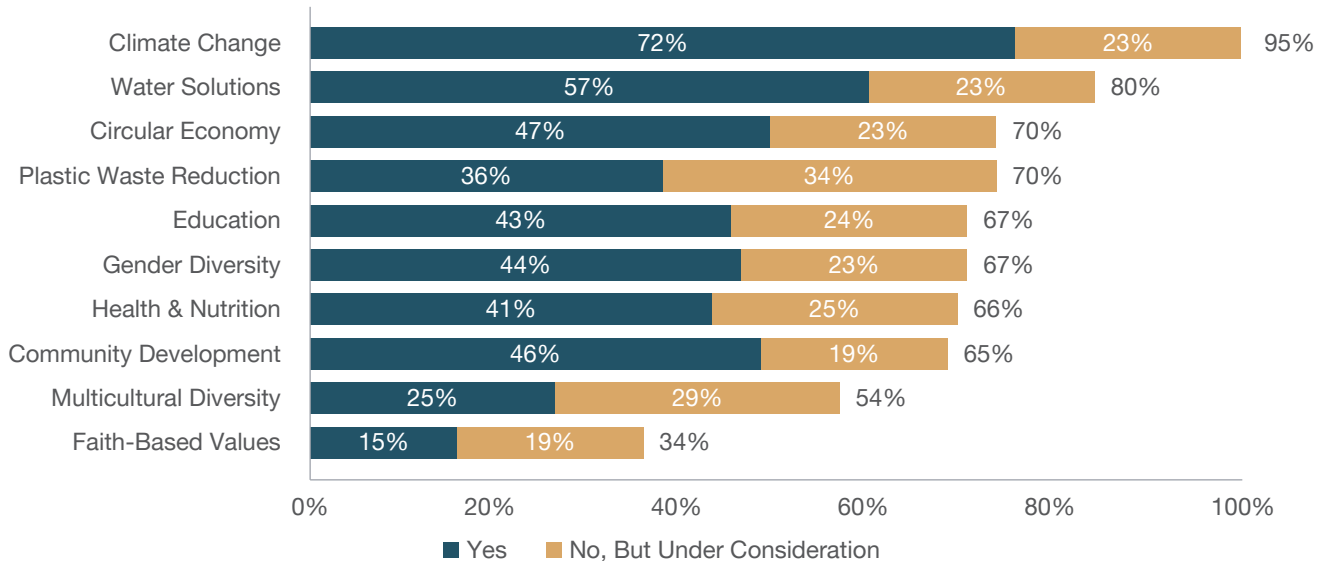
No Bank Guarantee

Not Insured by Any Government Agency

The rise of ESG and sustainable investment

Over the last several years, no other theme has seen such asset growth as ESG. In the second quarter, sustainable fund assets grew to \$2.24tn, more than double where they started 2020.¹ We see the market as continuing to expand: today, 95% of institutions and high net worth millennials are interested in sustainability and integrating ESG components into their investments. The coming shift in asset allocation, as a result of the millennial cohort, should not be underestimated. We believe that the shift will drive capital flows to the causes they care most about: climate change and environmental stewardship.

Percentage of respondents indicating topic as key concern in investments



Source: Morgan Stanley, Sustainable Signals 2020.

Listed infrastructure offers an unparalleled exposure to climate change and environmental stewardship, issues that are increasingly important to ESG investors.

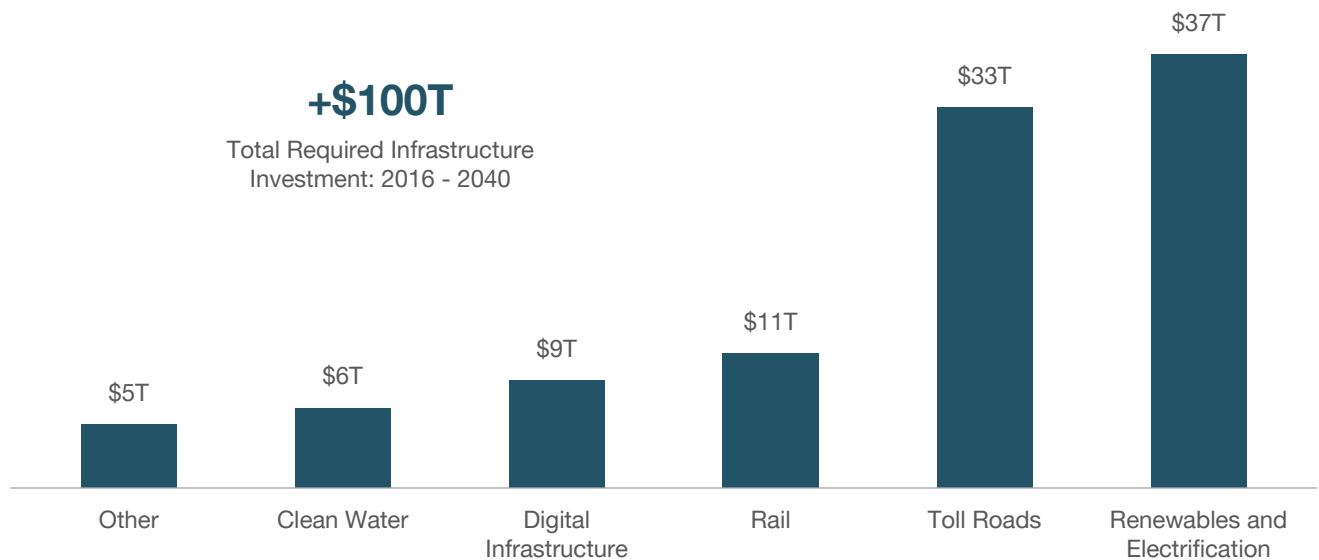
Why ESG needs global listed infrastructure

Infrastructure is particularly positioned to lead and potentially benefit financially from global sustainability initiatives. Electric utility companies are at the forefront of net zero action – they are installing solar modules, constructing wind turbines, and upgrading transmission lines to charge EVs and convert our heating to electricity. Meanwhile, these same utilities are pushing aggressively to shutter high-carbon fossil-based generating stations like coal fired power plants. Water utilities upgrade antiquated lead pipes and filter waste to provide clean drinking water. In telecommuting and edge computing, data centers and cell towers reduce scope 3 emissions and optimize logistics, while rails and roads invest to lower the need for long-haul trucking (producing 75% less GHG in the process) and to reduce congestion.

Because of these anticipated investments, infrastructure companies stand to grow their cash flow substantially and sustainably. Over the next two decades, we estimate over \$100tn in investments across the utility, water, digital infrastructure, and transport sectors. Investors seeking sustainability and ESG, strategies with a desire to make an impact with their capital, should consider the suite of infrastructure companies that are poised to command the initiatives they care about, and which will potentially grow sustainably into our future.

1. Morningstar, Global Sustainable Fund Flows: Q2 2021 in Review, July 2021.

Accelerating need for infrastructure is a multi-decade opportunity



Source: Global Infrastructure Hub, International Renewable Energy Agency (IRENA) and CBRE Investment Management, June 2021. Information is the opinion of CBRE Investment Management, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not a guarantee of future results. Past performance is no guarantee of future results.

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ESG Funds lack listed infrastructure, while clean sector options are lower quality

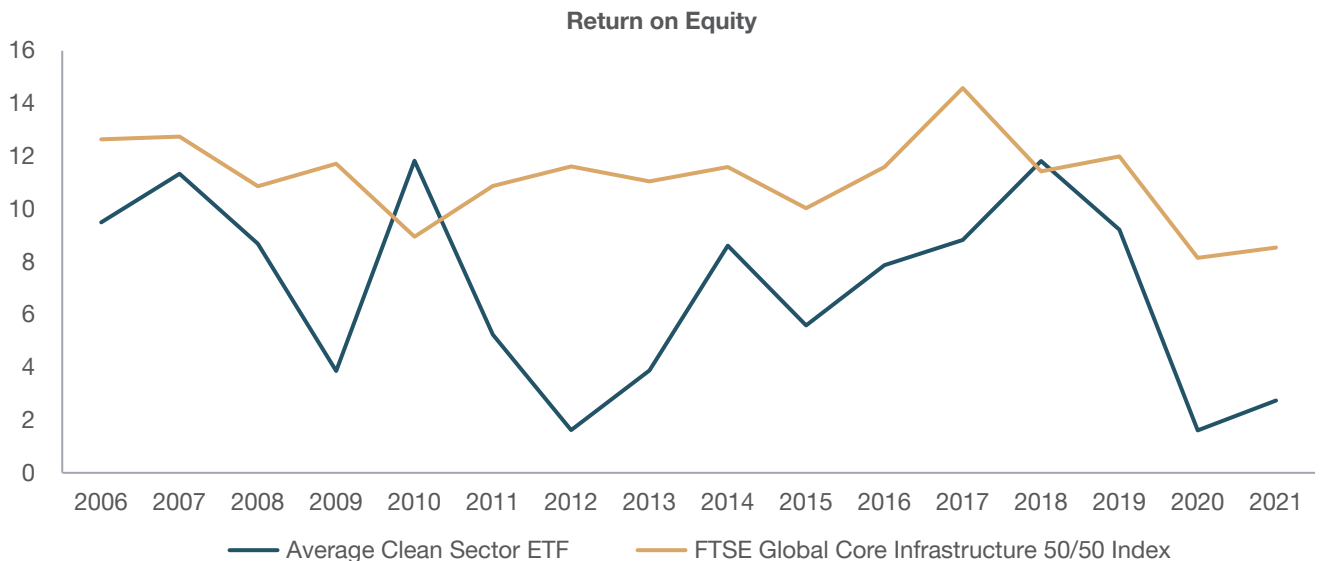
Given infrastructure's central role in achieving global sustainability goals, it's unfortunate that major ESG funds would allocate so little to the asset class. All in, the top 20 global ESG funds have only 5% exposure to companies leading environmental stewardship and energy transition, while they have a 33% exposure to tech and communications services. This would be a shortcoming for investors who wish to prioritize climate change, as the companies in listed infrastructure are leading industries that are spending half of every dollar on decarbonization over the next several decades. As an anecdote, one of the largest renewable developers in the world, commands a \$160bn market cap but still only appears in a minority of ESG funds, whereas a couple of major technology companies dominate the lists. However, NextEra, which owns a >24GW renewable portfolio that should double in three years².

When we put aside broad ESG strategies, and examine ESG and clean tech ETFs, we find a larger exposure to energy transition, but also a concentration to businesses with uncertain financial futures. The more popular ETFs have roughly 50% exposure to solar installers, manufacturers, wind turbines, and clean EVs—which have a history of booms and busts. By contrast, listed infrastructure companies either have long-term contracts or regulated rates of return, which provide potential stability to its cash flow. Cyclical clean tech tends to make money on energy transition only once, with each sale of a car or solar panel, whereas listed infrastructure has the potential to earn on a renewable asset for years. The module makers might be the hares in an energy transition race, but infrastructure is the tortoise: it is a relatively steady and stable way to invest in energy transition while offering the potential for an attractive and growing income yield.

2. Based on the NEE Supplemental Resources packages as of 6/30/2021 outlining generation across Florida Power and Light, Gulf Power, and Nextera Energy Resources. Forward expectations based on Energy Resources Development Program as of August 2021.

Clean tech tends to make money on energy transition only once, whereas listed infrastructure has the potential to earn long term returns.

Compared to infrastructure, clean sector funds have seen dramatic volatility in total return and in profitability



Source: Rolling 1 Year Volatility and Historical ROE of the MSCI Global Impact ETF, iShares Global Clean Energy ETF and Invesco Wilderhill Clean Energy ETF vs. the FTSE Global Core Infrastructure 50/50 Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

The benefits of ESG integration for investing in listed infrastructure

At CBRE, we believe that ESG factors are intrinsic to the assets underpinning the listed infrastructure market. Our companies are exposed to unique ESG risks and opportunities. Infrastructure assets cost billions to build and run for decades. They impact society every day. They are exposed to physical risks (such as wildfires, flooding, and earthquakes) and transition (obsolescence) risks. At the same time, the opportunities for growth from the

deployment of renewables and the upgrade of energy grids could be significant. Socially, infrastructure has a powerful impact on community health, safety, and well-being, while in governance, infrastructure assets tend to split corporate ownership, which creates opportunities for conflicts and shareholder misalignment.

CBRE considers ESG issues not only to build an ESG score, but also to drive valuation: our underwriting can affect company growth rates, cost of capital, and intrinsic valuation. We choose to emphasize investments with secular, sustainable, growth themes, while our analysts actively engage with management to understand ESG strategy and convey best practices important to CBRE and our investors. Key areas of focus for our assessment of infrastructure and our integration of ESG include:

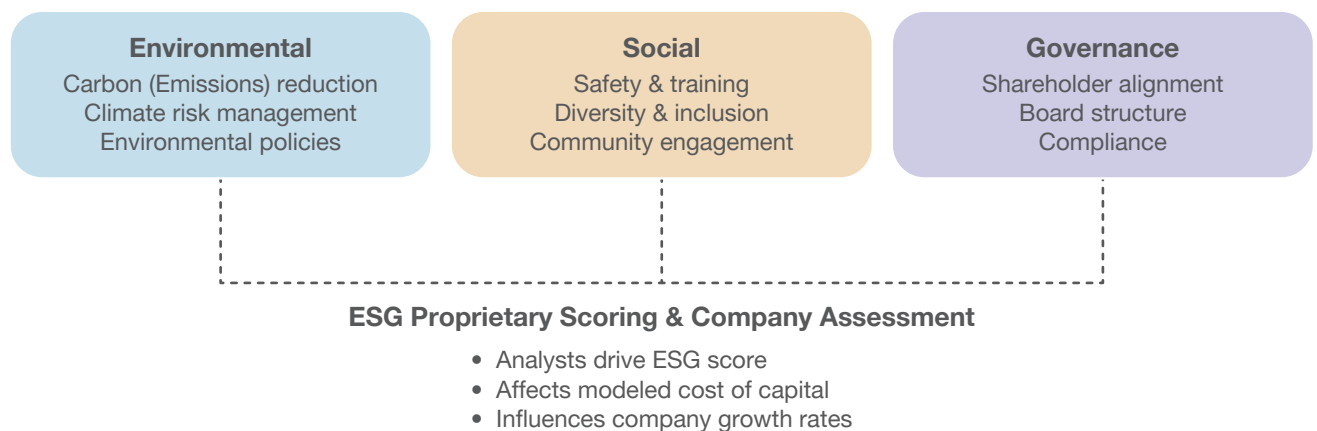
Key ESG considerations for infrastructure:

Environmental	Social	Governance
<ul style="list-style-type: none"> Physical risks Environmental policy mandate impact Energy transition risks & opportunities 	<ul style="list-style-type: none"> Project-level impacts to community Regulatory impacts to consumers Community health, safety & well-being 	<ul style="list-style-type: none"> Corporate structures & conflicts of interest Remuneration/alignment Bribery/corruption

Engagement with holdings

- Engage companies to understand their ESG strategy
- Convey the practices which are important to CBRE
- Encourage companies to apply best practices & enhance disclosure

ESG process integration:



Conclusion

When we examine the sustainable investment market, and consider what investors care about most, we see global listed infrastructure as an essential, and under-represented, asset class for ESG portfolios. We believe that listed infrastructure offers a unique exposure to environmental stewardship and energy transition, with a chance for investors to make an impact while potentially earning a compelling total return derived from resilient cash flows and long term growth potential. We find that an integrated ESG approach to infrastructure aligns portfolios with sustainability goals and captures important fundamentals that are unique to the asset class. In the next several years, we are excited to see infrastructure grow alongside and within sustainable investment strategies.

Definitions

The FTSE Global Core Infrastructure 50-50 Index captures the performance of listed infrastructure securities in both developed and emerging markets. Constituents are selected by further screening companies who derive revenues from infrastructure related activities within particular Industry Classification Benchmark (ICB) sub-sectors of the FTSE Global All Cap Index. FTSE applies minimum infrastructure revenue thresholds of 65% for constituents of the Core Infrastructure indices.

Important Disclosures

The information presented herein is current as of the date of this report, unless otherwise indicated. Any forward-looking statements are based on assumptions concerning future events and although we believe that the sources used are reliable, the information contained in these materials has not been independently verified and its accuracy is not guaranteed. The information discussed is strictly for illustrative and educational purposes and is not a recommendation, offer, or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any information discussed will be effective or that any market expectation will be achieved. This information should not be relied upon by the reader as research or investment advice regarding any funds, financial products, or any particular issuer/security. This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial professional before making any investment decision.

ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating. There is no assurance that employing ESG strategies will result in more favorable investment performance.

The views expressed herein are from CBRE Investment Management and do not necessarily reflect the views of New York Life Investment Management LLC or its affiliates. New York Life Investment Management LLC engages the services of federally registered advisors. CBRE Investment Management is a registered investment advisor unaffiliated with New York Life Investments, and the sub-advisor of the MainStay CBRE Global Infrastructure Closed-End Fund.

All investments are subject to market risk, including possible loss of principal.

Investment strategies, practices and risk analyses used by the Subadvisor may not produce the desired results.

Investments in the infrastructure group of industries, the Fund may be subject to greater risks and market fluctuations than a fund whose portfolio has exposure to a broader range of industries. Accordingly, the Fund may be susceptible to financial, economic, political, or market events, as well as government regulation, impacting the industries in which it invests. The Fund is subject to the risk that: (1) its performance will be closely tied to the performance of those particular industries; (2) its performance will be adversely impacted when such industries experience a downturn; and (3) it will perform poorly during a slump in demand for securities of companies in such industries. Securities of issuers in certain industries are at times volatile, and there may be sharp fluctuations in prices, even during periods of rising prices. To the extent that the Subadvisor's expectations regarding developments in industries in which the Fund invests are not realized, the Fund may underperform securities markets generally and more broadly diversified funds. The Fund is particularly exposed to adverse economic, regulatory, political, legal, geographical, and other changes affecting the issuers of infrastructure related securities. Infrastructure-related companies are subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, difficulties in obtaining financing for construction programs, costs associated with environmental and other regulations, the effects of economic slowdown and surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies, changes in market sentiment, and other factors. Additionally, infrastructure-related companies may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption, and/or legal challenges due to environmental, operational, or other mishaps and the imposition of special tariffs and changes in tax laws, regulatory policies, and accounting standards. There is also the risk that corruption may negatively affect infrastructure projects, resulting in delays and cost overruns.

Specific infrastructure assets in which the Fund invests may be subject to the following additional risk.

Communication infrastructure companies are subject to risks involving changes in government regulation, competition, dependency on patent protection, equipment incompatibility, changing consumer preferences, technological obsolescence and large capital expenditures and debt burdens.

- Energy infrastructure companies are subject to adverse changes in fuel prices, the effects of energy conservation policies and other risks, such as increased regulation, negative effects of economic slowdowns, reduced demand, cleanup and litigation costs as a result of environmental damage, changing and international politics and regulatory policies of various governments. Natural disasters or terrorist attacks damaging sources of energy supplies will also negatively impact energy infrastructure companies.
- Transportation infrastructure companies can be significantly affected by economic changes, fuel prices, labor relations, insurance costs and government regulations. Transportation infrastructure companies will also be negatively impacted by natural disasters or terrorist attacks.
- Utilities company revenues and costs are subject to regulation by states and other regulators. Regulatory authorities also may restrict a company's access to new markets. Utilities companies may incur unexpected increases in fuel and other operating costs. Utilities companies are also subject to considerable costs associated with environmental compliance, nuclear waste clean-up, and safety regulation.

No Operating History. The Fund is a recently organized, non-diversified, closed-end management investment company with no operating history. It is designed for long-term investing and not as a vehicle for trading. Shares of closed-end investment companies frequently trade at a discount from their NAV. This risk may be greater for investors expecting to sell their shares in a relatively short period of time after completion of the public offering.

Equity Securities and Common Stock Risk. Market prices of common stocks and other equity securities may be affected by macroeconomic and other factors affecting the stock market in general, including changes in financial or political conditions that may affect particular industries or the economy in general and changes in investor sentiment. Prices of equity securities of individual issuers also can be affected by fundamentals unique to the issuer, including changes, or perceived changes, in the issuer's business, financial condition, or prospects.

Preferred Securities Risk. Preferred securities, which are a form of hybrid security (i.e., a security with both debt and equity characteristics), may pay fixed or adjustable rates of return. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities, however, unlike common stocks, participation in the growth of an issuer may be limited. Distributions on preferred securities are generally payable at the discretion of the issuer's board of directors and after the company makes required payments to holders of its bonds and other debt securities. For this reason, the value of preferred securities will usually react more strongly than bonds and other debt securities to actual or perceived changes in the company's financial condition or prospects.

Foreign Securities are subject to special risks including, political and economic instability; the impact of currency exchange rate fluctuations; reduced political and economic stability; the impact of currency exchange rate fluctuations; reduced information about issuers; higher transaction costs; and less stringent regulatory and accounting standards; and delayed settlements.

Dividend Paying Securities Risk. Dividends the Fund receives on common stocks are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of the securities held by the Fund will declare dividends in the future or that, if dividends are declared, they will remain at their current levels or increase over time. The Fund's emphasis on dividend paying securities could cause the Fund to underperform similar funds that invest without consideration of a company's track record of paying dividends or ability to pay dividends in the future. Dividend paying securities may not participate in a broad market advance to the same degree as other securities, and a sharp rise in interest rates or an economic

Limited Term Risk. Unless action is otherwise taken by the Board in accordance with the Declaration of Trust, the Fund will commence the process of liquidation and dissolution at the close of business on the Termination Date. The Fund will not seek to return an initial investment in common shares by an investor on the Termination Date. Instead, the Fund will distribute an amount equal to the Fund's NAV at that time, which may be greater or less than an investor's initial investment. The Fund's limited term may cause it to sell securities when it otherwise would not, which could cause the Fund's returns to decrease and the market price of the common shares to fall. Rather than reinvesting the proceeds of its matured, called or sold securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final termination, which may cause the Fund's fixed expenses to increase when expressed as a percentage of assets under management.

(Other Risks; Leverage risk, Liquidity risk, Valuation Risk, Exchange-Traded Funds Risk., Potential Conflicts of Interest Risk—Allocation of Investment Opportunities, Market Discount from Net Asset Value Risk, Operational and Cyber Security Risk.).

For more information about MainStay Funds®, including the MainStay CBRE Global Infrastructure Close-end Fund, call 800-624-6782 for a preliminary prospectus/final prospectus when available, or summary prospectus, if available. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The preliminary/final prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.



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