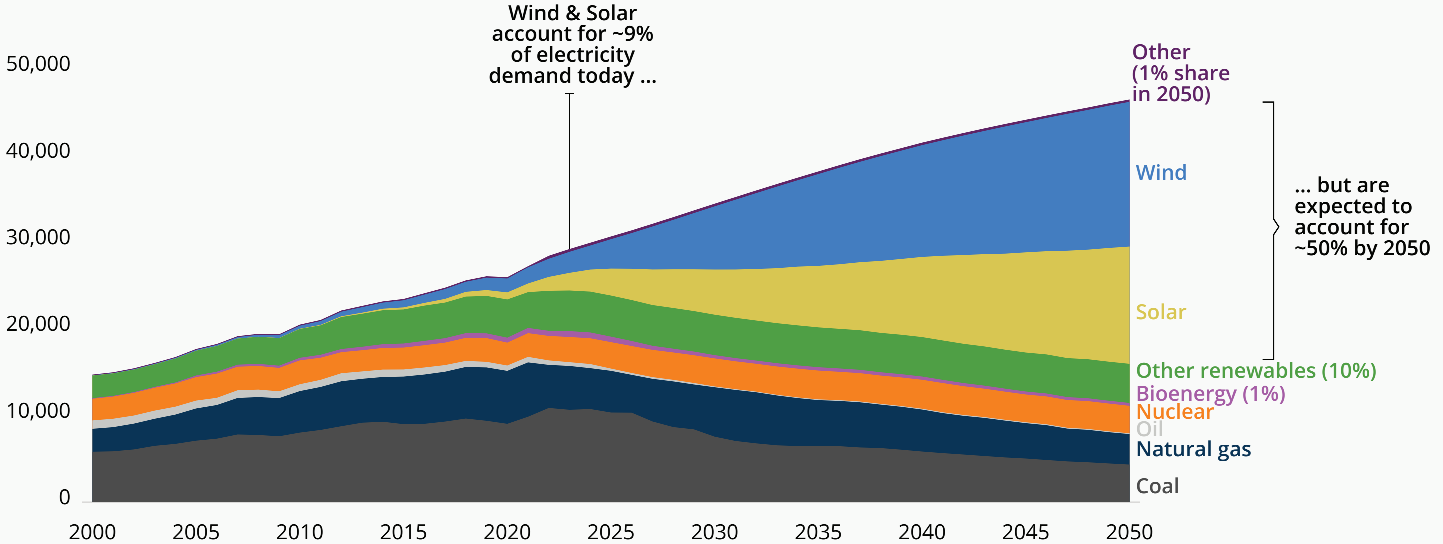
Reasons to Consider Renewables and Sustainable Infrastructure Equities

Renewable energy equities have been under pressure recently, facing tough and volatile market conditions as various factors have weighed on the sector, including tightening financial conditions, higher input costs and supply chain challenges. However, we see reasons to consider renewables and sustainable infrastructure equities over the medium term, positives that we believe the market is missing.

The global transition toward renewable energy is still in its infancy, with public policy everywhere supportive of this megatrend. The global renewables build-out will take decades, and near-term elevated interest rates will not derail it, in our view. Some of the more tenured companies in this industry have faced challenges like inflation and higher interest rates before. As in all capital-intensive businesses, we believe the best operators find ways to navigate changing conditions.

RENEWABLES ARE THE WORLD'S FUTURE POWER SOURCE

(Terawatt hour)

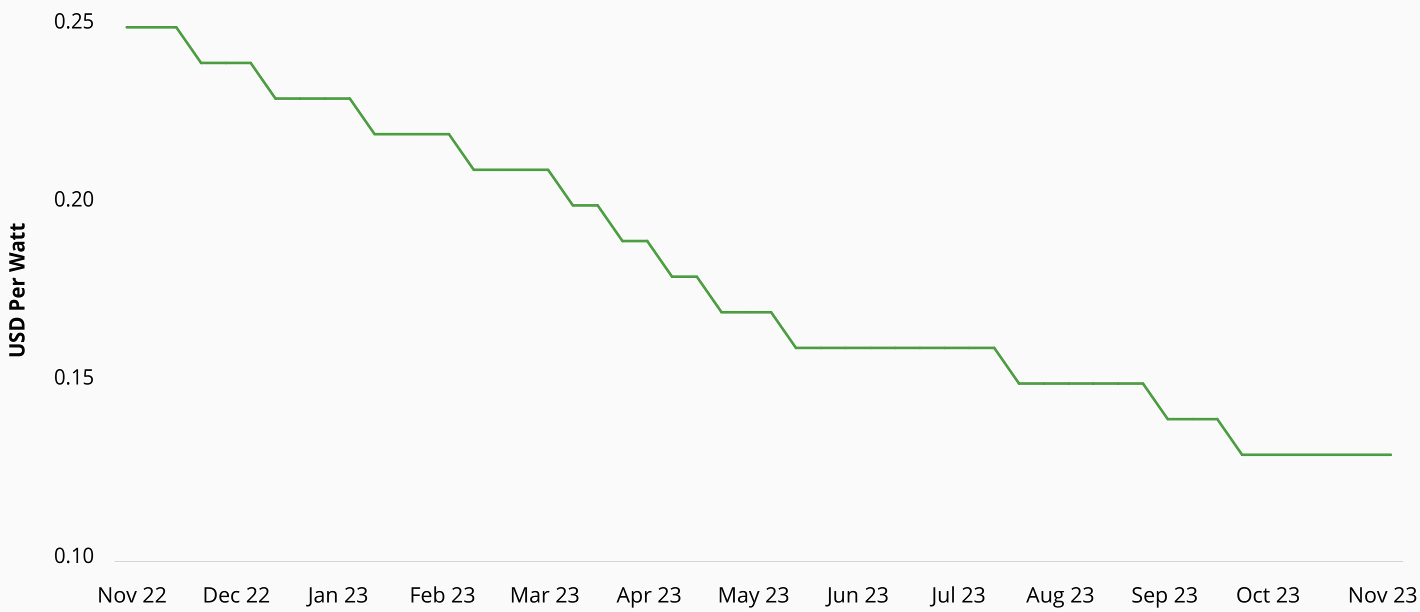


Source: BloombergNEF's New Energy Outlook 2022 report. Data in the report are as of December 31, 2022. There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here.

We think renewables valuations are very compelling, particularly as we near the end of this interest rate tightening cycle. Valuations across wind and solar names appear attractive, with most European companies trading at or near replacement value. In addition, recent take-private transactions in the mergers and acquisitions (M&A) market highlight discounted valuations in public markets. We've seen full companies being taken private at nearly 50% premiums over listed prices, or individual assets being bought at up to 2x the implied value of the assets.

Solar costs keep coming down, with panel prices cheaper than ever. Overcapacity in China and restrictions related to Chinese exports to the U.S. have led to a flooding of the market with excess panels. We believe this has made solar energy the most competitive and most affordable energy source today.

SOLAR PANEL PRICES HAVE BEEN FALLING OVER THE PAST YEAR

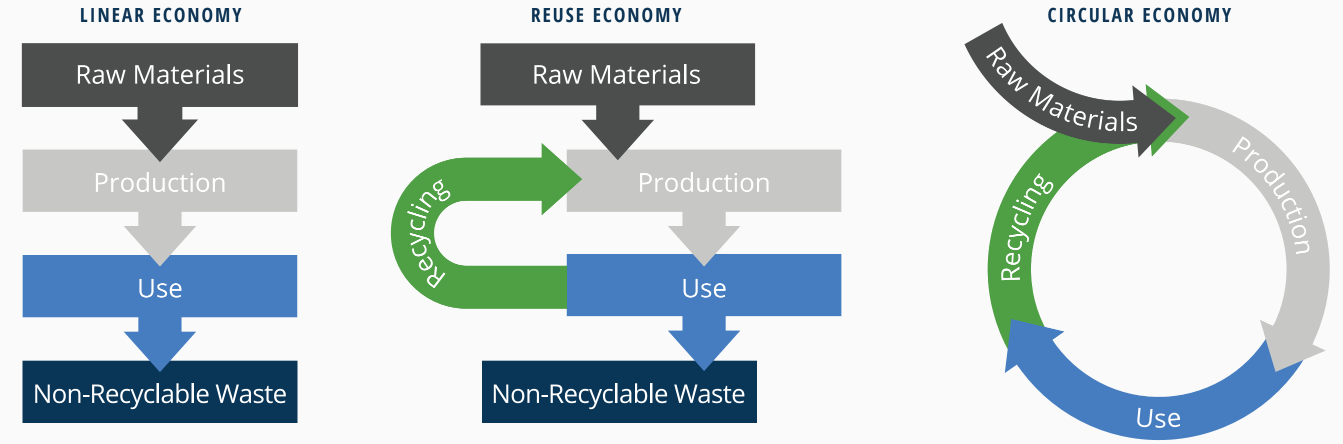


As of November 15, 2023. Source: Bloomberg, PV Infolink Consulting. Solar panel prices are reflected by the average price for the standard monocrystalline silicon module price, 182mm cells and monofacial. Infolink analysts gather price information from face-to-face and phone interviews or other communication methods with 100 photovoltaic (PV) companies. The average price refers to the most common transactional data.

The renewables and sustainable infrastructure universe is not homogeneous. It is not solely comprised of power generators, wind turbines and solar panels, for instance. Waste management companies tied to the concept of a circular economy are also vital to a transition toward a global economy that minimizes raw materials use and the creation of pollution and waste.

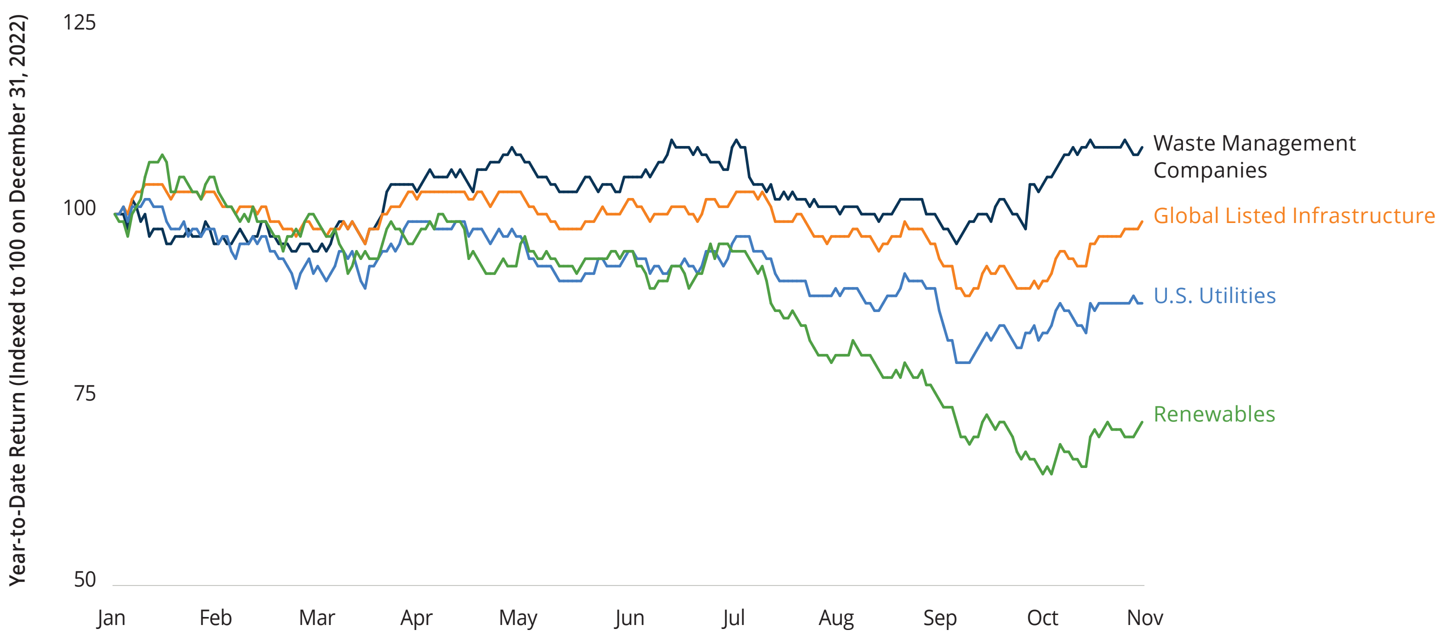
We believe these companies can offer diversification to a renewables portfolio, acting as a resilient, less correlated complement to pure-play renewables more negatively impacted by inflation and rates. In addition, we believe tremendous opportunities exist among the best renewables operators in general that are positioning themselves for the other side of the current rate environment.

THE EVOLUTION TOWARD A CIRCULAR ECONOMY



Source: Government of the Netherlands. For illustrative purposes only.

WASTE MANAGEMENT COMPANIES HAVE OUTPERFORMED THE REST OF THE RENEWABLES UNIVERSE IN 2023



As of November 30, 2023. Source: Bloomberg, Brookfield Public Securities Group research. Waste management companies are represented by an average of the three largest publicly traded waste management companies. Global listed infrastructure equities are represented by the FTSE Global Core Infrastructure 50/50 Index. Utilities are represented by the S&P 500 Utilities Index. Renewables equities are represented by the S&P Global Clean Energy Index. See disclosures for full index representations and definitions. **It is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Past performance is not indicative of future results**.

The diversity of the listed renewables and sustainable infrastructure universe allows active managers to quickly pivot toward the most compelling opportunities as market conditions change. But at their core, these companies share underlying characteristics that make infrastructure attractive: monopolistic business models, with long-term contracts that produce steady and growing cash flows.

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Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability and energy conservation policies.

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The S&P 500® Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.

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