



Current View of Infrastructure Investments

Opening Remarks

NCCMP Annual Conference 2017

What is Infrastructure?

- Investment in physical structures or facilities which provide essential services to the public



Main Sectors

Transportation

- Road, rail, airports, ports

Power & Water

- Oil, gas, electricity generation, transmission, distribution, water

Telecom

- Cable networks, mobile telephony

Social

- Schools, hospitals, housing, prisons

Asset Characteristics

Monopolistic

- Regulation by statute or contract

High Barriers to Entry

- Costs of replicating are prohibitive

Economies of Scale

- Low marginal costs of production

Inelastic Demand

- Few substitutes, resilient to economic cycle

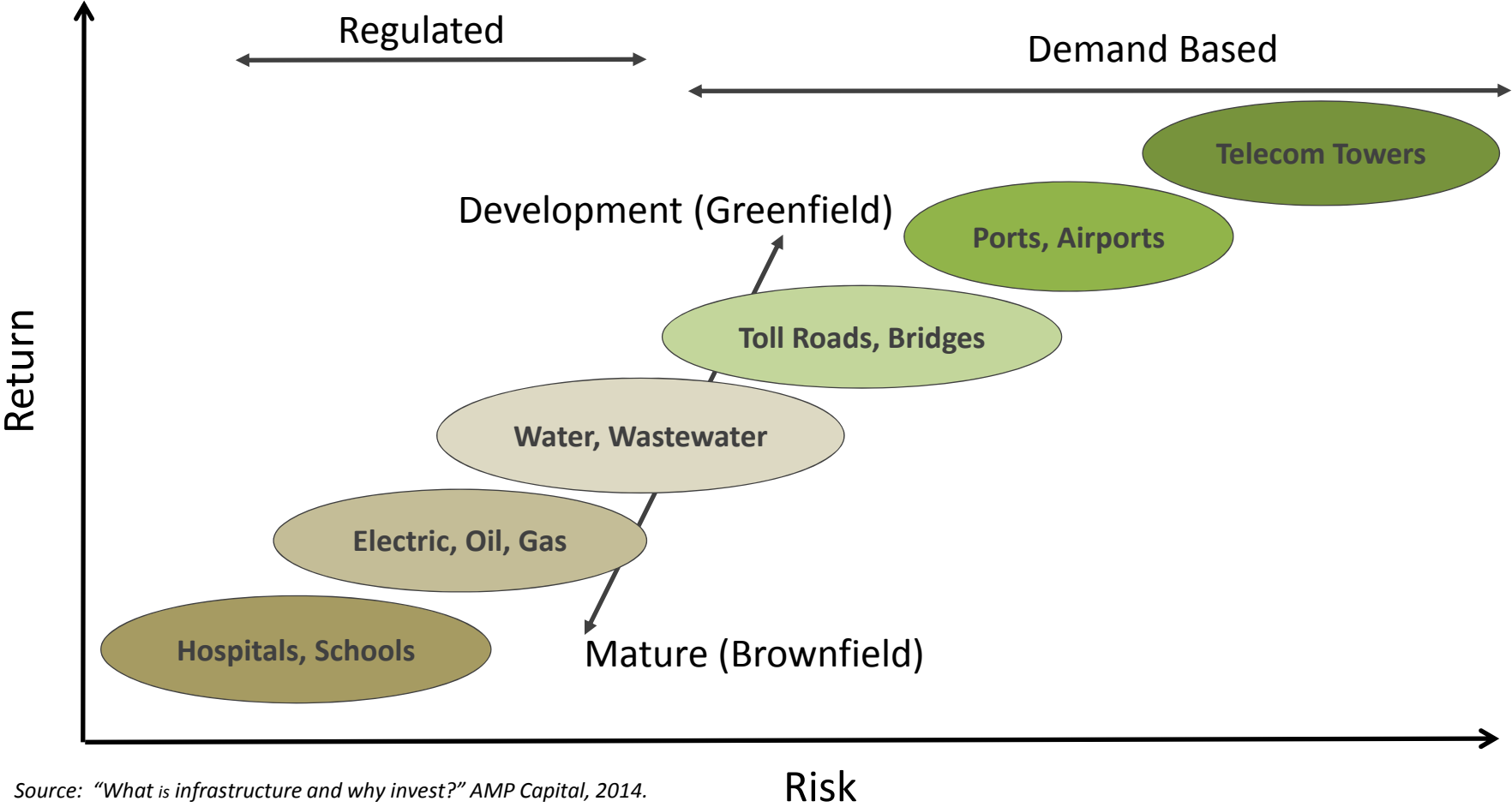
Investment Case

- Stable, predictable cash flows
- Potential for capital growth
- Inflation hedge
- Provides diversification

Risks

- Regulator, sovereign and political
- Foreign exchange
- Fund concentration
- Economic activity or demographics shift
- Competition

Risk/Return



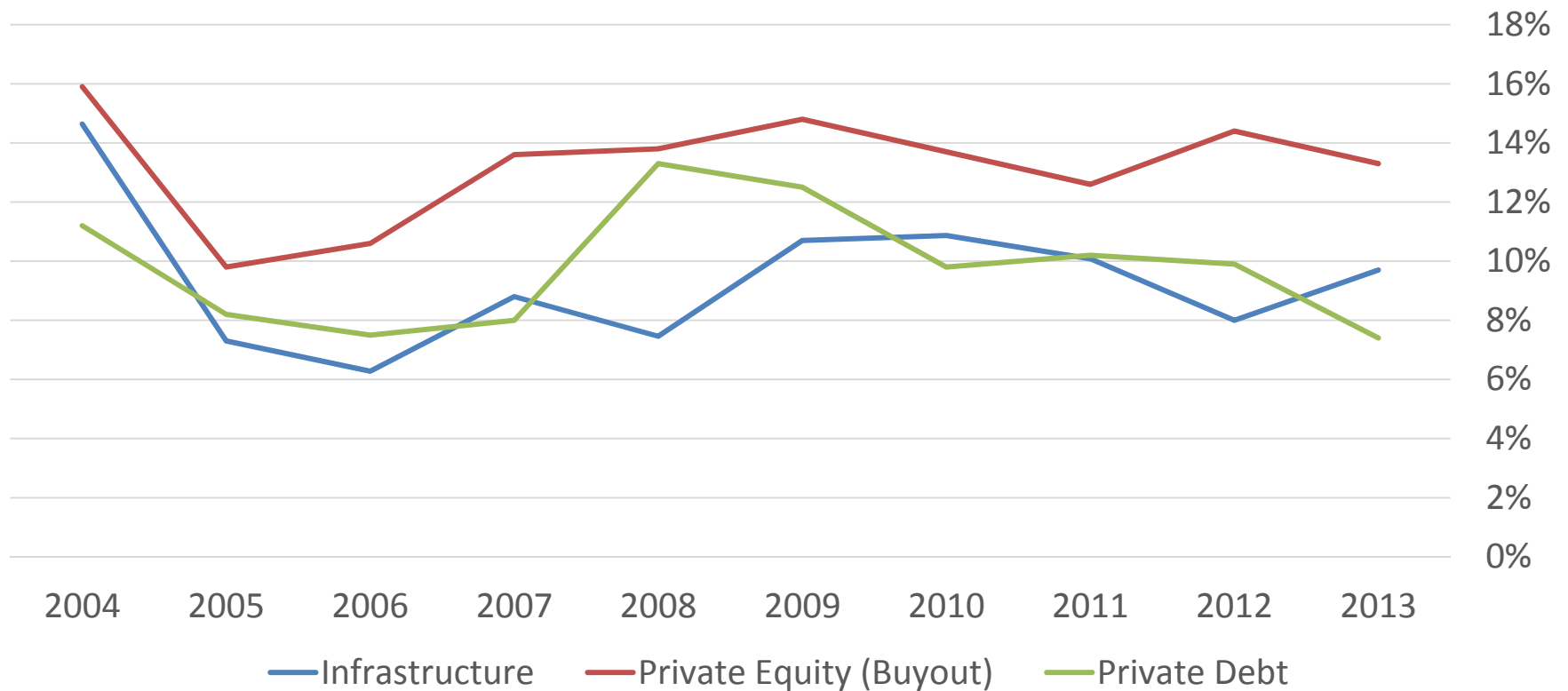
Source: "What is infrastructure and why invest?" AMP Capital, 2014.

Hybrid Class

	Similarities	Differences
Private Equity	May have management control May have similar legal structures	Higher cash yield Lower capital growth
Real Estate	Location is important Cash yield significant part of return	Typically higher barriers to entry Less exposure to property cycle
Fixed Income	Stable cash yield Long duration	Inflation hedge features Growth/upside potential

Median IRR

Median Net IRR by Vintage Year



Source: Preqin

Return Expectations

Asset Class	Expected Return % (2017, 10 years forward)	Expected Return % (2007, 10 years forward)
U.S. Equity (Large Cap)	5.9	8.2
U.S. Fixed Income (Core)	2.8	5.6
International Equity (Developed)	6.5	8.6
Real Estate (Private)	5.5	6.7
Private Equity (Direct)	8.6	11.0
Private Debt	6.7	n/a
Private Infrastructure	6.6	9.3

Source: Alan Biller and Associates, based on consensus estimates.