



Long-term
Infrastructure
Investors
Association

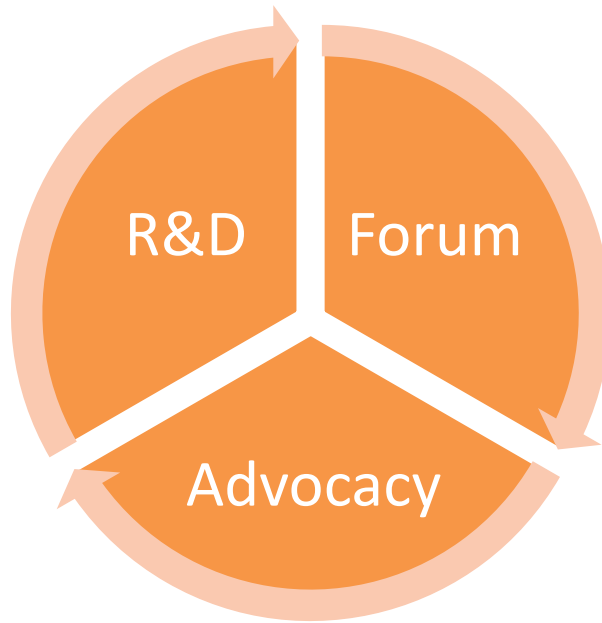
Private Investment in Infrastructure

financial investors' objectives, challenges and opportunities

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Long Term Infrastructure Investors Association

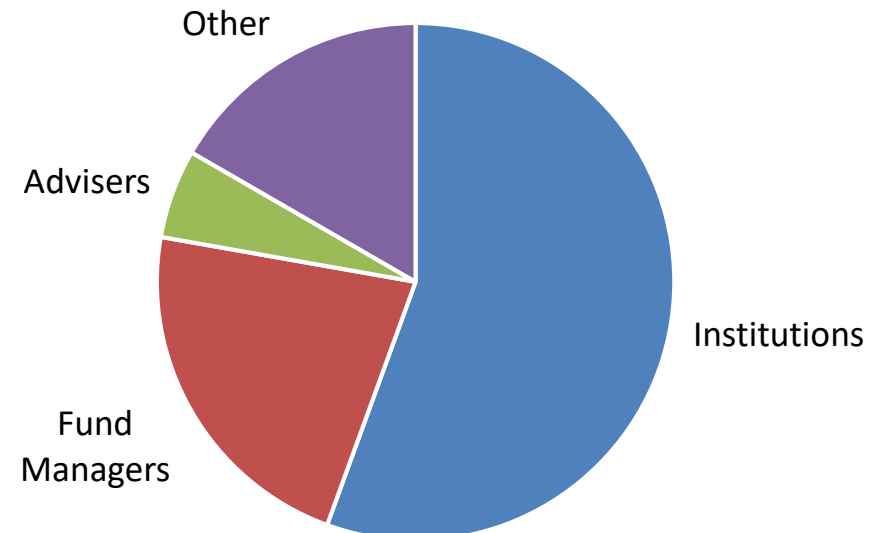


40+ members
\$9tn AUM

Activity focus

Europe	83%
North America	67%
Asia-Pacific	22%
Emerging and Developing	25%

Member profiles



Infrastructure vs General Market

Unlisted Infrastructure Equities in Europe

	1-year	3-year	5-year	10-year	Hist
Return	10.17%	10.36%	11.02%	11.88%	11.19%
Volatility	9.06%	8.59%	8.67%	9.19%	10.64%
Sharpe Ratio	1.33	1.39	1.42	1.33	1.1
Max drawdown	0%	0%	0%	0%	0%



Public Equity Market Reference

	1-year	3-year	5-year	10-year	Hist
Return	2.62%	6.73%	11.96%	5.72%	9.59%
Volatility	11.84%	13.19%	11.98%	15.19%	14.08%
Sharpe Ratio	0.38	0.63	1.11	0.41	0.68
Max drawdown	0%	0%	0%	42.5%	42.5%

Source: EDHEC*infra*

Different Types of Infrastructure

Contracted

	1-year	3-year	5-year	10-year	Hist
Return	11.32%	11.88%	12.56%	13.7%	12.94%
Sharpe Ratio	2.1	2.19	2.21	2.16	1.7

Regulated

	1-year	3-year	5-year	10-year	Hist
Return	8.68%	8.53%	9.27%	10.37%	10.09%
Sharpe Ratio	0.75	0.77	0.82	0.79	0.68

Merchant

	1-year	3-year	5-year	10-year	Hist
Return	13.02%	14.06%	14.67%	14.85%	13.34%
Sharpe Ratio	1.94	1.98	1.97	1.76	1.34

Source: EDHEC*infra*



Why Institutions Invest in Infrastructure

Portfolio considerations

attractive from **ALM perspective** because of long-term hold potential

less than perfect correlation with capital markets and other alternative asset classes

inflation-linked returns (*Myth!*)

lower risk and better resilience to a crisis

Policy push and pull

many governments keen to attract pension capital to fund infrastructure developments they cannot fund (“**smart money**”)

favourable developments in **prudential regulations**, eg, Solvency Risk Charge reductions in April 2016 and June 2017

opportunity for institutions to demonstrate direct, visible impact in **green investing and ESG**

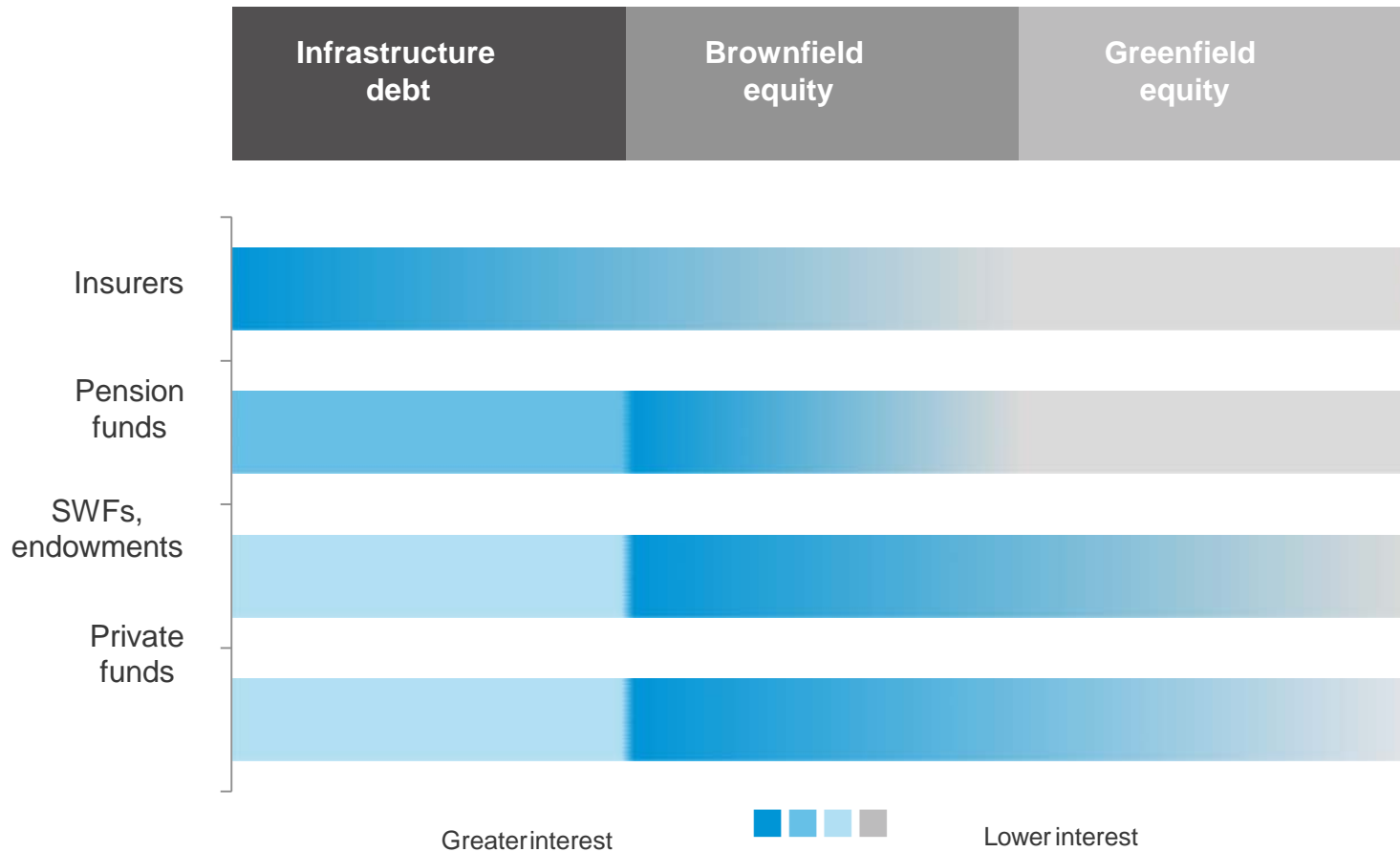


How Institutions Deploy Their Capital



Deployment route	Share of LPs	Pros for LP	Cons for LP
Direct investing	Very small	Most effective way to tighten control and reduce costs	Requires certain capital scale and significant organizational capacity. Limited diversification
Traditional funds	Dominant	Well established marketplace, standard frameworks	High investment costs, heavy reliance on manager alpha, bias towards riskier assets
Other (co-investments, managed accounts, etc.)	Small but growing	Way to improve controls and reduce costs without the burden of direct investing	Structuring difficulties due to limited market practice

How Institutions Deploy Their Capital (concluded)

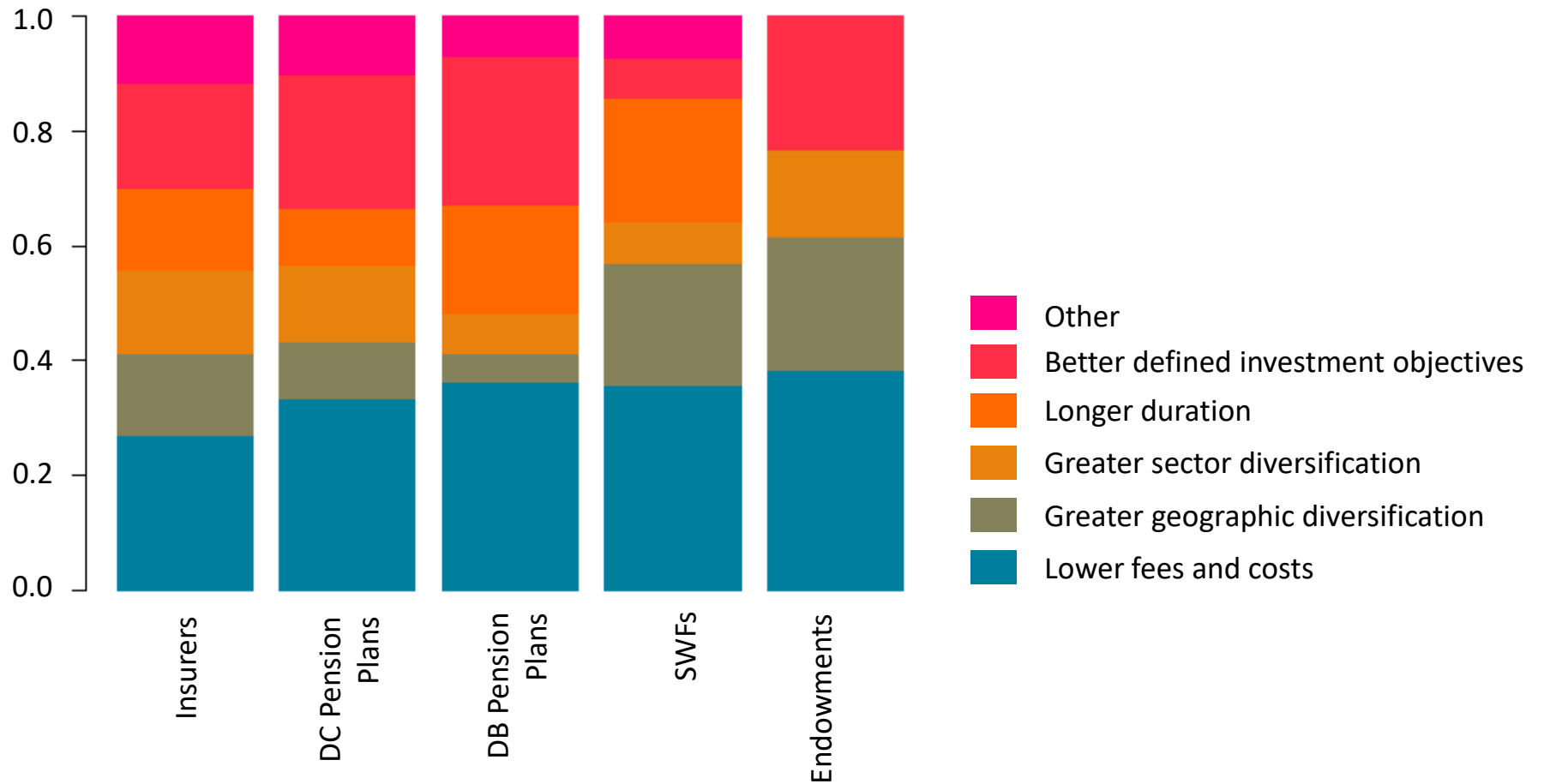


Adapted from *World Economic Forum: Infrastructure Investment Policy Blueprint*



Investor expectations

Desired infrastructure fund improvements



Source: Global Infrastructure Hub



Bundling and blending: the case of social infra

Issues

General **underinvestment** in social infrastructure

Lack of interest from institutions due to high **fragmentation** of projects

Challenge to bundle SI PPPs under the current procurement process

Cost of Equity for Social Infrastructure in Europe

Historic (by private financiers)

10%+

Blended (potential)

7-8%

Potential solutions

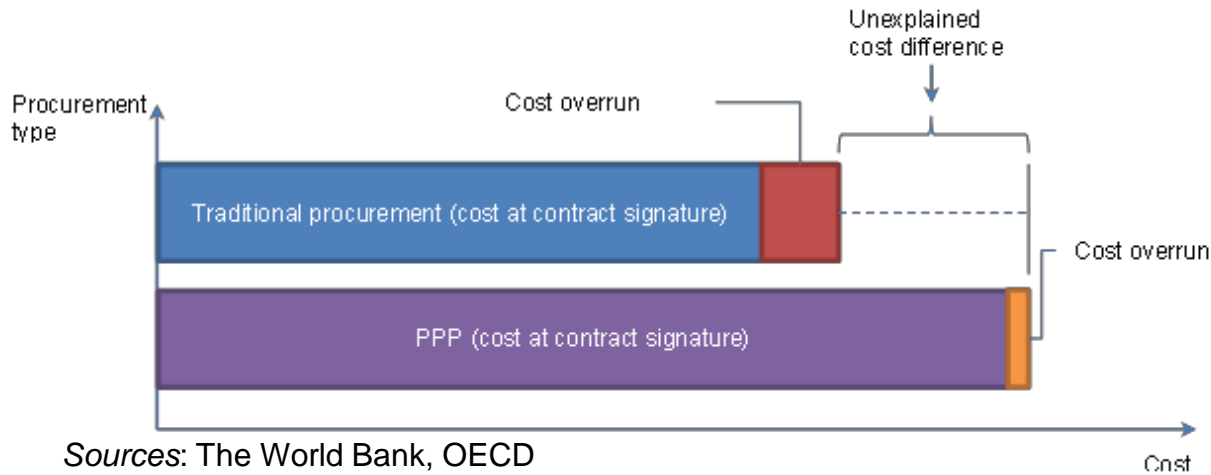
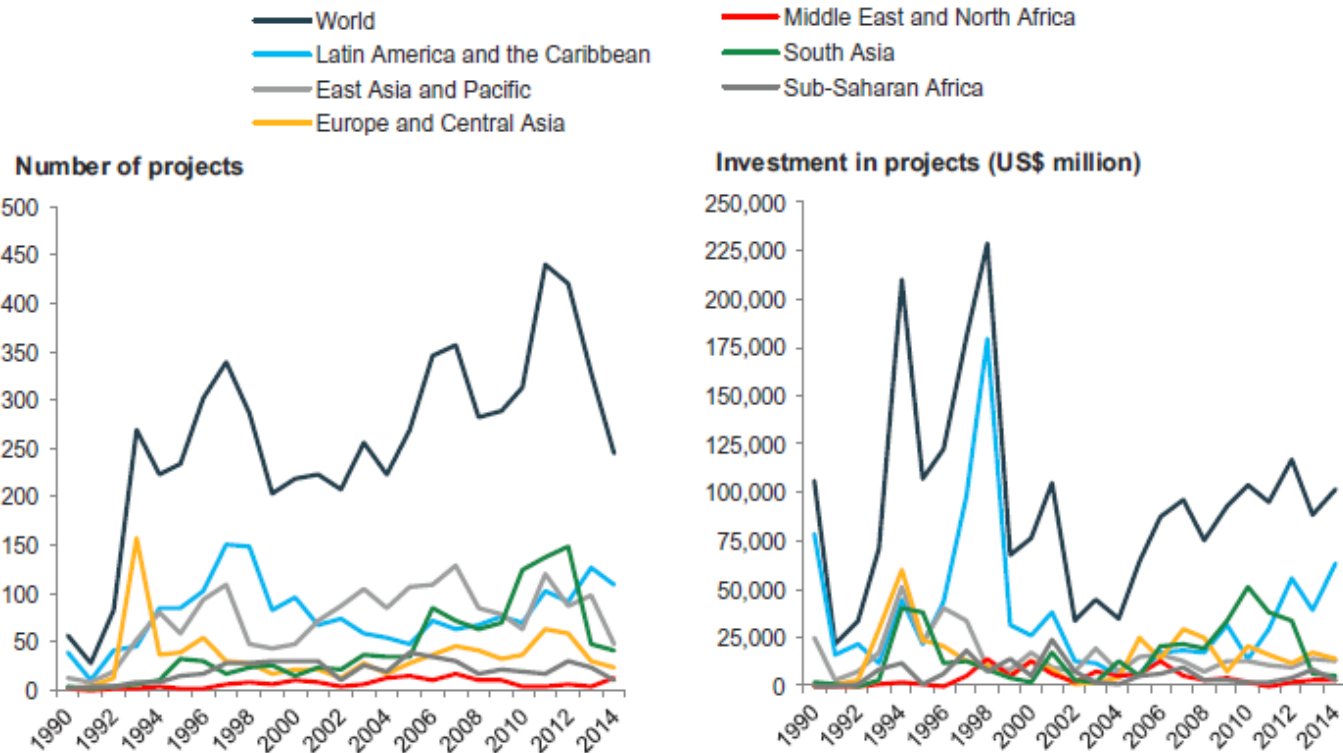
Legislative and policy action to create **SI fund(s)** covering Europe

Blended financing by development banks and institutional investors

Activating and **empowering project sponsors** (eg, with EAH)



PPP Pipeline and Value for Money



Sources: The World Bank, OECD

Infrastructure Generalist



Global Asset Management

20+ years investing in infrastructure

\$12bn capital under management

18 assets currently under management

80+ Institutional investor clients

6th largest infrastructure manager globally

A+ PRI score (2016)



Infrastructure Specialist

Focus on greenfield and PPP development



11 years investing in infrastructure

€5bn capital under management

50 projects

25+ Institutional investor clients

A+ PRI score (2016)



New Wave Manager

Managed accounts and club deals specialist



2 years investing in infrastructure

£0.5bn capital invested

5 investments

4 Institutional investor clients

ARJUN

Infrastructure Partners

