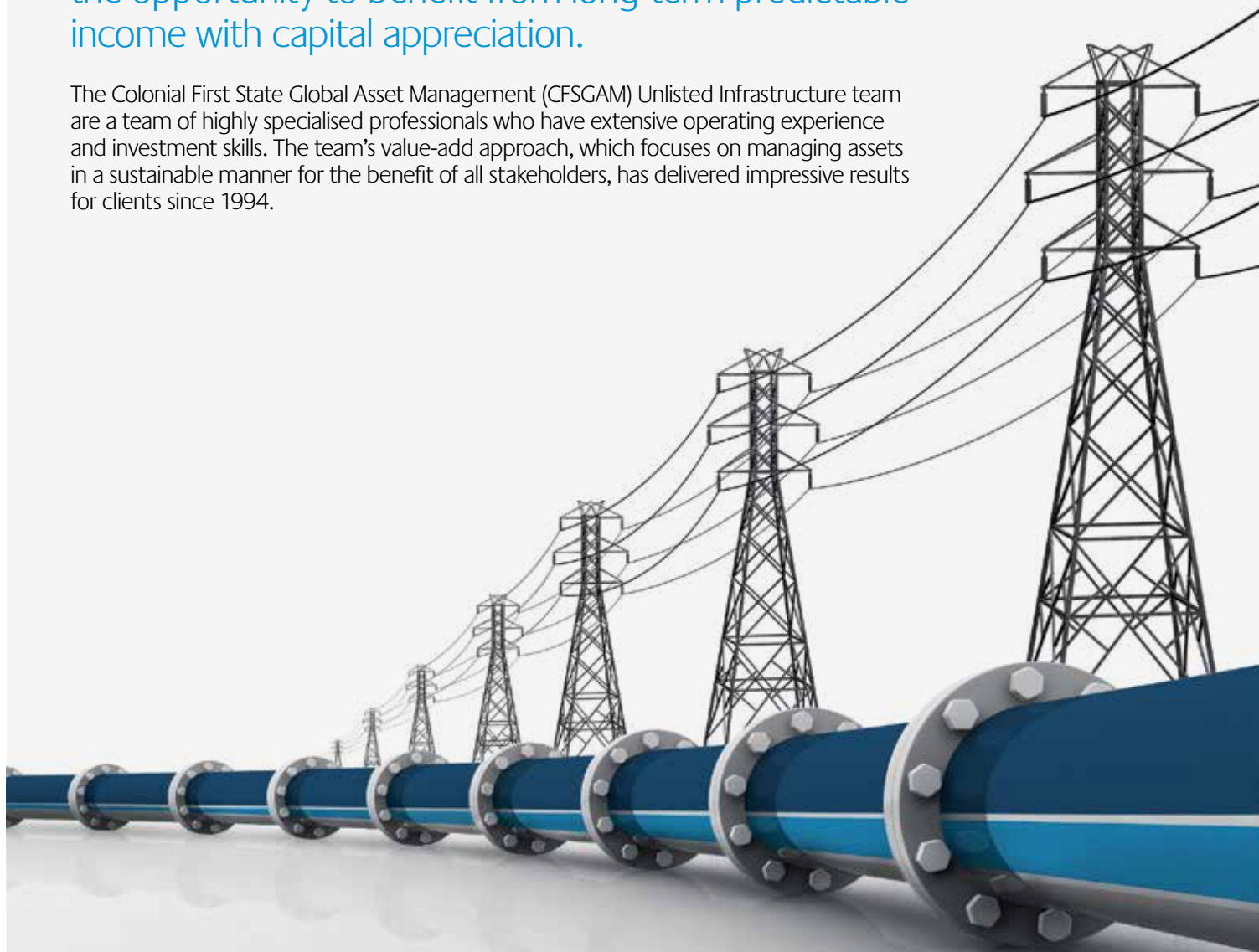


# Unlisted Infrastructure

Invest in the assets the world relies upon

By capitalising on the growing need for private sector infrastructure funding, this asset class offers investors the opportunity to benefit from long-term predictable income with capital appreciation.

The Colonial First State Global Asset Management (CFSGAM) Unlisted Infrastructure team are a team of highly specialised professionals who have extensive operating experience and investment skills. The team's value-add approach, which focuses on managing assets in a sustainable manner for the benefit of all stakeholders, has delivered impressive results for clients since 1994.





## Overview

Infrastructure underpins the functioning of modern society. Access to clean drinking water, sanitation and waste, the supply of electricity and heat, the ability to commute to and from work, leisure travel and trade with the global economy are all dependent on the availability of infrastructure assets.

Traditionally, governments have funded these projects through general taxes and debt. However, in recent years, infrastructure has been increasingly funded through private investment and user-pays structures.

Infrastructure assets can provide the following opportunities for investors:

### Stability

Infrastructure assets generally have defensive earnings streams. Revenues are often regulated or driven by structural factors such as population growth.

### Diversification

Unlisted infrastructure has exhibited low correlation with other asset classes, increasing portfolio diversification potential.

### Liability matching

The long duration of infrastructure investments are an excellent match for long-tail liabilities of many pension funds.

### Inflation protection

Revenue and prices for regulated assets are often inflation-linked. Unregulated assets commonly have pricing power due to their monopolistic characteristics.

### Access to unique assets

Infrastructure assets tend to be of strategic, political and economic importance. In the past they have been owned by governments, but are now increasingly being owned by private investors.

## Investment philosophy and strategy

CFSGAM's Unlisted Infrastructure team invests in, and manages, infrastructure investments based on the following principles:

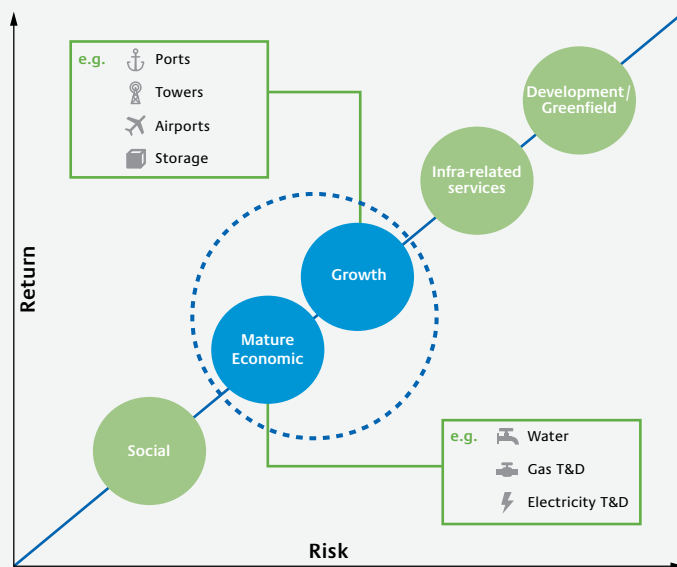
### Long-term investment horizon

We believe this:

1. Aligns us with our investors, who typically have long-term investment horizons
2. Matches the underlying physical assets, which have long lives

### Core infrastructure focus

Emphasis on brownfield, economic infrastructure assets. We consider these are positioned to deliver more predictable cashflows (including an attractive balance of yield and capital growth), have high barriers to entry and possess pricing power.



### Active asset management

We take material stakes in our investee companies and appoint specialist asset managers to the board of directors. This hands-on form of governance and oversight in relatively illiquid assets helps mitigate risk, enhancing potential risk-adjusted returns. In addition to complex operational challenges, regulators and the public are also key stakeholders – a unique characteristic of infrastructure assets.

## Our key differentiators

### 1. A proven performer

The capability has been in existence for 20 years and since inception, the core assets have generated a gross internal rate of return (IRR)\* of 13.6%\*\* on behalf of over 80 institutional clients. Additionally, Willis Towers Watson has CFSGAM ranked as the 6th largest infrastructure manager globally in their Global Alternatives Survey.\*\*\*

### 2. Investment philosophy derived from experience

The team are focused on core infrastructure assets due to their attractive risk-adjusted returns. There is also a strong value discipline around acquisitions, whilst meaningful stakes with board representation provides greater control in order to mitigate risks.




### 3. Blue-chip asset portfolio

Our portfolio is well-diversified across a range of sectors and we can provide rare access into highly sought after assets. Our asset exposure is oriented towards stable and predictable jurisdictions.

### 4. Value-add investment partner

We take a role as a lead investor and we have a reputation for operational focus and governance. We are aligned with our investors through real return benchmarks, fee structures and remuneration. Our responsible investment credentials make us a partner of choice for our clients.

## Strategy, capability and responsible investment are strongly linked

Our investment approach	Relevance to RI	Portfolio examples and outcomes
<p><b>1</b> Long-term investment horizon</p>	<p>Our investment horizon means we must consider long-term impacts of issues such as <b>environment change</b></p> 	<p><b>Anglian Water's</b> embedded CO<sub>2</sub> modeller tool used in network design resulted in 67% carbon reduction and a 25% expected reduction in a project's capex</p>
<p><b>2</b> Core infrastructure focus</p>	<p>The essential nature of our assets means we must actively engage with diverse stakeholders to maintain our <b>'social licence to operate'</b></p> 	<p>A\$1.4bn new runway at <b>Brisbane Airport</b> balanced safety, noise, cost, environmental and regulatory factors at a low-lying coastal site</p>
<p><b>3</b> Active management approach</p>	<p>Taking significant stakes in business with <b>board representation</b> allows us to exert real governance influence</p> 	<p>50% stake in <b>Electricity North West</b> allowed us to drive creation of a standalone business from the parent company</p>

\* The Internal Rate of Return is calculated from the total cash flows which consists of the acquisition cost, distributions and the latest available valuation.

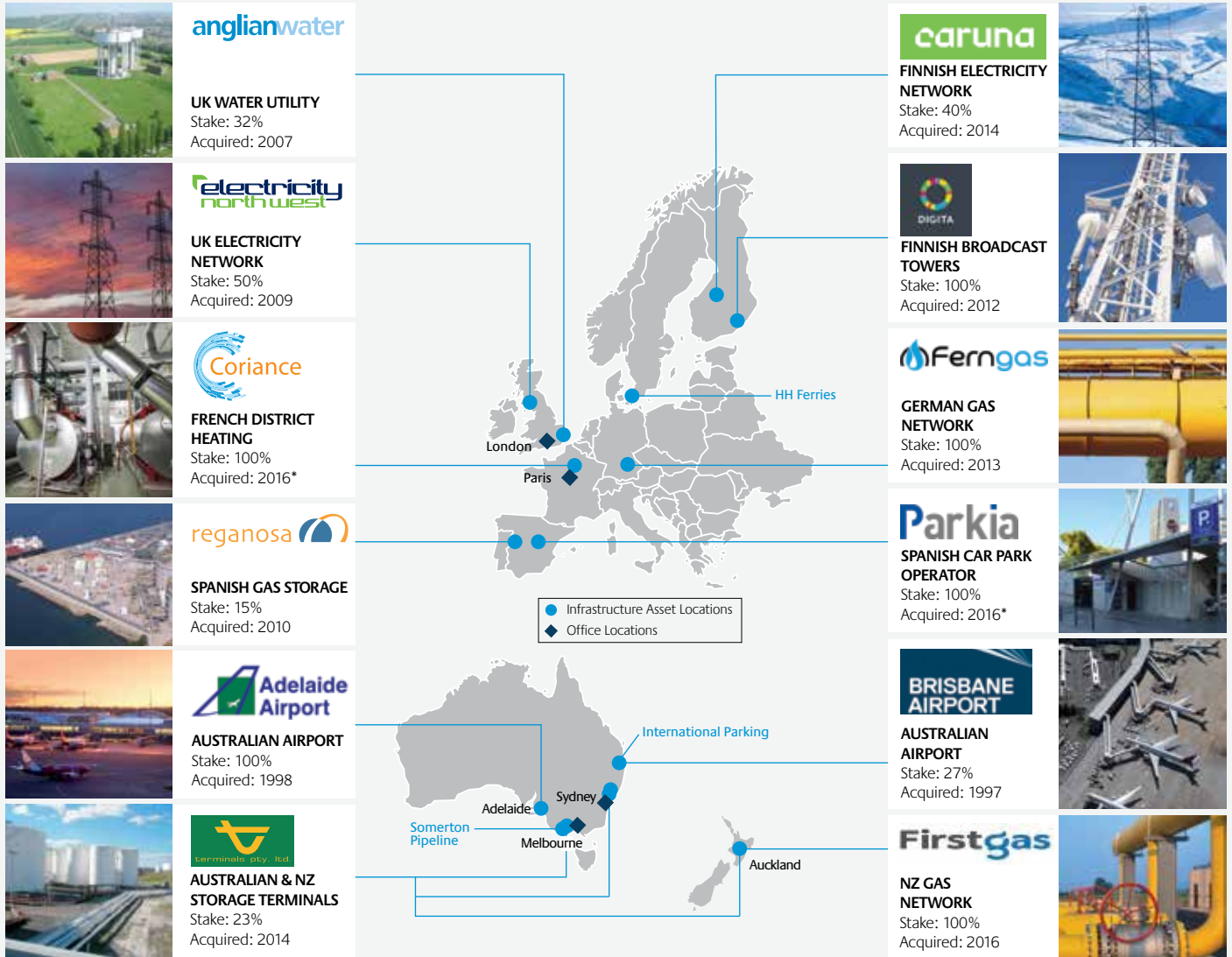
\*\* For the period from September 1994 to June 2016. Source: CFSGAM.

\*\*\* Source: Willis Towers Watson Global Alternatives Survey (includes unlisted and listed infrastructure strategies) – July 2015.

## Key Assets and Team locations

With more than 20 years experience in infrastructure investment, Colonial First State Global Asset Management is very proud to be a leading manager within this sector. We have investment teams based in Australia and the United Kingdom, all of whom have been

selected for their specialist knowledge, skills and experience in infrastructure and investment management. We have built our positions in these assets through a combination of on-market acquisitions, capex in existing assets, bolt-ons, secondaries and platforms.



\* Financial close expected during Q4 2016.



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