

Investing in Infrastructure Economic Risks & Opportunities

8th November 2017

Imperial College Business School

Overview of the Infrastructure Sector

- What is driving the growth in infrastructure?
- Where do we expect to see future growth?
- Are new investors focusing on infrastructure who have traditionally invested elsewhere?

The voracious appetite for yield is attracting new players

Renewable Infrastructure

- Significant growth in green energy in recent years
- Wind and solar is becoming a recognised asset class by lenders and investors
- Investors willing to consider new geographies
- Technology, competition and volumes are driving down prices

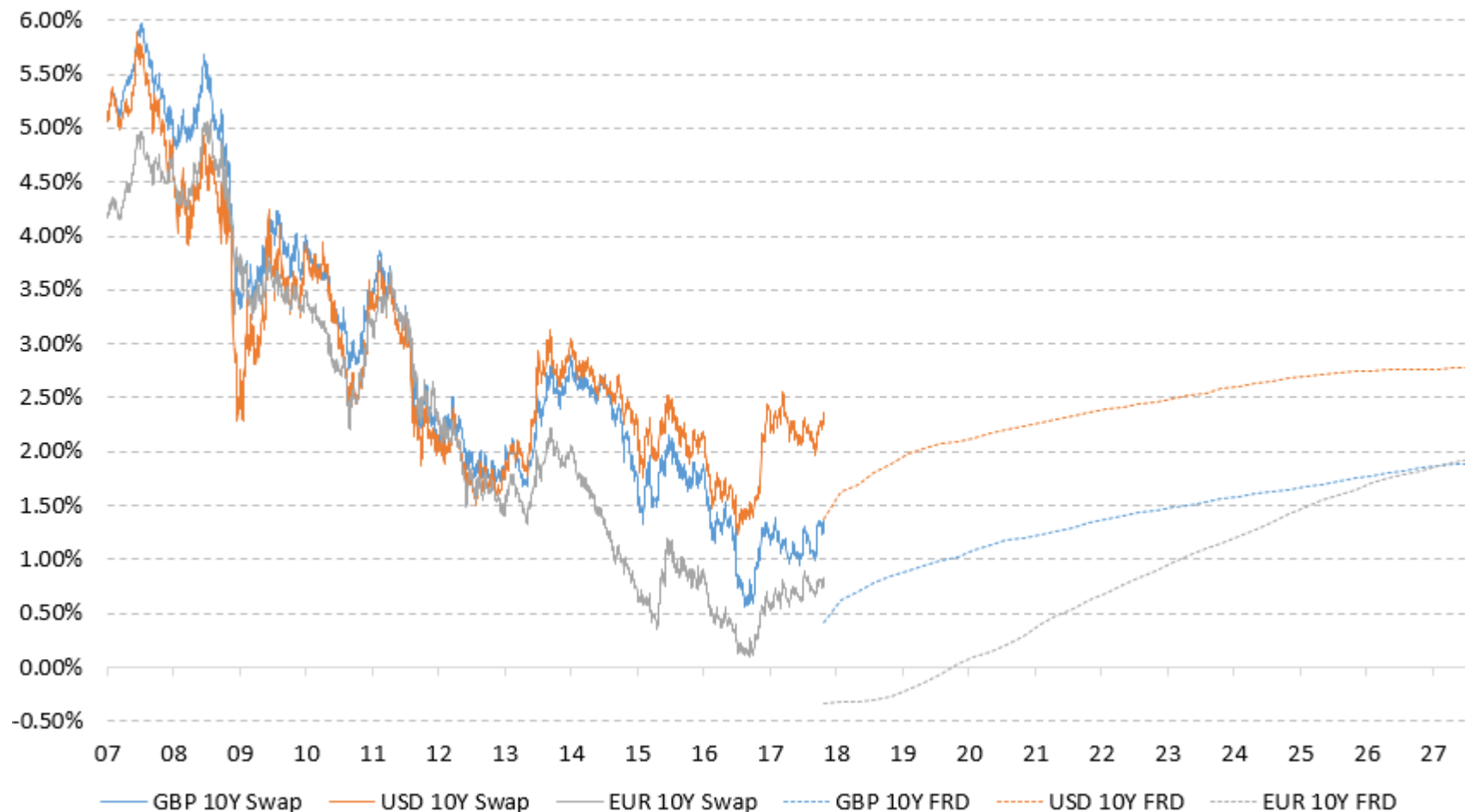
Technology is pushing renewables into a new dimension

Impact of Global Interest Rates

- Have we seen the end of historically low rates?
- Where are costs now compared to pre-crisis?
- What effect will an increase in rates have on the infrastructure market?
- Pre-hedging risk with options and/or deal contingent hedging products

Global interest rates are expected to increase

Historical 10Y Swap Rates & Projected 3M IBOR Fixings



Summary

- Expect material ongoing growth in infrastructure
- We see more investors entering this sector
- Wider range of debt providers have an appetite to lend to infrastructure
- Infrastructure spend will help to drive future economic growth
- Project costs still remain very competitive

Few other asset classes can offer these opportunities