



# MARKET UPDATE

November 2018

# INFRASTRUCTURE INVESTMENT CHALLENGE

- c.US\$175bn of dry powder at Nov 2018(Preqin)
- c.10% increase from c.US\$159bn end of 2017
- Total undeployed + uncommitted allocations closer to US\$250-400bn and rising
- Majority of new deals (59%) are in renewable energy – mostly greenfield
- Another 19% in other “energy” assets
- Only 18% of recent deals are in transport and utility assets (Preqin)

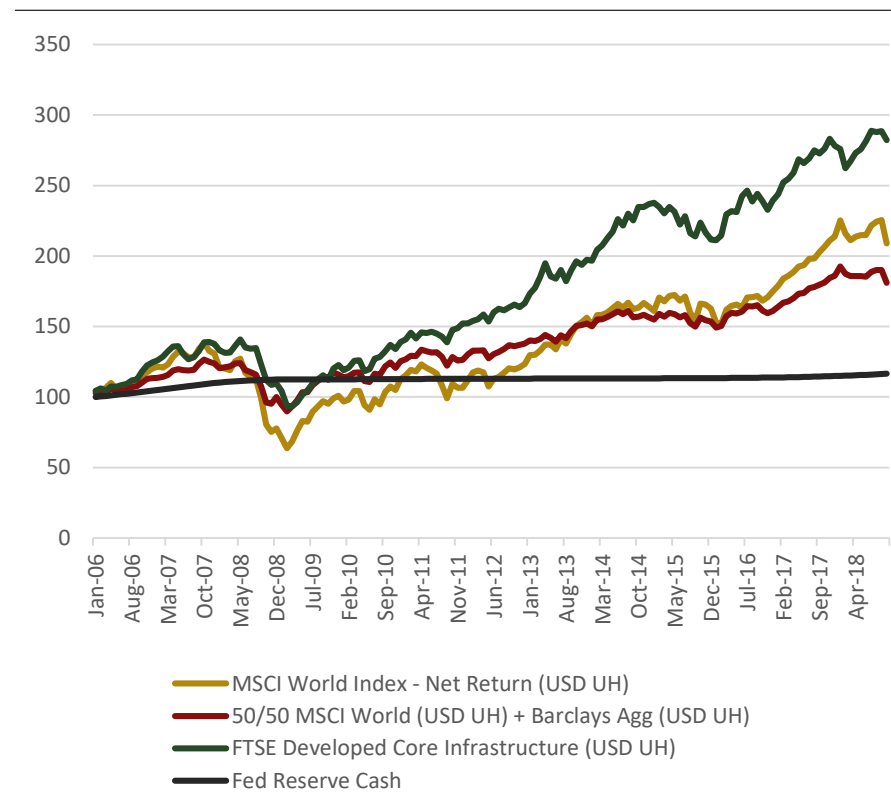
Listed Infrastructure can provide **part** of the infrastructure deployment solution



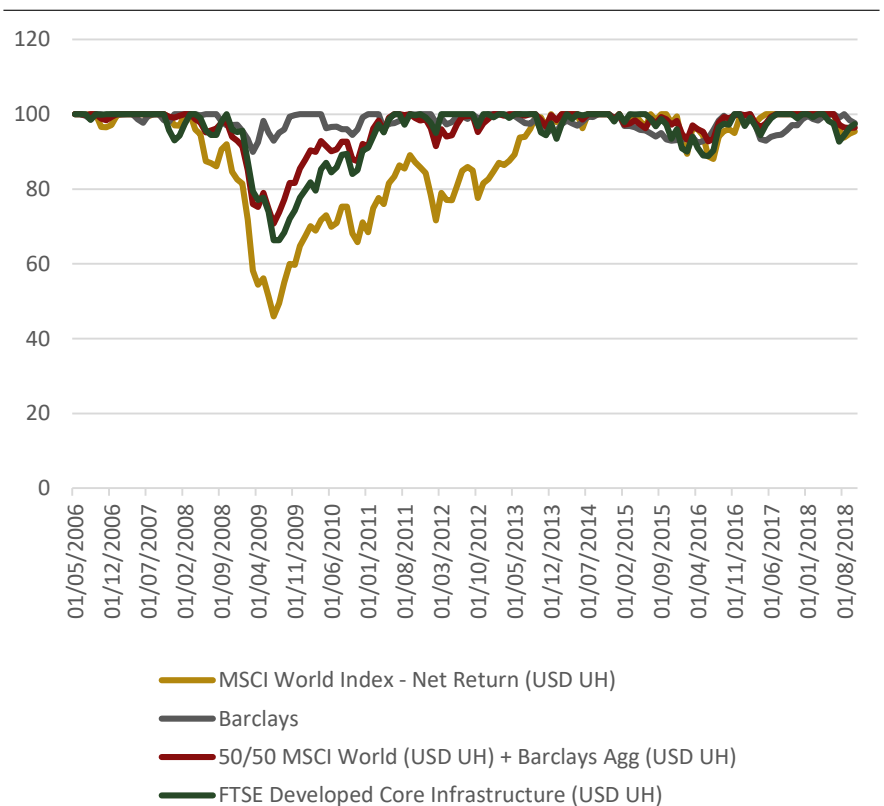
# ALTERNATIVE OPTIONS FOR UN-DEPLOYED CAPITAL

When not in unlisted infra, the capital commitment/allocation is somewhere: equities, cash or bonds or a combination of all 3. Listed infra provides a better option in terms of risk and reward.

Total Return



Drawdowns



Source: Factset, ATLAS calculations. All returns in USD unhedged.



# RECENT LISTED INFRASTRUCTURE PERFORMANCE

MSCI was down 7.3% in October, vs decline of 2.4% for the FTSE Developed Core

	FTSE Developed Core				Total Returns		
	UK/Europe	Nth America	Asia Pac	Other	UK/Europe	Nth America	Asia Pac
Electric	0.09	0.68	-0.11	-0.03	3.25	2.47	-2.56
Renewable Energy	-0.02	0.14	0.00	0.00	-4.41	3.30	0.00
Gas	-0.03	-0.04	-0.09	-0.01	-2.17	-1.05	-4.01
Water	0.01	-0.03	0.00	0.00	2.15	-1.83	0.00
Pipelines and Storage	0.00	-0.74	-0.01	0.00	0.00	-6.26	-3.32
Airport	-0.05	0.00	-0.02	0.00	-4.15	0.00	-4.42
Railway	0.00	-1.50	-0.29	0.00	1.23	-8.23	-5.56
Toll Road	-0.01	0.00	0.01	0.00	-1.18	0.00	0.70
Comms	-0.06	0.27	0.00	0.00	-5.17	3.72	-2.58
Seaport	0.00	0.00	0.00	0.00	-7.32	0.00	-2.00
Investment vehicle	0.00	0.00	-0.02	0.00	0.00	0.00	-7.29
<b>Total</b>	<b>-0.06</b>	<b>-1.22</b>	<b>-0.55</b>	<b>-0.04</b>			
			<b>Total</b>	<b>-1.87</b>			

Source: Factset, ATLAS calculations. All returns in local currency



# 3-YEAR PERFORMANCE OF SUB-SECTORS

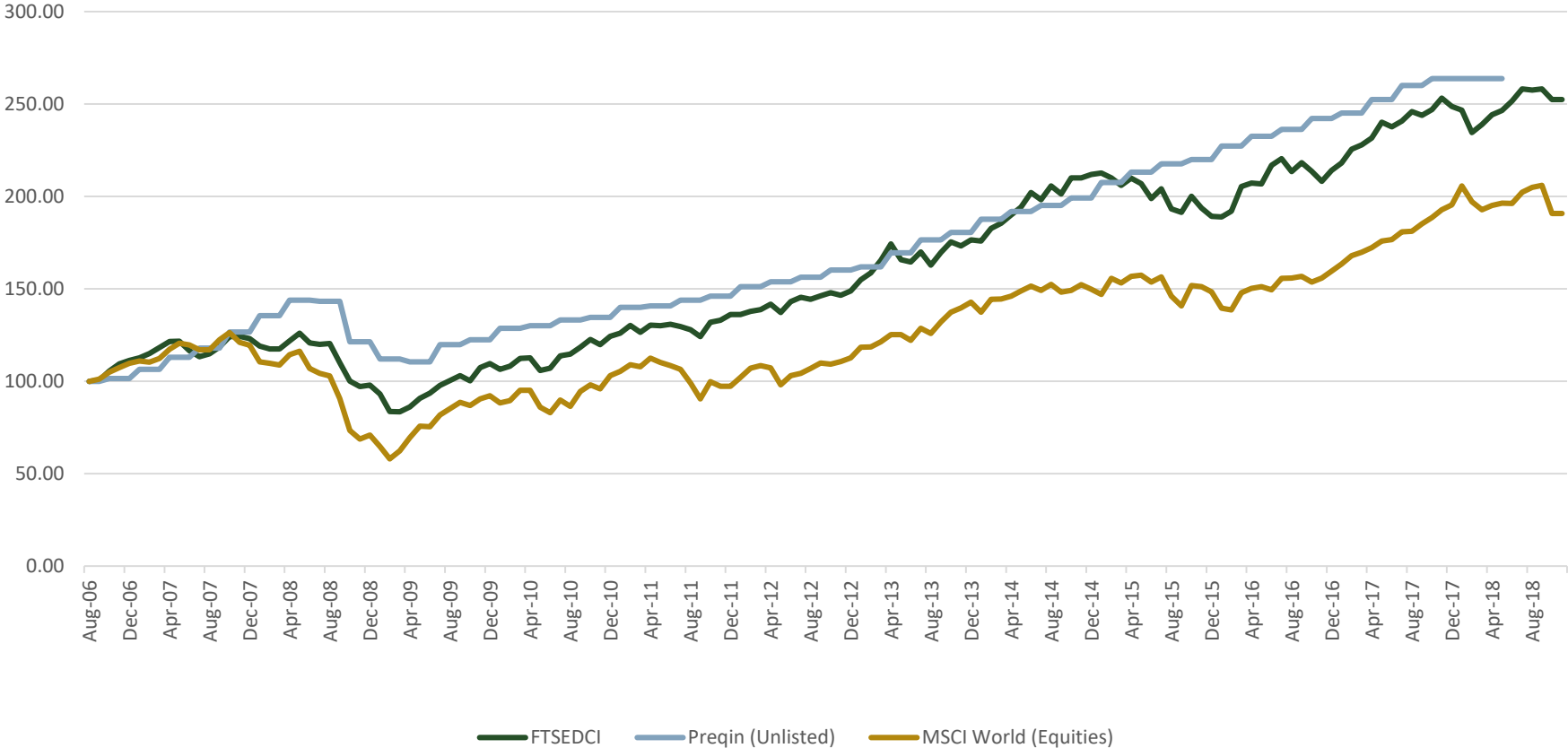
Material divergence of sub-sectors and regions over past 3 years

	FTSE Developed Core				Total Returns			
	UK/Europe	Nth America	Asia Pac	Other	UK/Europe	Nth America	Asia Pac	Other
Electric	0.42	9.81	-0.58	-0.20	6.24	30.06	-4.49	-42.09
Renewable Energy	0.19	1.61	0.00	0.00	63.00	56.09	0.00	0.00
Gas	0.15	1.15	0.09	0.01	11.90	31.82	11.46	18.98
Water	-0.10	0.64	0.00	0.00	-12.18	56.54	0.00	0.00
Pipelines and Storage	0.00	-0.75	0.16	0.00	0.00	-6.45	28.22	0.00
Airport	2.50	0.00	0.74	0.00	50.93	0.00	28.23	0.00
Railway	-0.02	3.53	-0.19	0.00	-6.56	80.75	-3.01	0.00
Toll Road	0.65	0.00	1.75	0.00	-9.79	0.00	32.95	0.00
Comms	-0.39	2.85	-0.13	0.00	-16.33	50.29	-54.59	0.00
Seaport	0.05	0.00	-0.32	0.00	57.96	0.00	-41.53	0.00
Investment vehicle	0.00	0.00	-0.03	0.00	0.00	0.00	-3.84	0.00
<b>Total</b>	<b>3.46</b>	<b>18.84</b>	<b>1.49</b>	<b>-0.19</b>				
			<b>Total</b>	<b>23.60</b>				

Source: Factset, ATLAS calculations. All returns in local currency



# LONG TERM RETURNS SIMILAR TO UNLISTED...

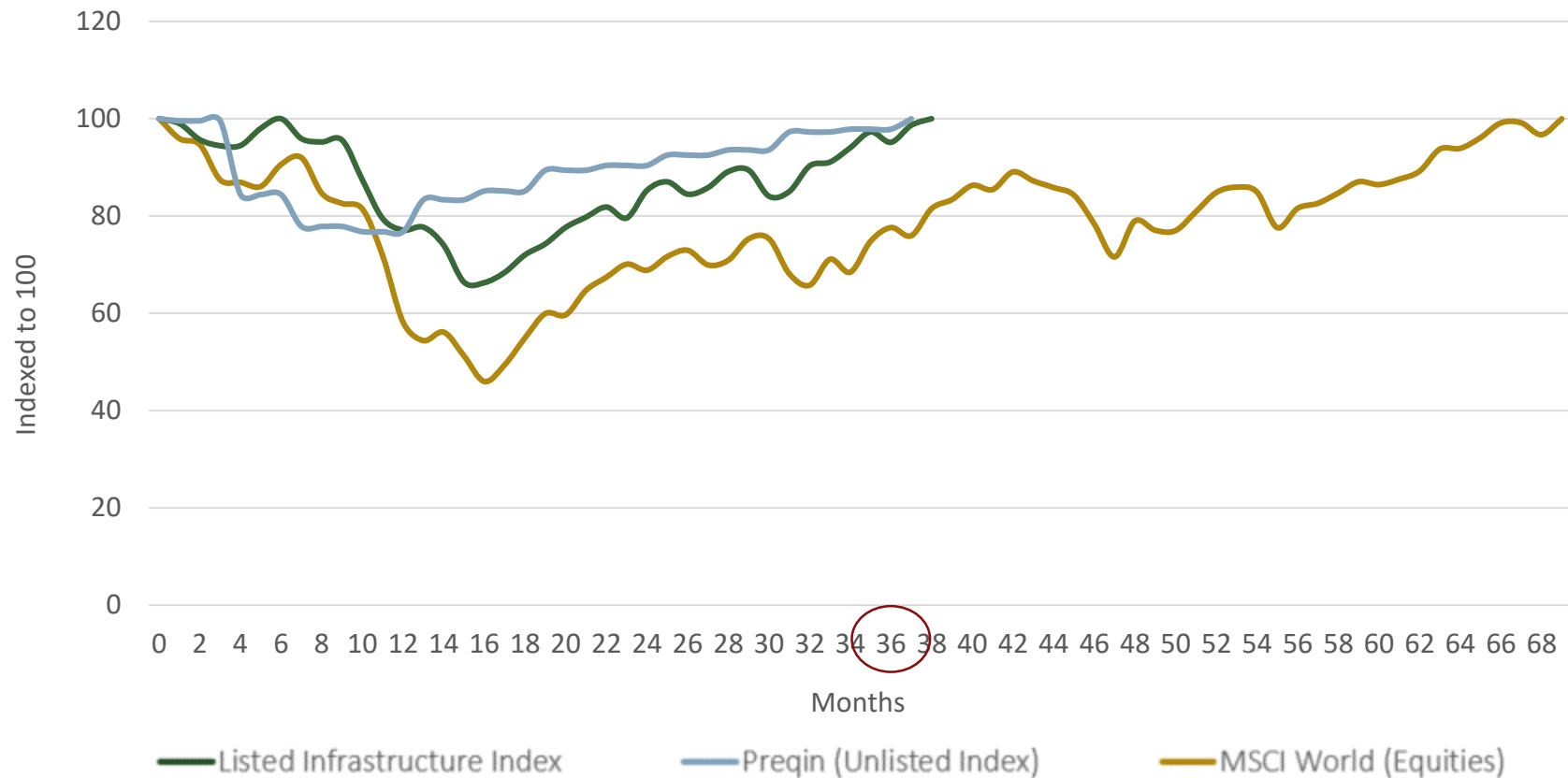


Source: Factset, ATLAS calculations. All returns in USD unhedged. Listed Infrastructure index is FTSE Developed Core Infrastructure Index



# ...AND WITH LONGER TERM RISK MEASURES COMPARABLE TO UNLISTED

Drawdown and time to return to break-even through Global Financial Crisis



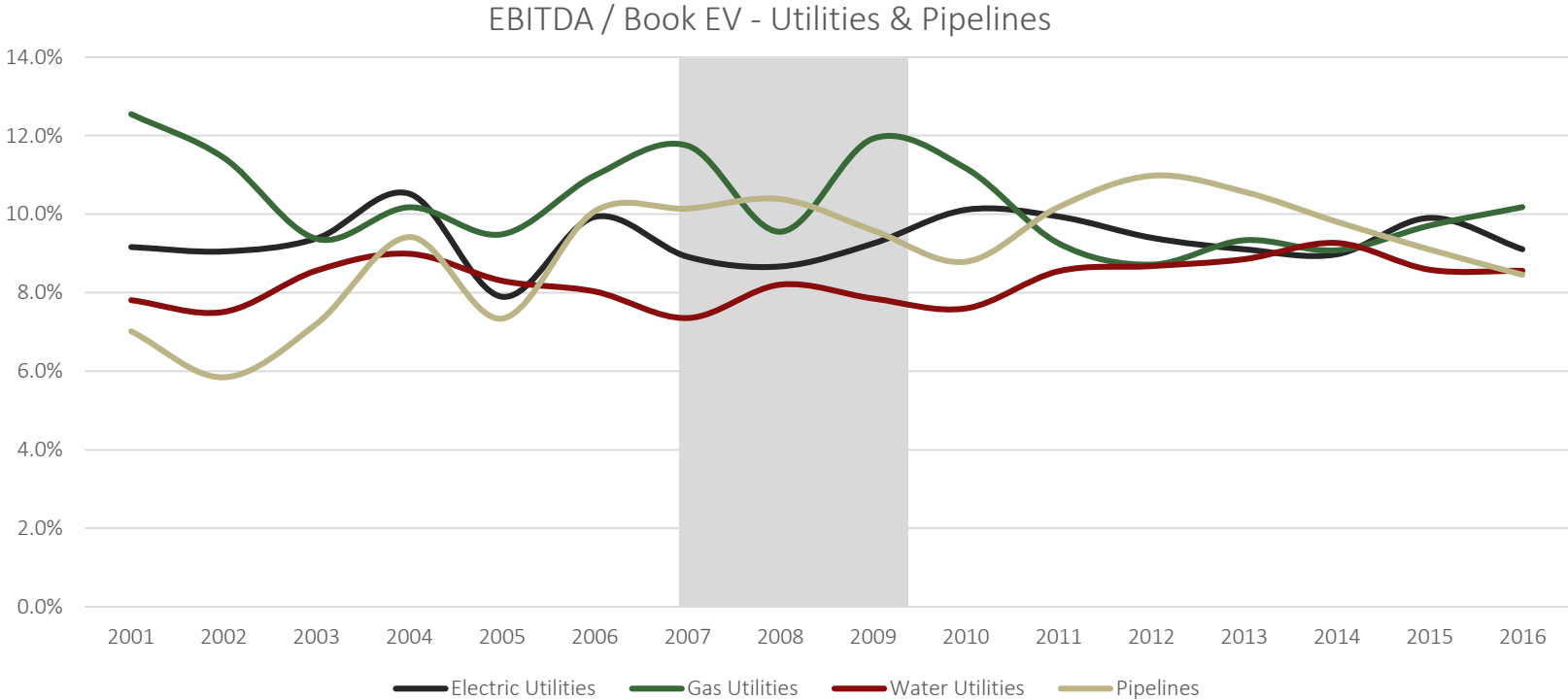
Source: Factset, Preqin, ATLAS calculations. All returns in USD unhedged

ATLAS Infrastructure - Commercial in Confidence



# EARNINGS CHARACTERISTICS – UTILITIES & PIPELINES

Stable cash flows and earnings even through periods of market disruption demonstrates high quality of underlying assets



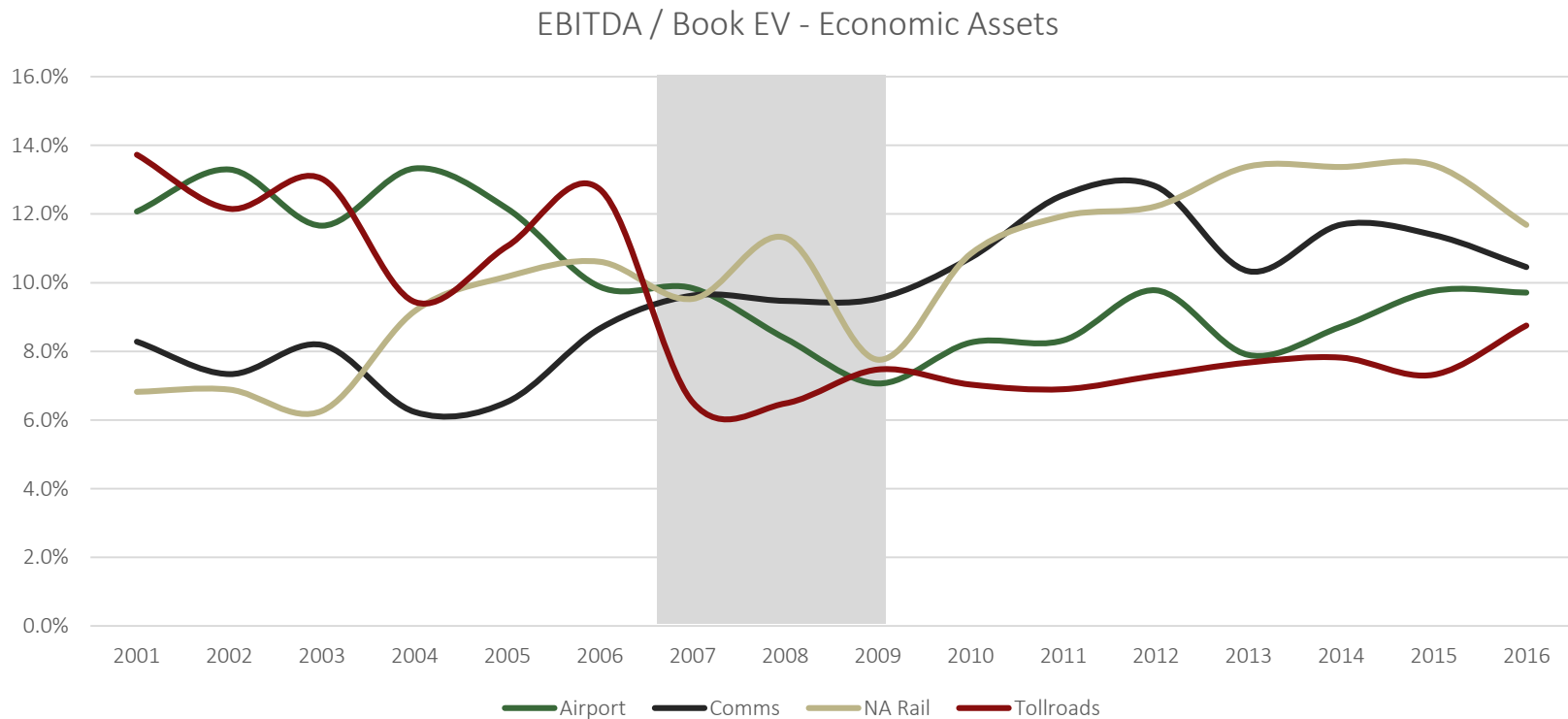
Source: Factset, ATLAS calculations





# EARNINGS CHARACTERISTICS – ECONOMIC ASSETS

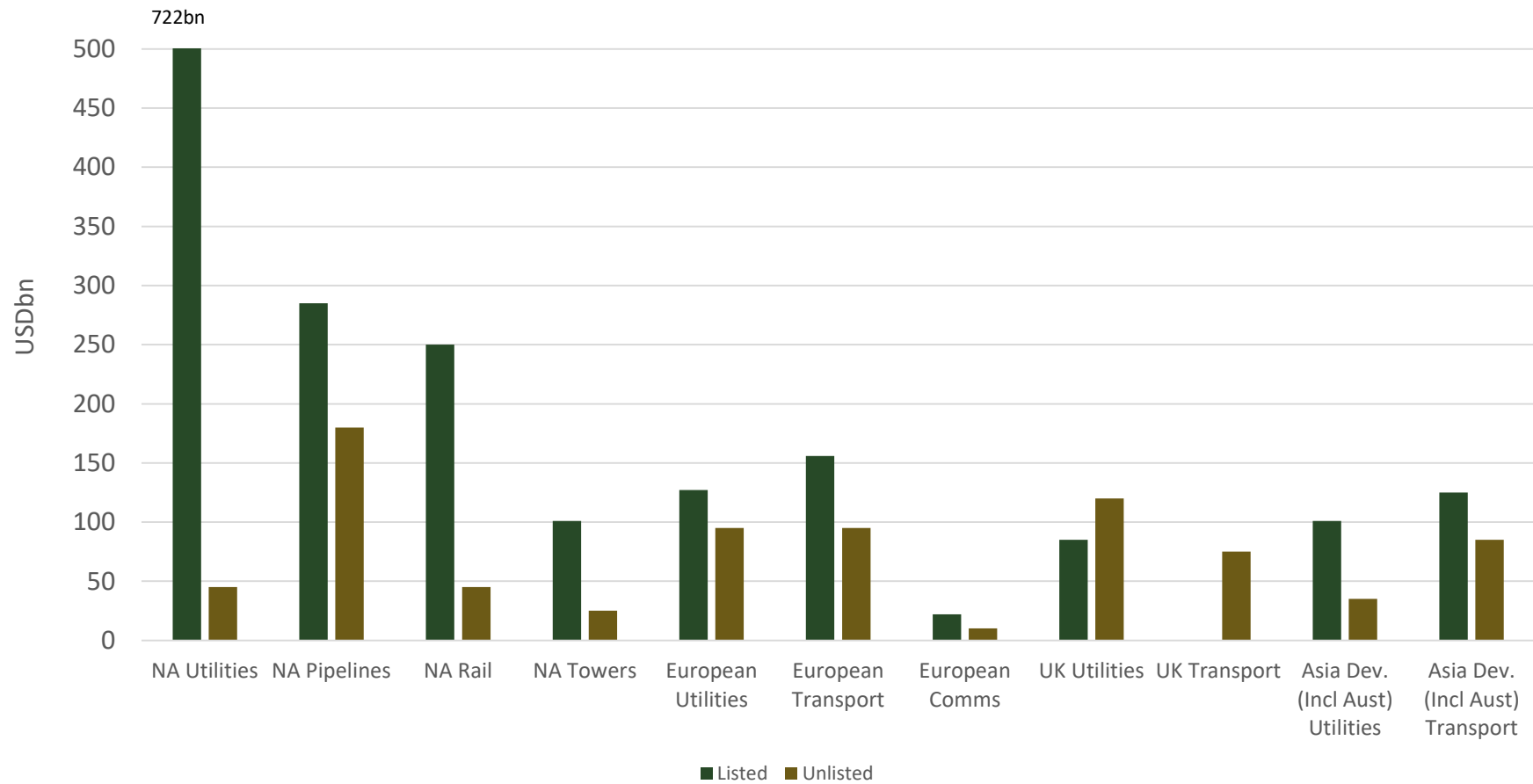
Economic assets such as airports and toll roads have broader range of earnings than utilities – this is to be expected. Importantly, though these companies have displayed strong resilience even through periods of economic distress



Source: Factset, ATLAS calculations



# ACCESS TO SECTORS NOT READILY AVAILABLE IN UNLISTED



Source: Factset, Prequin, ATLAS calculations and estimates. Unlisted is aggregate of all known deals in past 10 years



# WHAT DO INVESTORS GET WRONG?

1. Mistaking cash flow yield on limited life assets for long term cash flow
2. Failure to understand re-contracting risk / variability of potential outcomes
3. Assets that require growth to maintain dividends
4. Management teams taking value decreptive decisions
5. Impact of climate change policies



# CONCLUSION

- Listed infrastructure is a large and liquid sector
- Available assets are of a very high quality
- Listed exposure complements an unlisted portfolio
- Investment risk and returns have been almost identical to unlisted infrastructure
- Capital can be deployed almost immediately
- May be accessed either through a standardised strategy or a more tailored approach



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