

An Update on Morrison & Co Investment Views

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Infratil Investor Day 2016

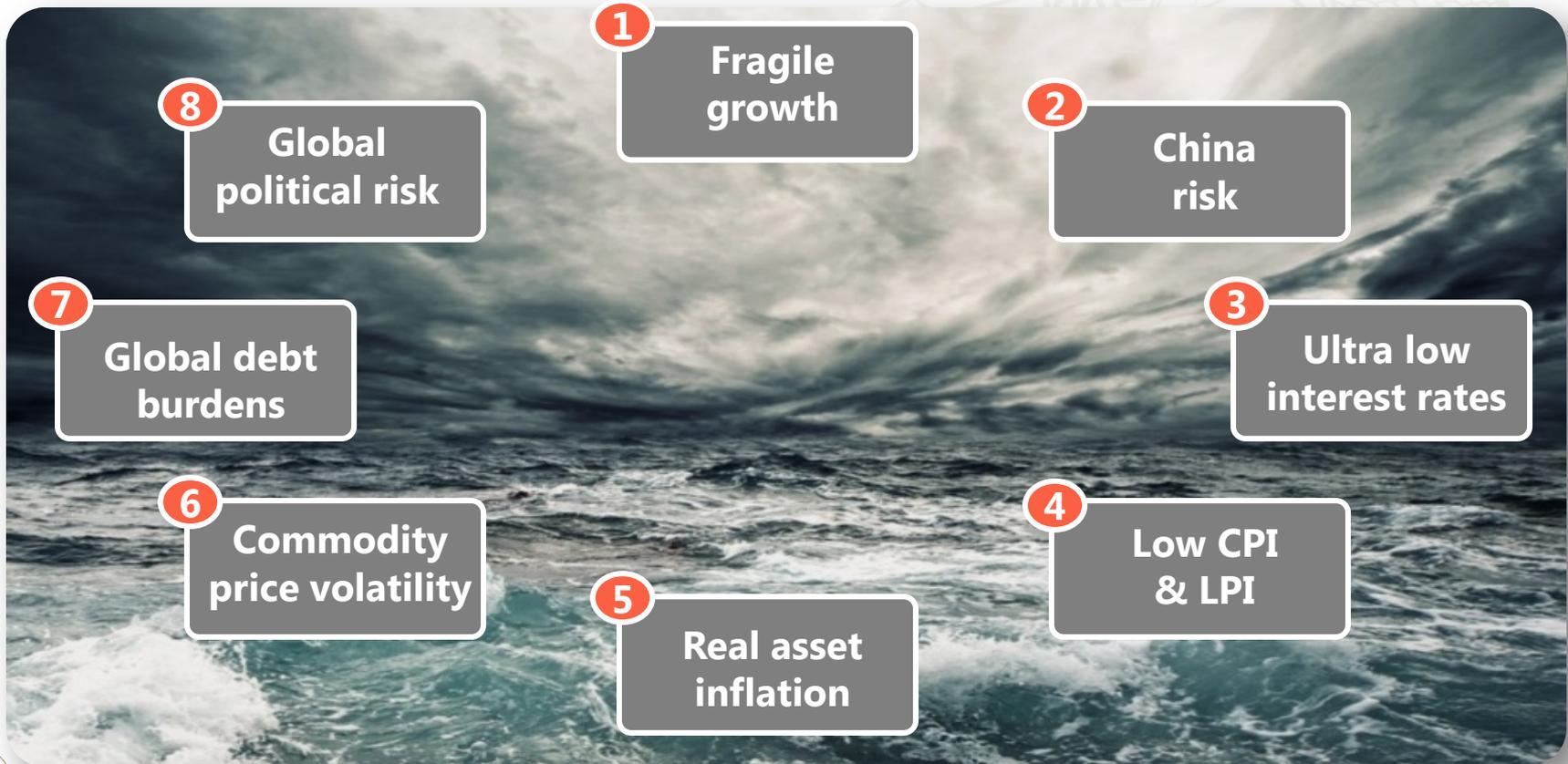


An update on Morrison & Co investment views

- What are our views on **current macro conditions** and the **outlook for infrastructure**?
- What will drive **future demand for essential services**?
- Where are we focusing our **proprietary research**?
- What are the **implications for investment strategy**?



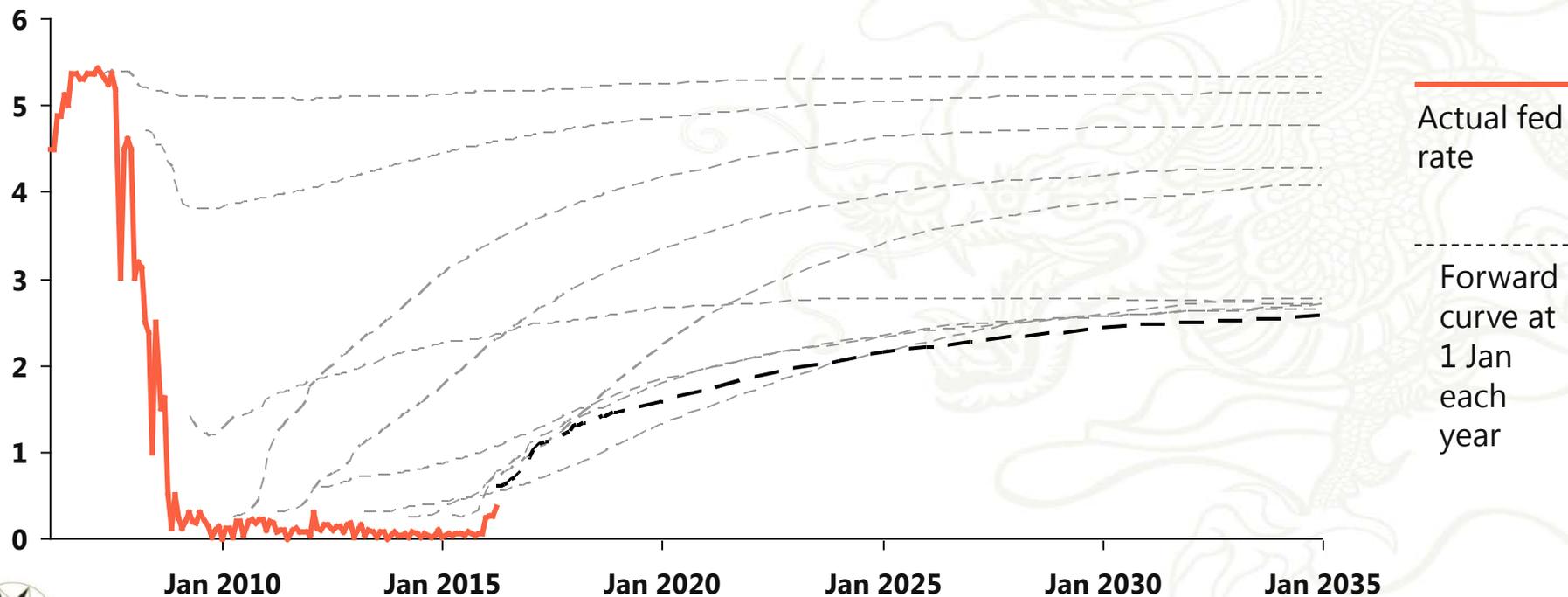
Multiple layers of risk & uncertainty in global markets



Global monetary settings remain in uncharted territory

US Federal reserve rate and forward curves as at 1 Jan each year

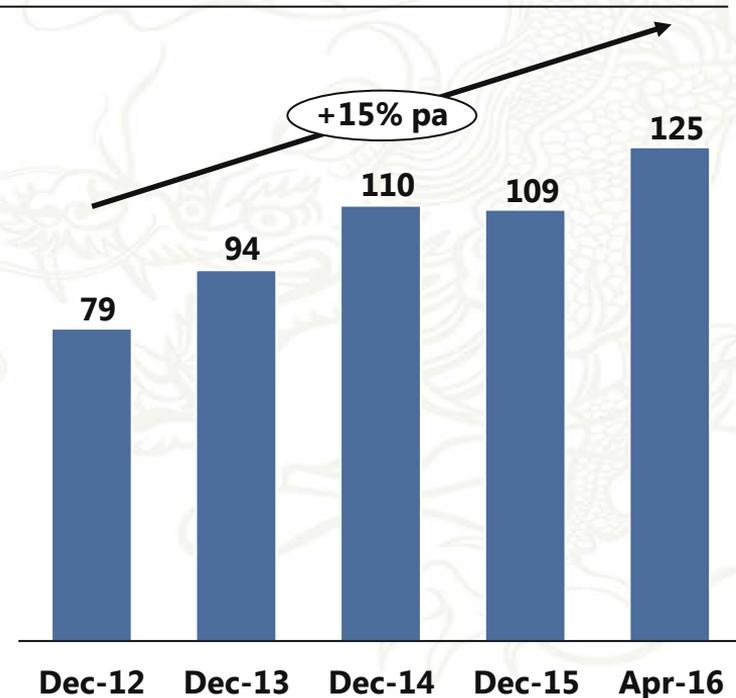
2007-2016, %



Ever-increasing investor demand for infrastructure

- **63% of global institutions** currently **below** their **target allocation** to infra, **only 10% above**
- **Chinese strategic investors** globally active
- **0% of infra fund managers** seeing **reduced competition** for assets
- **Full valuations evident in unlisted infra deals**
 - Both defensive utilities and more growth-oriented infrastructure trading strongly

Unlisted infrastructure fund dry powder
Dec 2012- March 2016, US\$bn



Prospering in an uncertain and competitive market

Market Outlook

- “Even lower for even longer”?
- Continued capital flows into infra
- Ongoing upward pressure on unlisted infra asset prices
- Multiple potential sources of listed market disruption

Strategic Implications

- ✓ **Maintain balance sheet flexibility**
- ✓ **Execute on embedded options**
- ✓ **Focus on essential services with strong long run demand drivers**
- ✓ **Stand ready to capitalise on market distress**



What will drive demand for essential services in the future?

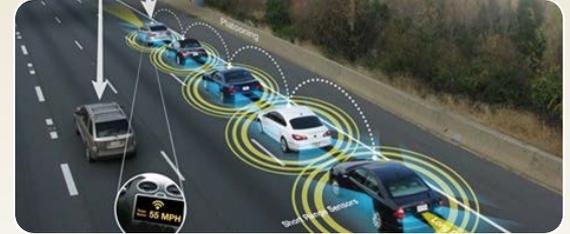
Decarbonisation



Aging Populations



Tech-Enabled Infrastructure



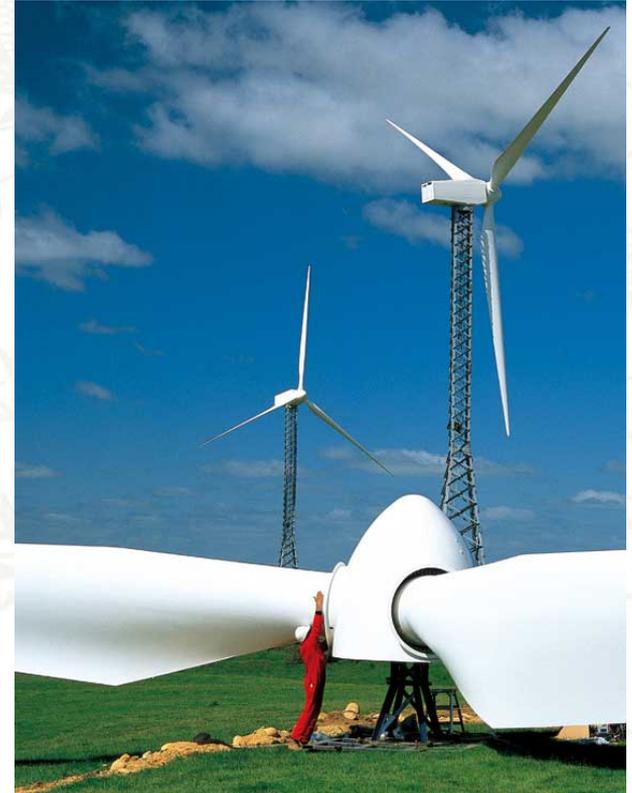
Infratil's Core Development Platforms

Emerging area of focus



Decarbonisation: A breakthrough year for global carbon action

- **COP 21 should be a global game-changer**
 - Long term climate action agreement with legal force
 - Emission reduction commitments from 187 countries
 - 130+ expected to sign 22 April 2016
- **Renewables will be central to implementation**
 - Expected to make up **78%** of new power generation investment in major economies through to 2030
- **Triggering a virtuous cycle of investment growth and cost reduction**
 - R&D Investment + Scale Production
 - Falling equipment costs, increasing efficiency, transformative technologies



Decarbonisation: Firmer policy settings will drive renewable investment

Australia



- **Bipartisan agreement on the RET**
 - New target for large-scale generation
 - 33,000 GWh in 2020
 - ~23.5% of Australia's electricity
- **Additional State Govt renewables support**
 - ACT, Vic, Qld all looking to stimulate electricity decarbonisation
- **RET requires a step-change in investment**
 - Additional 15,000 GWh of renewables
 - Several multiples of historic build rates
- **New contracting models will emerge**

USA

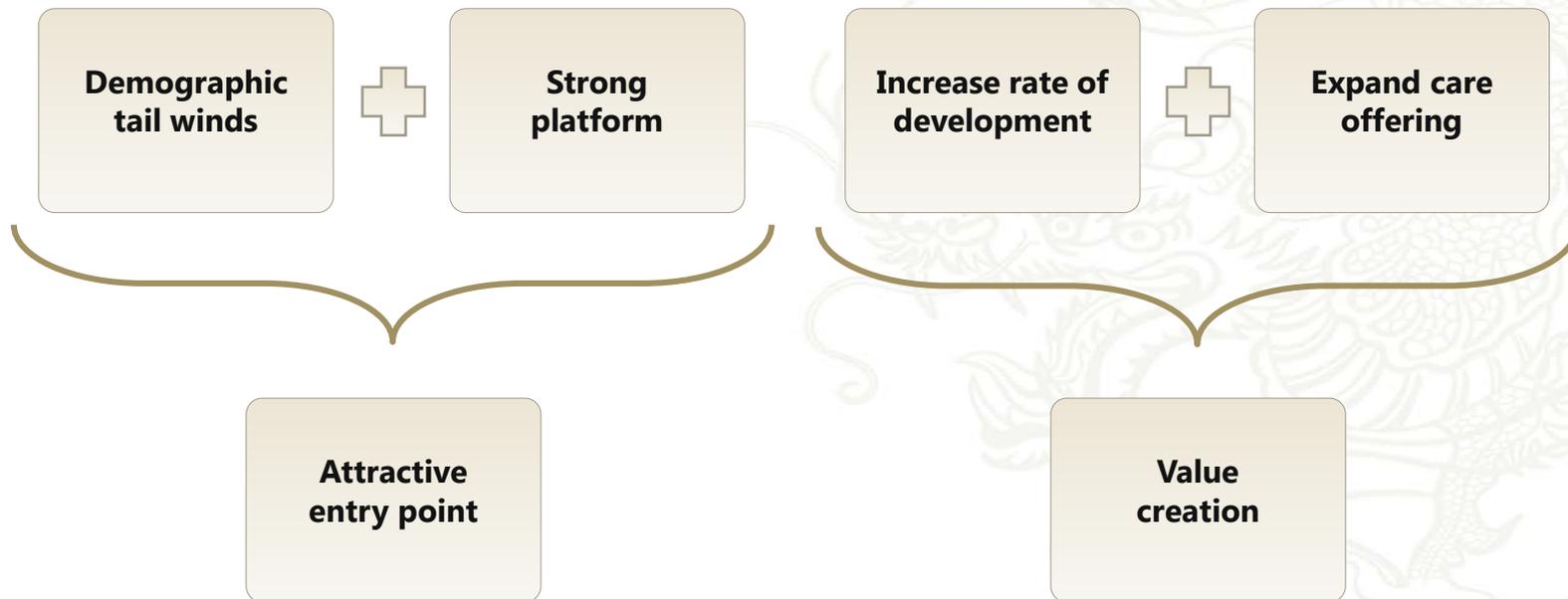


- **PTC's and ITC's extended in late 2015**
 - Extension to 2019, providing investment certainty for renewables developers
- **Obama's Clean Power Plan will accelerate decarbonisation**
 - Enforces energy sector emissions limits by State, starting in 2022
 - Goal of 32% reduction in power sector emissions by 2030 (vs 2005)
 - Will drive switch from coal to gas and renewables
- **Solar PV increasing share of utility-scale renewable investment**

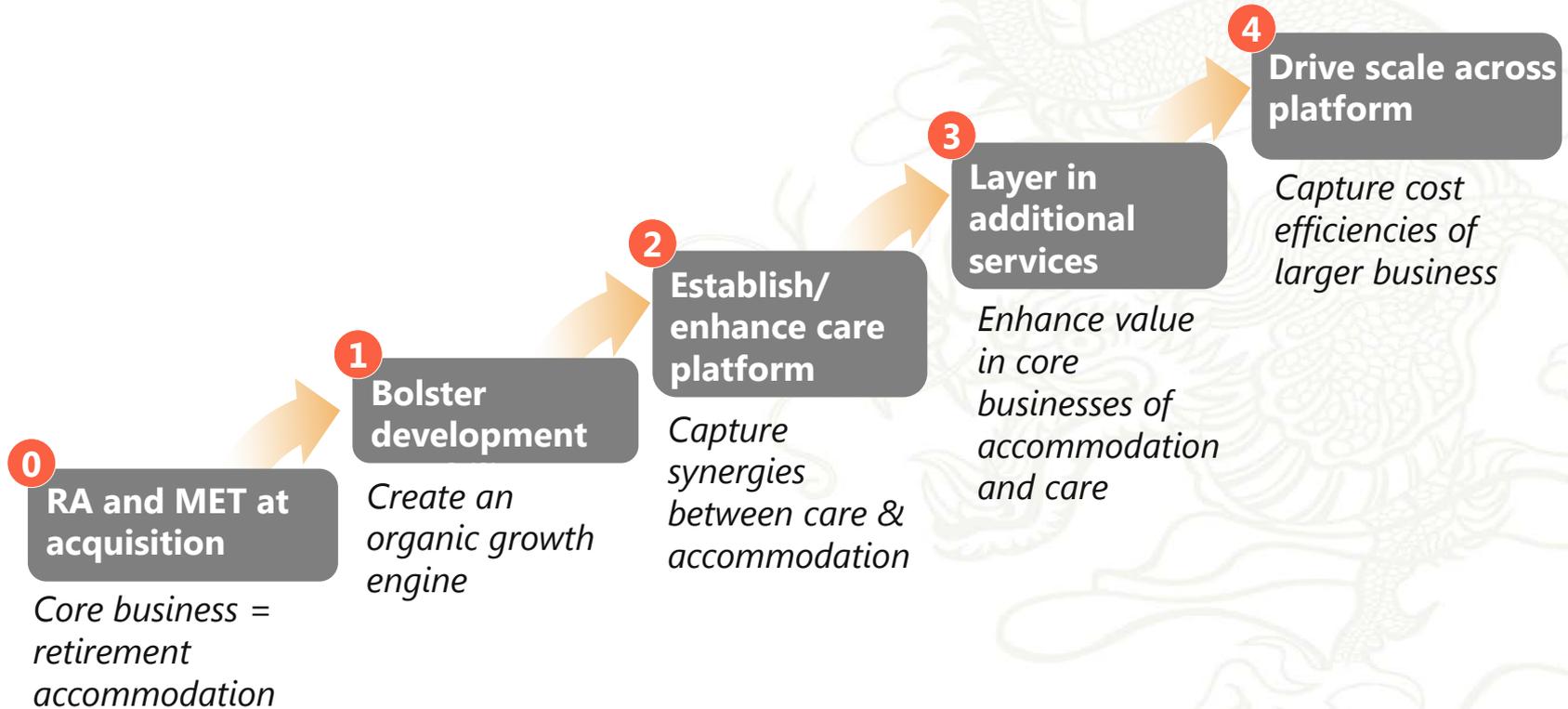


Aging Populations:

Our ingoing investment thesis for MET and Retire Australia



Aging Populations: Building an “essential eldercare services” business



Tech-Enabled Infrastructure: How will technology transform the infrastructure sector?



[Autonomous vehicle video link](#)



Tech-Enabled Infrastructure: How does technology show up in our portfolio strategies?

Impacts of Technology on Infrastructure Investment



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graph LR; A[Impacts of Technology on Infrastructure Investment] --> B[Understanding threats and opportunities in traditional infra sectors]; A --> C[Identifying the infrastructure assets of the future];
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Understanding threats and opportunities in traditional infra sectors

- *How could IoT and big data analytics impact energy markets?*
- *What do autonomous vehicles mean for transport infrastructure?*

Identifying the infrastructure assets of the future

- *What assets will governments and communities need to manage the explosion of data processing, storage and transmission?*
- *Which will offer the investment characteristics we seek from infra?*



Conclusion:

Three takeaways for Infratil investors

1. In uncertain market conditions, **the outlook for the infrastructure sector remains strong**
2. As demand for infrastructure assets expands, **the value of IFT's embedded options grows**
3. We are focused on **essential services that address fundamental and fast-growing societal needs**



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