

A photograph of a solar farm. Numerous blue solar panels are arranged in a grid pattern, tilted at an angle. They are set against a clear, pale blue sky. The panels are mounted on metal frames and stand in rows across a grassy field.

Valuation of Infrastructure Assets

30 September 2023

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Key Takeaways

Portfolio Level

- Excess return over cost of capital (over 5 years) points to both Infrastructure and Utilities being attractive. Risk/return beginning to tilt in favour of Utilities over Infrastructure.
- Comments by management of portfolio stocks indicate:
 - Infrastructure – Traffic on developed toll roads, commuter rail and airports continue to recover from the pandemic, and in some cases exceed pre-pandemic levels, such as leisure-based airports and select U.S. and EU toll roads. While recession is a potential risk to traffic, management teams generally have not yet seen evidence of a slow down in forward-looking data. U.S. freight rail companies have seen some softness in their volumes year-to-date and are expected to remain soft near-term as the economy works through an inventory de-stocking cycle. However, we note recent weekly volume data has shown year-on-year improvement.
 - Utilities – Rising global bond yields continue to weigh on utility performance, offsetting the best growth prospects in decades due to policy in favour of the energy transition (positive).
 - Renewables – Valuations in renewables remain compelling, although longer duration assets (and cash flows) remain sensitive to rising yields. Positive policy developments are building traction.
 - Energy Infrastructure – Cashflow generation from pipelines remains robust due to highly contracted nature of revenue, despite softness in commodity prices.
 - Dividends – Transparency of dividends remain high in utilities and are improving in transport infrastructure.

Universe Level

- Valuations remain attractive on a medium to long-term excess return basis.
- Forward looking EV/EBITDA multiples and dividend yields are beginning to normalise for infrastructure stocks (especially airports and passenger rail) as the traffic and earnings recovery continues.
- Listed infrastructure continues to provide attractive valuations when compared to unlisted infrastructure (although some unlisted transaction multiples have moderated recently), but with added liquidity and a greater opportunity set.
- The essential nature of utility cashflows allow for far more predictability in outcomes especially in times of significant economic slowdown.

Portfolio Positioning – Infrastructure Value

At 30 September 2023

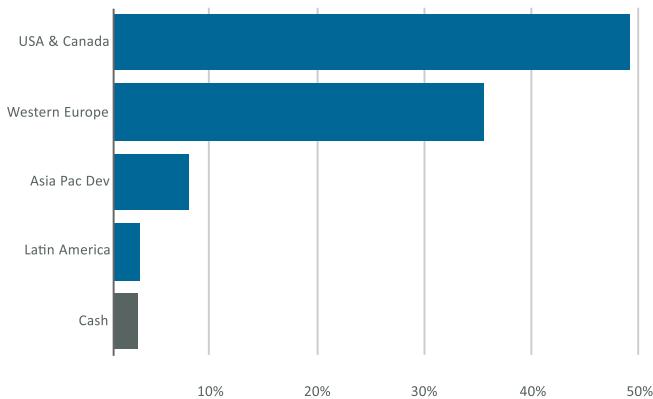
Top 10 Holdings

Security	%	Sector	Country
PG&E	6.1	Electric	USA
Ferrovial	5.1	Toll Roads	Spain
Severn Trent	4.7	Water	UK
GetLink	4.3	Rail	France
NextEra	4.2	Electric	USA
CSX	4.2	Rail	USA
Enel SpA	4.0	Electric	Italy
PPL Corporation	3.9	Electric	USA
CenterPoint Energy	3.8	Electric	USA
American Tower	3.8	Communications	USA

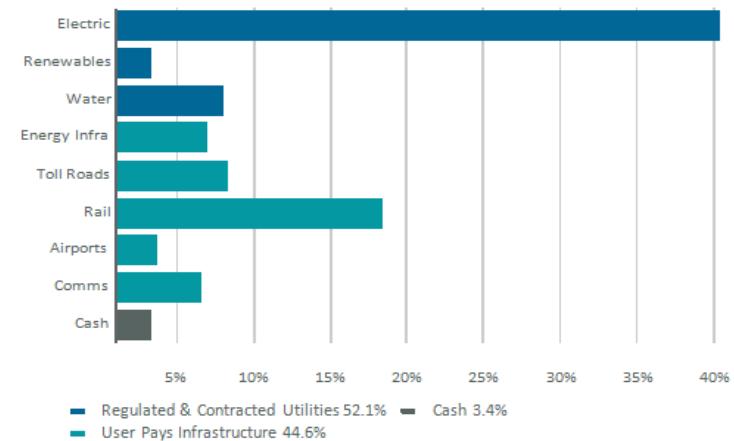
Key Portfolio Characteristics¹

Avg Market Capitalisation	49.4bn
Div Yield (Fwd) Gross ²	3.4%
DPS Growth (Est. 5 Year) ²	8.0%
Gearing (Current) ³	39.6%
Interest Cover (Historic)	3.8x
EV/EBITDA (Forward) ^{2,4}	11.6x

Regional Exposure



Sector Exposure



Internal calculations as at 30 September 2023. FactSet Research Systems (Portfolio Code - CLIENT:/PUBLISHER/RIVAF.ACCT). ¹ Based on weighted averages. ² Internal Div Yield (Fwd) Gross, DPS Growth and EV/EBITDA forward estimates reflect internal analysts' projections and assumptions. Actual results may be materially different if those assumptions and projections are incorrect. ³ Gearing (or leverage) is measured as: the book value of net debt (at last reporting period) divided By EV (see below). ⁴ EV (Enterprise Value) = market capitalisation + net debt + minority interest and preferred stock. EBITDA means earnings before interest, tax, depreciation & amortisation. The above information is included for illustrative purposes only and does not constitute specific investment advice or recommendations on any particular securities.

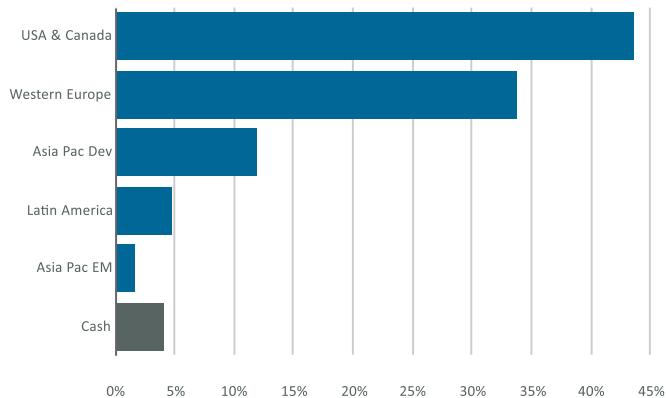
Portfolio Positioning – Infrastructure Income

At 30 September 2023

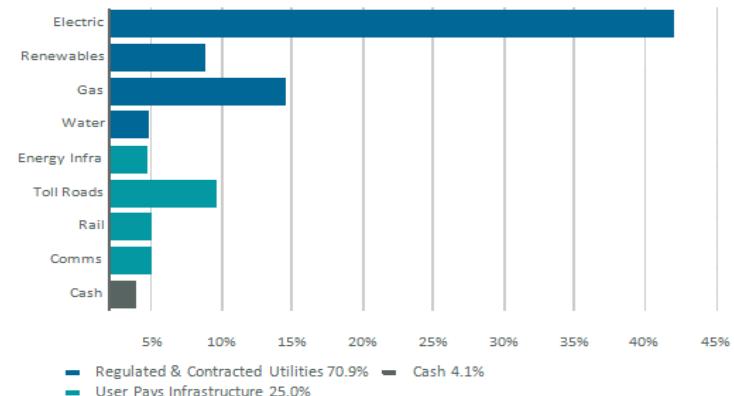
Top 10 Holdings

Security	%	Sector	Country
EDP-Energias de Portugal	4.9	Renewables	Portugal
National Grid	4.4	Electric	UK
Enel SpA	4.1	Electric	Italy
Southern Company	4.0	Electric	USA
Public Services Enterprise Group	4.0	Electric	USA
Edison International	3.9	Electric	USA
OGE Energy	3.6	Electric	USA
Snam	3.6	Gas	Italy
APA Group	3.5	Gas	Australia
NextEra	3.5	Electric	USA

Regional Exposure



Sector Exposure



Key Portfolio Characteristics¹

Avg Market Capitalisation	48.0bn
Div Yield (Fwd) Gross ²	5.5%
DPS Growth (Est. 5 Year) ²	5.1%
Gearing (Current) ³	42.6%
Interest Cover (Historic)	4.2x
EV/EBITDA (Forward) ^{2 4}	10.8x

Internal calculations as at 30 September 2023. FactSet Research Systems (Portfolio Code - CLIENT:/PUBLISHER/RIRSVL.ACCT). ¹ Based on weighted averages. ² Internal Div Yield (Fwd) Gross, DPS Growth and EV/EBITDA forward estimates reflect internal analysts' projections and assumptions. Actual results may be materially different if those assumptions and projections are incorrect. ³ Gearing (or leverage) is measured as: the book value of net debt (at last reporting period) divided By EV (see below). ⁴ EV (Enterprise Value) = market capitalisation + net debt + minority interest and preferred stock. EBITDA means earnings before interest, tax, depreciation & amortisation. The above information is included for illustrative purposes only and does not constitute specific investment advice or recommendations on any particular securities.



Current Listed Market Multiples & Returns

Core Universe, EV/EBITDA by Sector and Region

EV/EBITDA – Core

	Asia Pacific Developed		Asia Pacific Developing		Eastern Europe		Latin America		Middle East		USA & Canada		Western Europe	
	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.
Electric	10.0x	12.2x	7.9x	7.5x		6.5x	7.2x		10.5x	11.2x	9.3x	10.3x		
Gas	10.9x	12.5x	6.4x	9.2x		--			10.2x	11.1x	9.6x	10.5x		
Water	--		10.3x	9.9x		5.6x	6.1x		13.8x	15.9x	12.3x	13.0x		
Renewables	--		--			9.2x	10.0x		12.1x	11.8x	8.2x	11.9x		
Energy Infrastructure	6.6x	6.3x	9.2x	8.6x		--			9.0x	10.1x	--			
Airports	17.8x	26.7x	13.5x	21.7x		8.0x	9.6x		--		9.6x	11.8x		
Rail	9.3x	8.4x	17.8x	12.8x		8.0x	8.4x		12.0x	12.5x	13.2x	18.6x		
Toll Roads	19.4x	18.2x	7.0x	7.2x		5.0x	5.9x		--		6.4x	7.9x		
Ports	--		10.0x	10.2x		--			--		--	--		
Communications	--		6.7x	7.7x		8.3x	10.9x		17.1x	23.8x	9.1x	9.4x		
Other Infrastructure	--		--			--			19.1x	20.0x	7.3x	8.9x		

As at 30 September 2023. Core Universe is a subset of all manager determined infrastructure sector companies.

FactSet Research Systems, consensus estimates of FY2 EBITDA. EV = Market Capitalisation + Net Debt + Minority Interest and Preferred Stock. Equal weighted average.

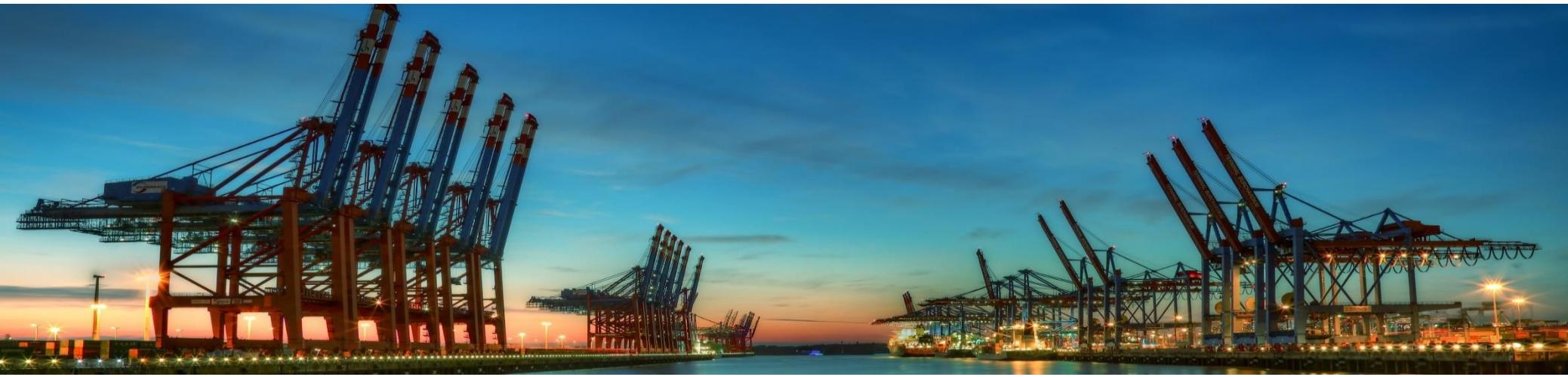
Colour key: Dark Green/Red if current multiple is less/more than -2/+2 standard deviations from the 5yr average. Light Green/Red if current multiple is between -1 to -2 / +1 to +2 standard deviations from the 5yr average. Results reflect internal analysts' projections and assumptions. Actual results may be materially different if those assumptions and projections are incorrect. Internal opinions may change at any time without notice.

Core Universe, Dividend Yield by Sector and Region

Dividend Yield – Core

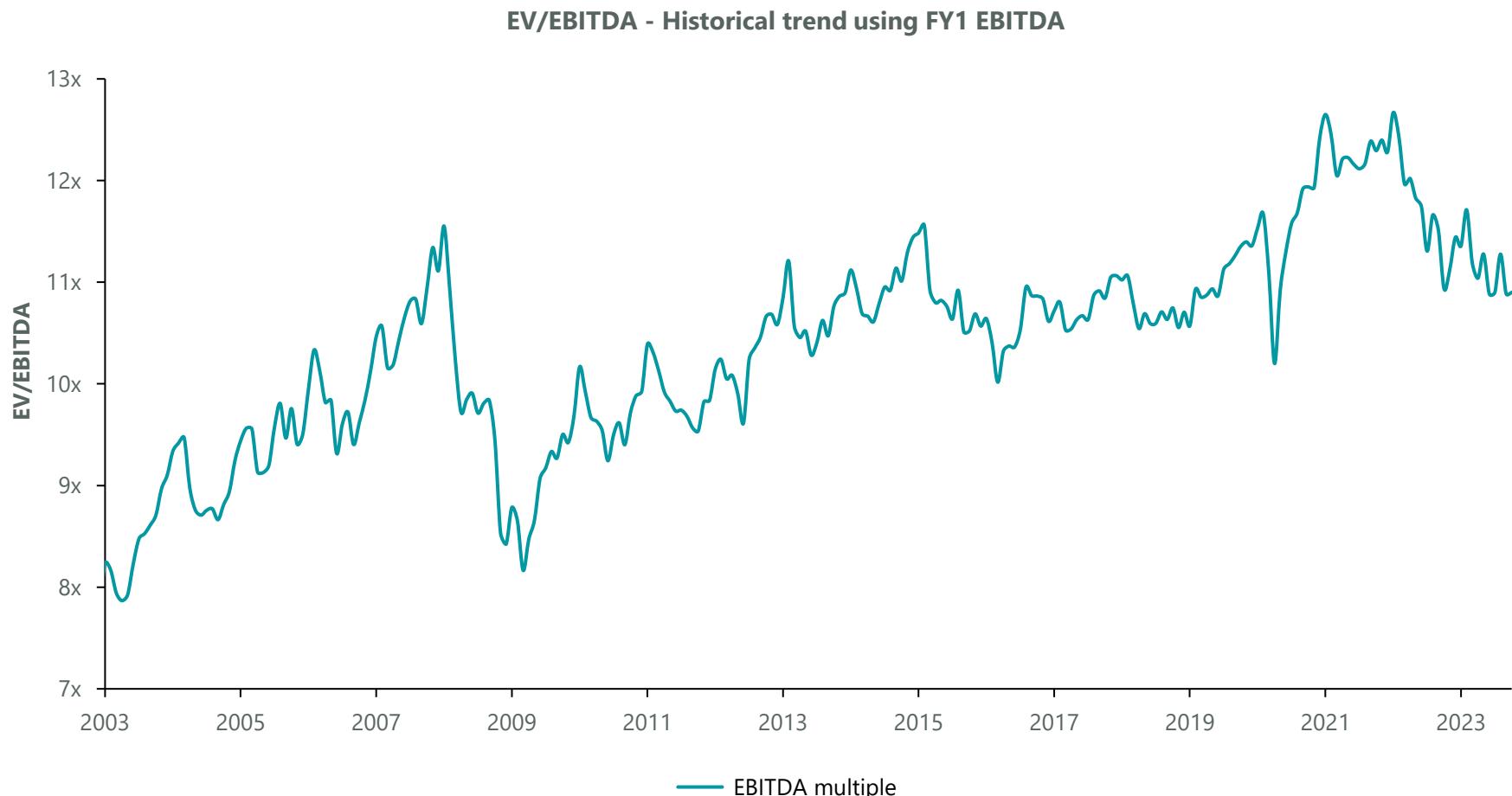
	Asia Pacific Developed		Asia Pacific Developing		Eastern Europe		Latin America		Middle East		USA & Canada		Western Europe	
	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.	Current	5yr avg.
Electric	5.4%	4.9%	4.1%	4.1%			5.8%	5.9%			4.0%	3.4%	5.2%	5.3%
Gas	6.8%	5.0%	6.0%	3.2%			--				5.6%	4.8%	7.9%	6.3%
Water	--		9.6%	5.4%			5.2%	5.3%			2.5%	1.9%	6.0%	4.4%
Renewables	--		--				0.0%	1.7%			8.5%	4.8%	4.3%	3.1%
Energy Infrastructure	1.9%	2.4%	3.0%	2.7%			--				5.2%	4.8%	--	
Airports	1.8%	1.9%	0.8%	1.0%			5.0%	3.5%			--		2.6%	1.8%
Rail	1.3%	1.7%	1.5%	2.4%			2.5%	2.0%			1.9%	1.5%	3.8%	2.2%
Toll Roads	6.1%	4.0%	6.8%	5.6%			1.0%	2.3%			--		3.7%	3.3%
Ports	--		5.2%	4.6%			--				--		--	
Communications	--		3.4%	3.8%			3.3%	0.4%			4.1%	2.0%	2.9%	5.3%
Other Infrastructure	--		--				--				4.3%	4.2%	5.8%	4.5%

As at 30 September 2023. Core Universe is a subset of all internal determined infrastructure sector companies. FactSet Research Systems, consensus estimates (or, if not available, internal forecasts). Equal weighted average. Colour key: Dark Green/Red if current multiple is more/less than +2/-2 standard deviations from the 5yr average. Light Green/Red if current multiple is between +1 to +2 / -1 to -2 standard deviations from the 5yr average. Results reflect internal analysts' projections and assumptions. Actual results may be materially different if those assumptions and projections are incorrect. Internal opinions may change at any time without notice. There is no guarantee these targets will be met. Past performance is not indicative of future performance.



Trading Multiples Over Time

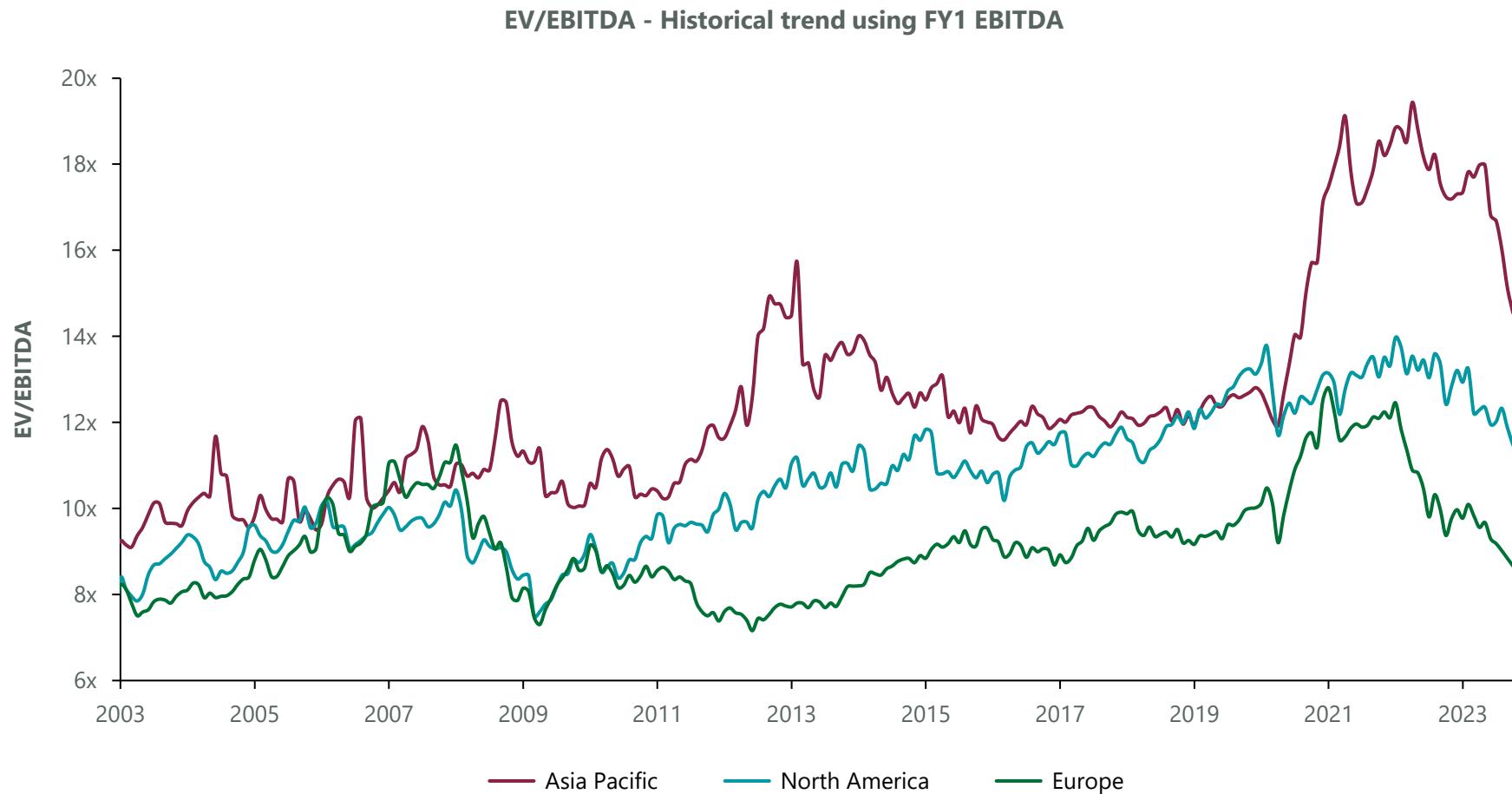
Sector Consensus EV/EBITDA



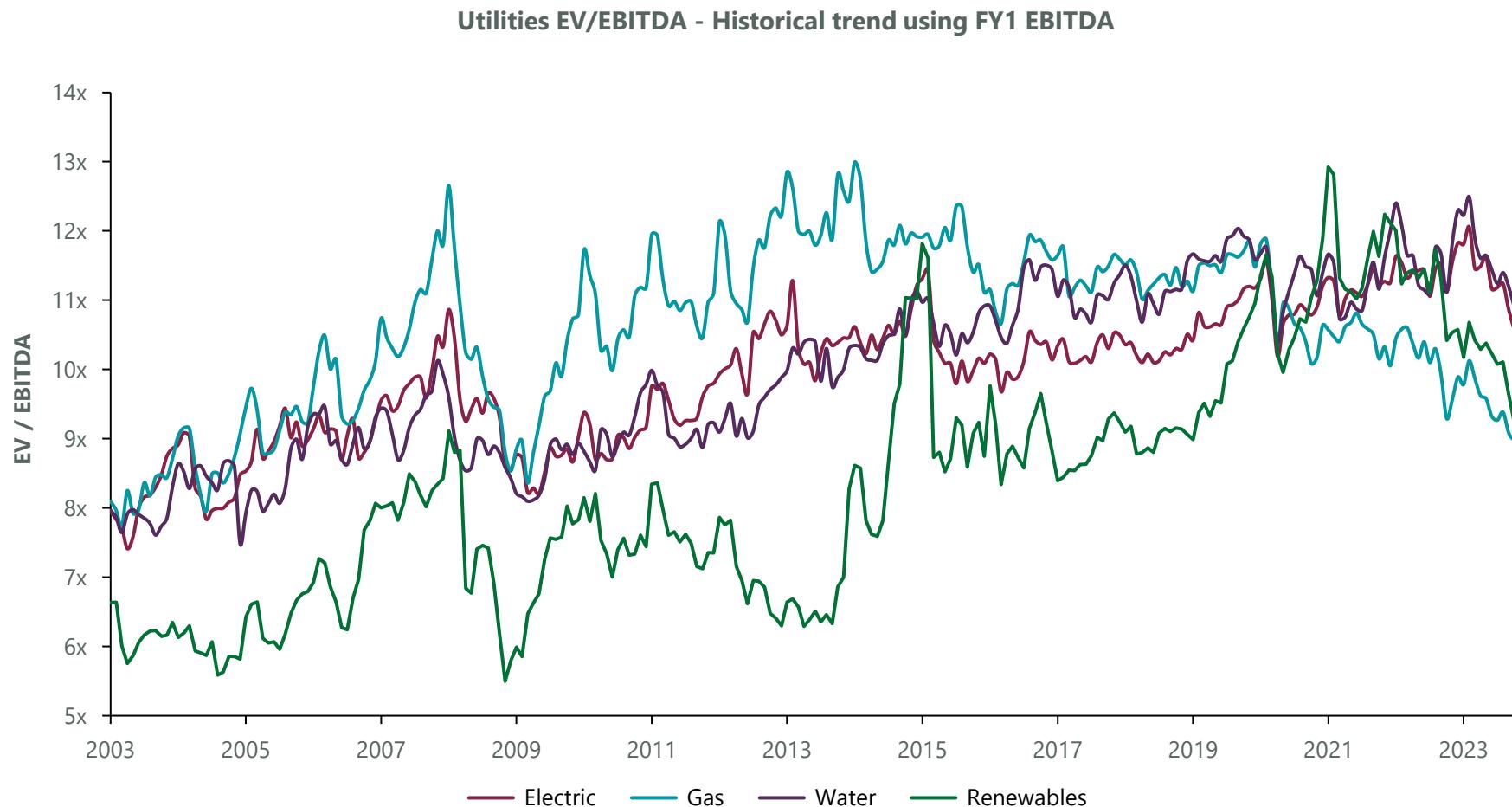
Utility vs Infrastructure Consensus EV/EBITDA



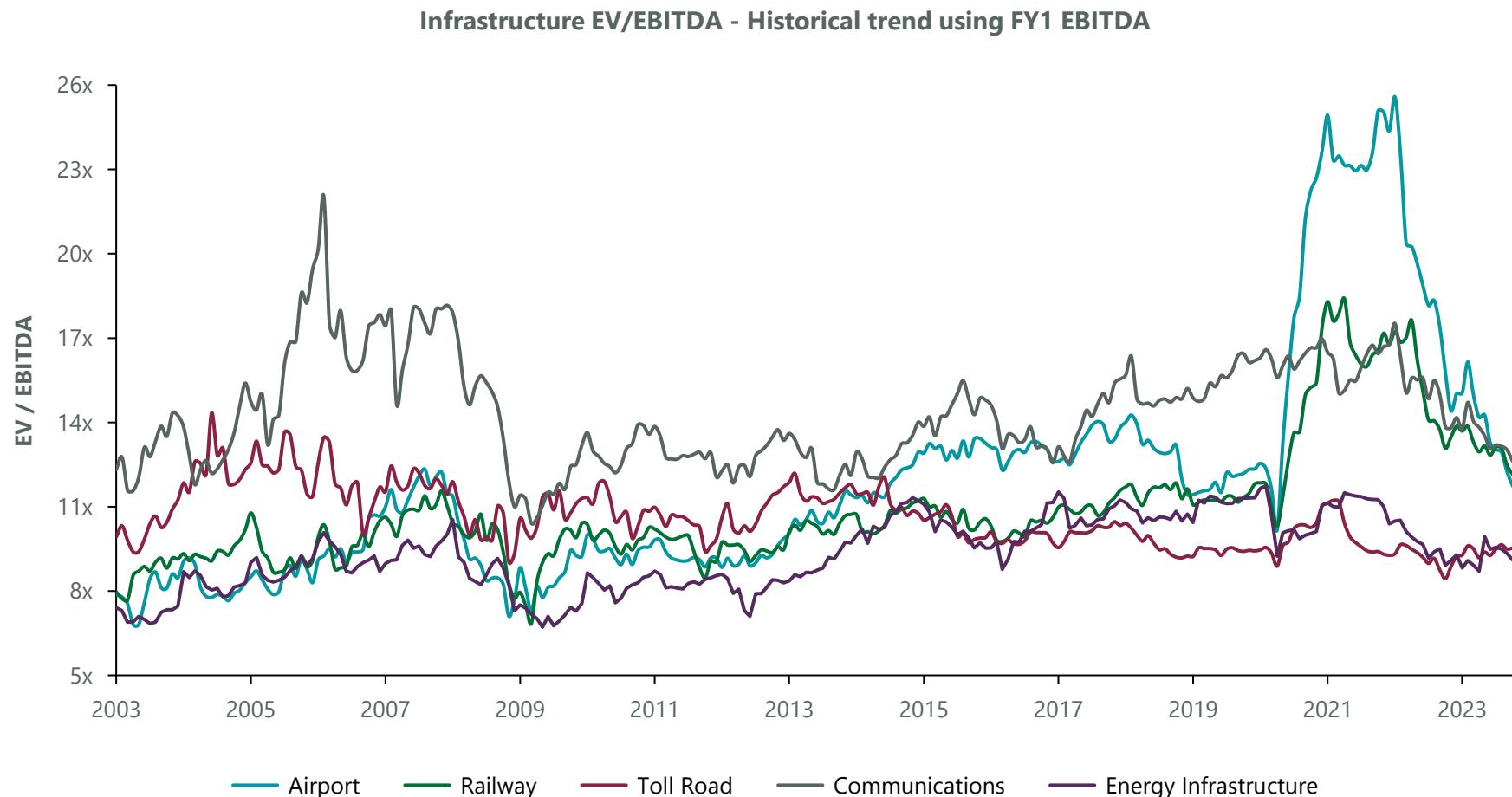
Regional Consensus EV/EBITDA



Utilities Consensus EV/EBITDA

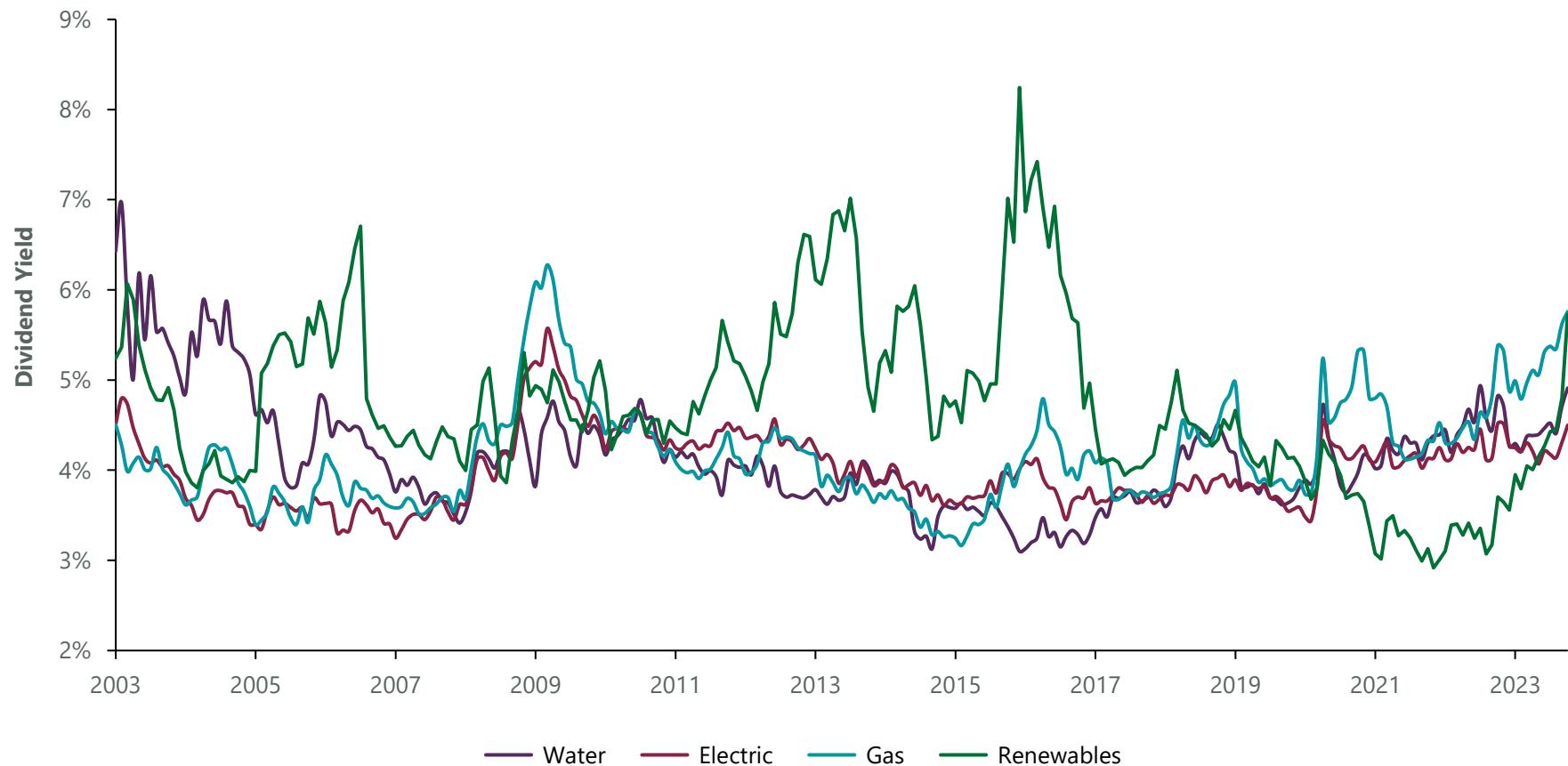


Infrastructure Consensus EV/EBITDA

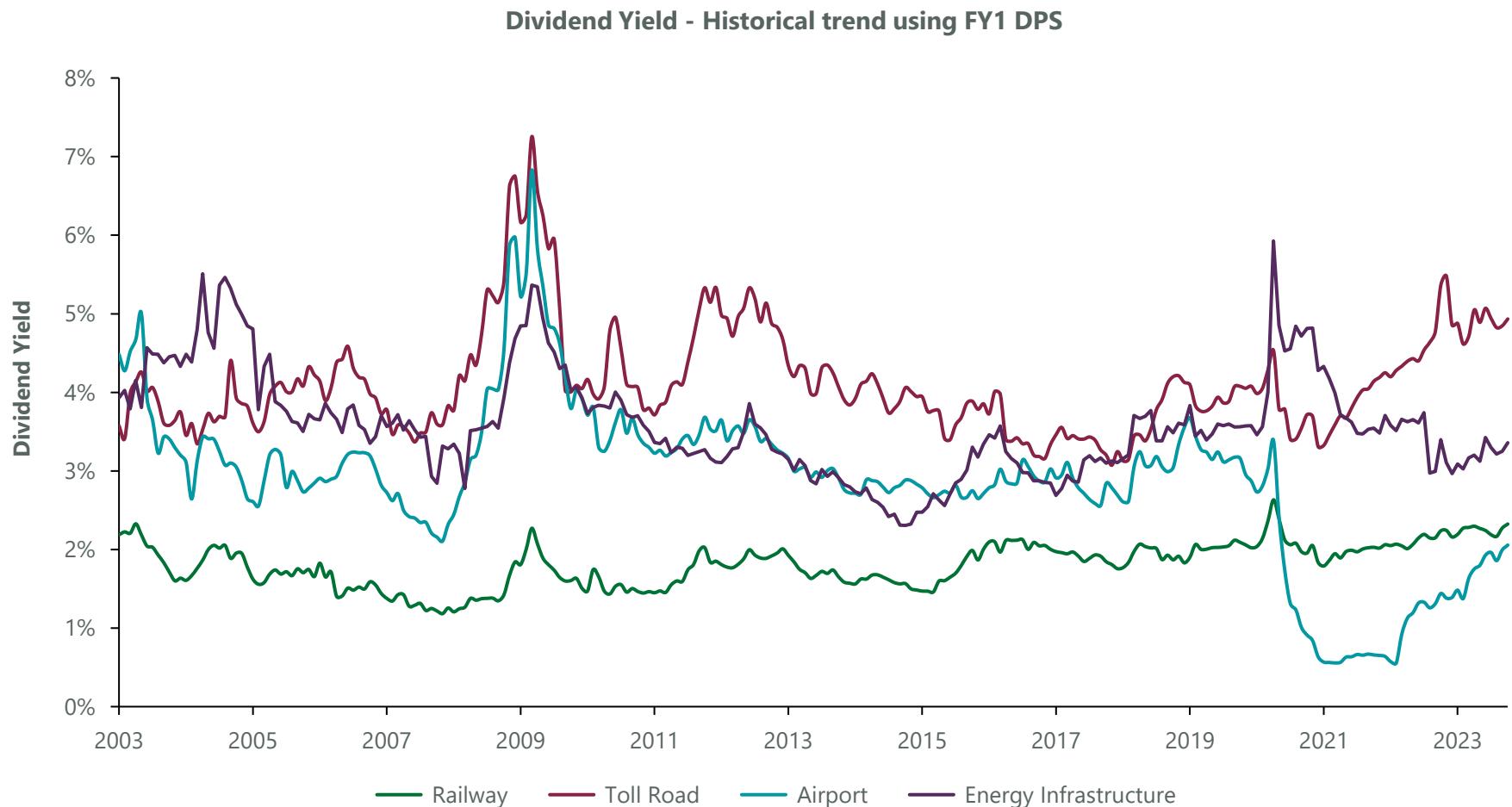


Utility Consensus Dividend Yields

Dividend Yield - Historical trend using FY1 DPS



Infrastructure Consensus Dividend Yields





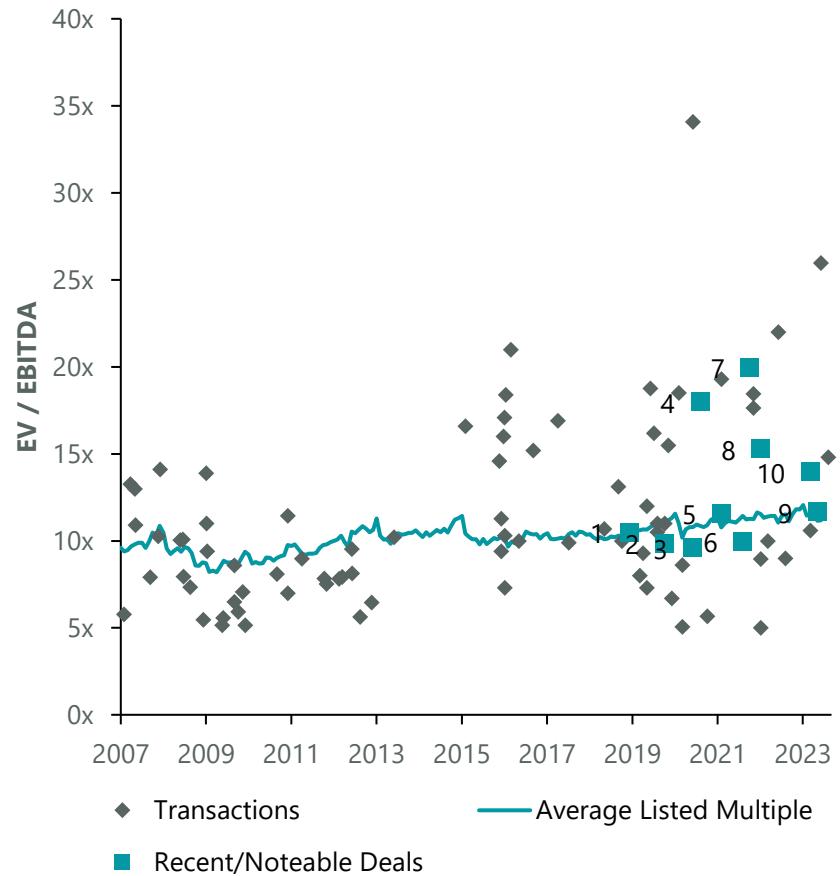
Recent Transaction Multiples

Electric

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Jan-19	SCANA Corp	Dominion Energy	14,600	10.5x
2	Nov-19	Eneco	CHUBU Electric Power, Mitsubishi Corporation	4,579	9.9x
3	Jul-20	ABB Power Grids	Hitachi	11,000	9.6x
4	Sep-20	Greenko Energy	ORIX Corporation	10,200	18.0x
5	Mar-21	Western Power Distribution	National Grid	20,085	11.6x
6	Sep-21	HEDNO	Macquarie Infrastructure and Real Assets (MIRA)	5,009	10.0x
7	Nov-21	FirstEnergy Transmission	Brookfield Asset Management	16,935	20.0x
8	Feb-22	AusNet	Brookfield Asset Management, Sunsuper, Healthcare of Ontario Pension Plan, AIMCo, Investment Management Corporation of Ontario	13680	15.3x
9	Jun-23	South Texas Project Electric Generating Station	Constellation Energy Group	3,977	11.7x
10	Apr-23	Enel distribution Peru and Enel X	China Southern Power Grid	4,000	14.0x

EV / EBITDA – Electric

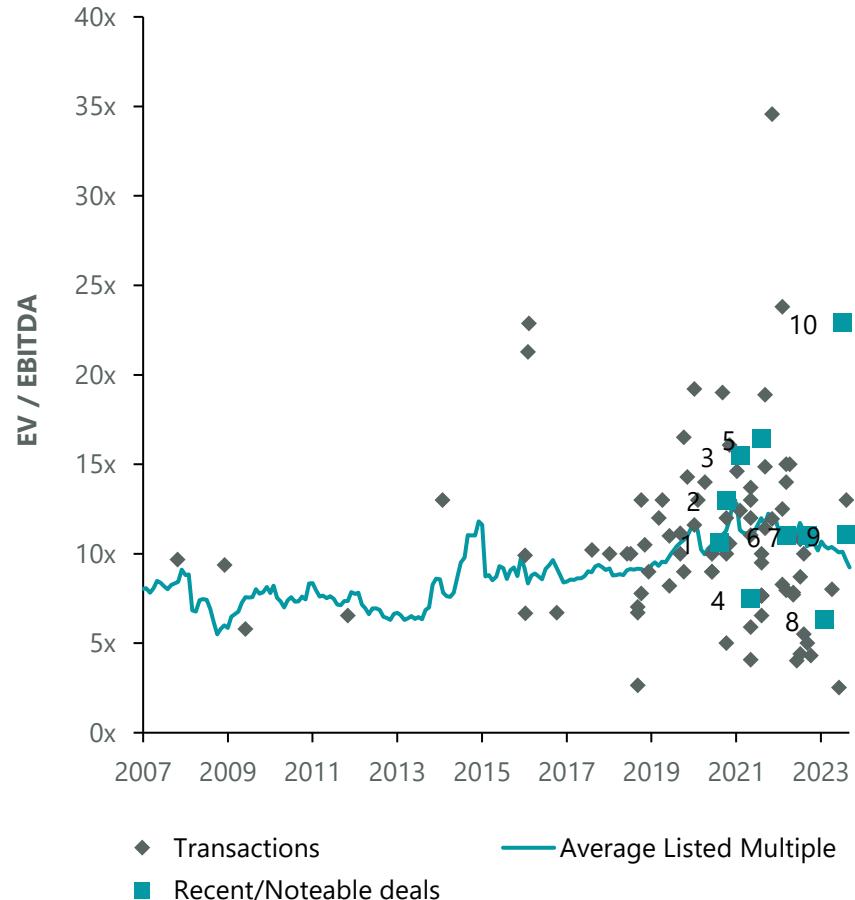


Renewables

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Sep-20	Walney Offshore Wind Farm	Greencoat Capital	1,860	10.6x
2	Nov-20	Humber Gateway Offshore Wind Farm	Greencoat Capital	1,710	13.0x
3	Mar-21	AC Energy Corporation	GIC	1,983	15.5x
4	Jun-21	SB Energy India	Adani Green Energy	3,500	7.5x
5	Sep-21	Azure Power	OMERS Infrastructure Management	2,346	16.4x
6	Apr-22	Albioma	Enel Group	2,915	11.0x
7	Oct-22	Con Edison Clean Energy Businesses	RWE Group	6,800	11.0x
8	Mar-23	5.4GW Romania Renewable Energy Portfolio	PPC S.A.	2,017	6.3x
9	Sep-23	Enerfin	China Three Gorges Corporation	1,276	11.1x
10	Aug-23	Adani Green Energy	Qatar Investment Authority	17,741	22.9x

EV / EBITDA – Renewables

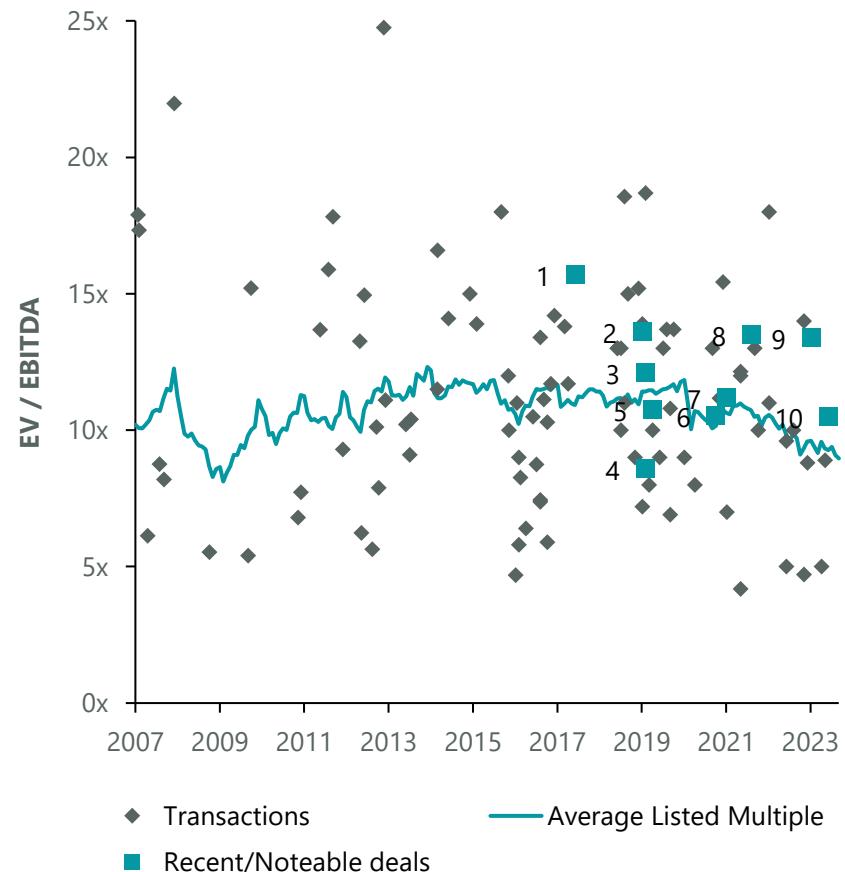


Gas

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Jul-17	Gas Natural Fenosa	Allianz Capital Partners, CPP Investment Board	16,545	15.7x
2	Feb-19	Vectren Corp	CenterPoint Energy	8,089	13.6x
3	Feb-19	Western Gas Partners LP	Aqua America	9,600	12.1x
4	Mar-19	Transportadora Associada de Gás	CDPG, Engie	8,600	8.6x
5	May-19	Buckeye Partners	IFM Global Infrastructure Fund	10,300	10.8x
6	Nov-20	International-Matex Tank Terminals	Riverstone Holdings	2,685	10.5x
7	Feb-21	Natural Gas Pipeline Company of America	ArcLight Capital Partners	5,200	11.2x
8	Sep-21	Northern Courier Pipeline	Unidentified Investor/s, Suncor Energy	6,740	13.5x
9	Feb-23	FirstEnergy Transmission	Brookfield Asset Management	11,667	13.4x
10	Jul-23	Columbia Gas Transmission Portfolio	Global Infrastructure Partners	17,877	10.5x

EV / EBITDA – Gas

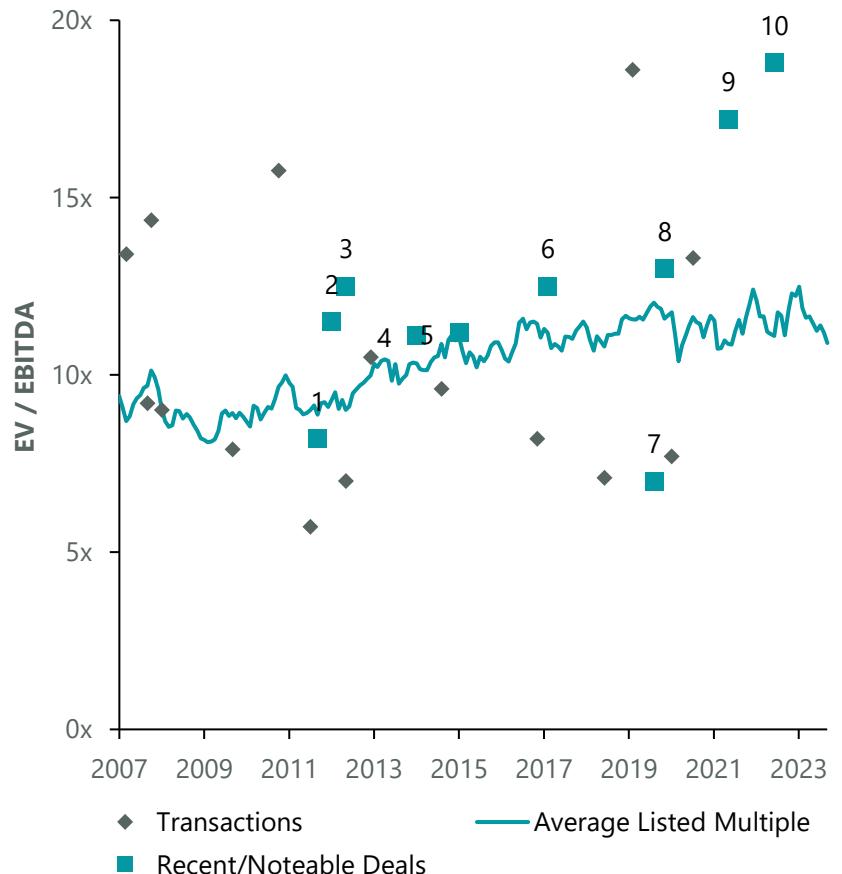


Water

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Oct-11	Bristol Water	Capstone Infrastructure Corporation	210	8.2x
2	Feb-12	Utilities, Inc.	Corix	500	11.5x
3	Jun-12	Affinity Water	Gingko Tree Investment, Infracapital, Morgan Stanley Infrastructure	1,926	12.5x
4	Feb-14	Yorkshire Water	Not disclosed	6,600	11.1x
5	Feb-15	Bournemouth Water	Pennon	650	11.2x
6	Mar-17	GE Water & Process Technologies	CDPQ, Suez Environment	3,378	12.5x
7	Sep-19	Hillstone Environmental Partners	NGL Energy Partners	600	7.0x
8	Dec-19	AquaVenture Holdings	Culligan Water	1,100	13.0x
9	Jun-21	Bristol Water	Pennon Group	1,154	17.2x
10	Jul-22	Northumbrian Water	KKR	6,240	18.8x

EV / EBITDA – Water

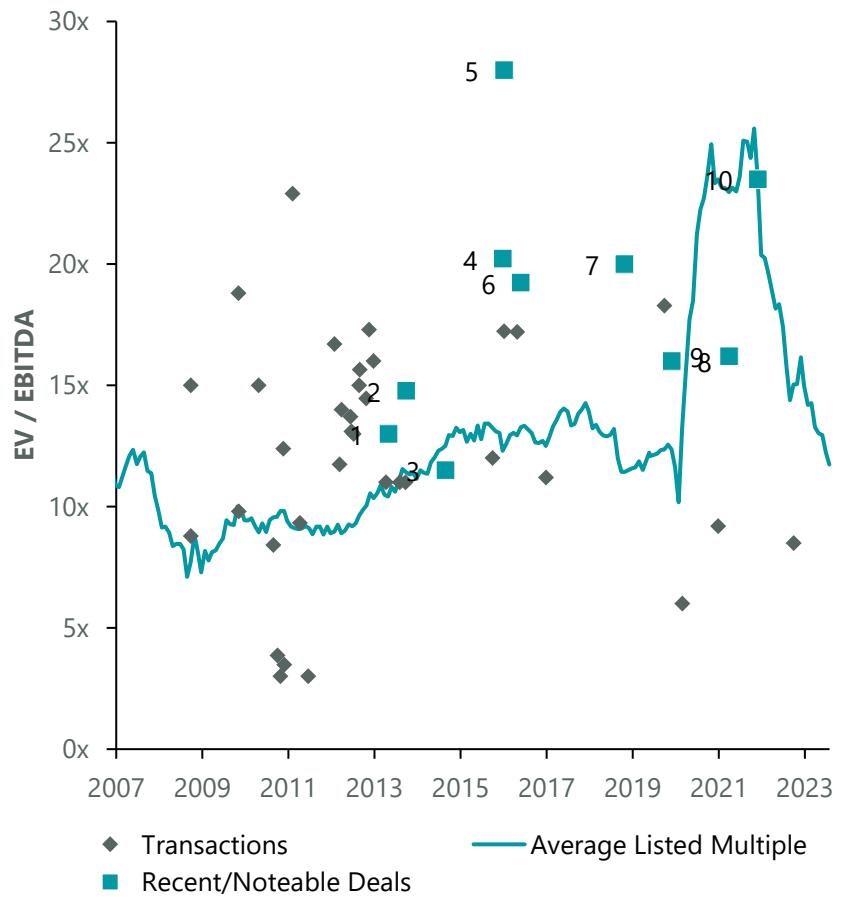


Airports

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Jul-13	Aéroports de Paris (ADP)	VINCI SA	13,000	13.0x
2	Dec-13	Gemina SpA	Atlantia SpA	3,959	14.8x
3	Nov-14	Vienna Airport	Industry Funds Management	2,222	11.5x
4	Mar-16	Kansai & Osaka International Airports	Orix Corp and Vinci Airports	13,300	20.2x
5	Mar-16	London City Airport	Multiple acquirers	2,647	28.0x
6	Jul-16	Nice Airport	Atlantia	1,300	19.2x
7	Dec-18	Gatwick Airport	VINCI SA	10,583	20.0x
8	Feb-20	GMR Airports	Groupe ADP	4,000	16.0x
9	Jun-21	Atlantic Aviation	KKR	4,475	16.2x
10	Feb-22	Sydney Airport	IFM Investors, Global Infrastructure Partners, Australian Retirement Trust, AustralianSuper	24,270	23.5x

EV / EBITDA – Airports

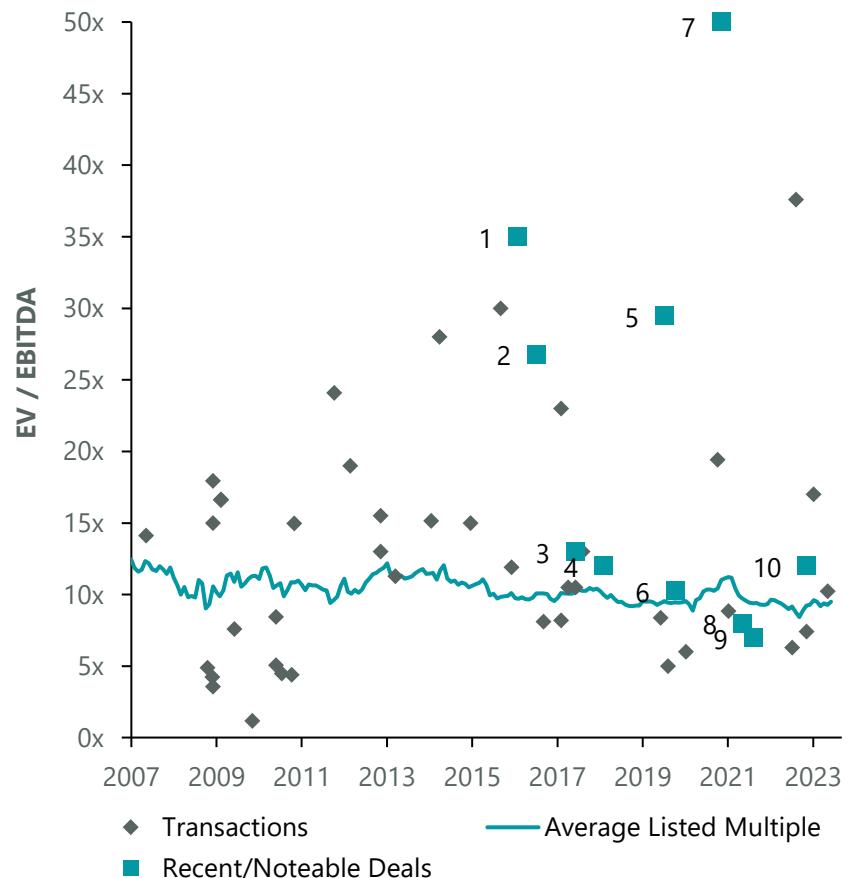


Toll Roads

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Feb-16	Chicago Skyway	Borealis, Ontario Teachers and CPPIB	2,879	35.0x
2	Aug-16	Linea Amarilla Highway	VINCI Concessions	1,662	26.8x
3	Jul-17	OHL Mexico	IFM	2,600	13.0x
4	Mar-18	Getlink	Atlantia	1,355	12.0x
5	Aug-19	407 Express Toll Route	CPP Investment Board	23,200	29.5x
6	Nov-19	Autoroutes Paris-Rhin-Rhone	Atlas Arteria	21,900	10.3x
7	Dec-20	Transurban Chesapeake	CPP Investment Board, AustralianSuper, UniSuper	6,300	50.0x
8	Jun-21	Autostrade per l'Italia	CDP Equity, Macquarie Infrastructure and Real Assets (MIRA), Blackstone Group	12,853	8.0x
9	Sep-21	Maharashtra Border Check Post Network	Adani Group	461	7.0x
10	Dec-22	Atlantia	Edizione Holding, Blackstone Group	56,817	12.0x

EV / EBITDA – Toll Roads

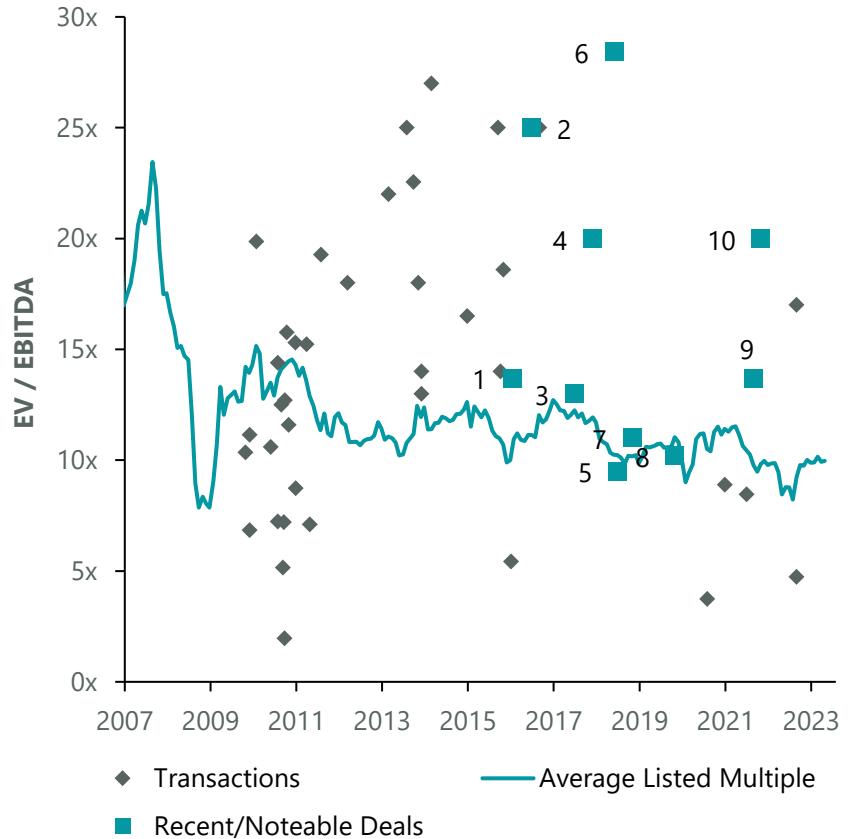


Ports

Recent Notable Deals

No	Date	Target	Acquirer	EV (USD)	EBITDA Multiple
1	Mar-16	Asciano - Patricks	Qube and Brookfield	2,200	13.7x
2	Sep-16	Port of Melbourne	Future Fund, GIP, OMERS, QIC	7,309	25.0x
3	Sep-17	Paranagua Port	China Merchants Port	921	13.0x
4	Feb-18	Port of Newcastle	China Merchants Port	120	20.0x
5	Sep-18	Neltume Ports	ATCO	860	9.5x
6	Aug-18	Unifeeder	DP World	766	28.4x
7	Jan-19	DP World Australia	DP World	995	11.0x
8	Jan-20	Krishnapatnam Port	Adani Group	1,900	10.2x
9	Nov-21	Fenix Marine Services	CMA CGM	2,300	13.7x
10	Jan-22	GeelongPort	Spirit Super, Palisade Investment Partners	872	20.0x

EV / EBITDA – Ports



Additional Important Information

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