Global Listed Infrastructure

The Best Defence is a Good Offence

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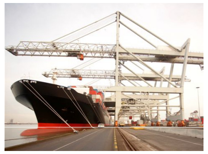
Defining the infrastructure universe

Roads

Operated under long-term lease, prices linked to inflation, strong volume growth with low price elasticity

Airports

Operated under long-term lease, subject to some regulation, diversified revenue streams including retail, parking, property



Ports

Handling of containers and bulk cargo under long-term lease with port authority, strong volume growth from globalisation

Rail

Passenger services with regulated returns. Bulk cargo transportation under long-term contracts, improving pricing power

Utilities

Distribution and transmission of electricity, gas and water receive regulated ROE, integrated utilities may include electricity generation, gas production/storage or retailing

Energy

Oil and gas pipelines and storage receive regulated return on equity, no commodity risk under long-term, take-or-pay contracts

Communication

Broadcast/mobile towers or satellites with price escalators, long-term contracts reduce technology risks.

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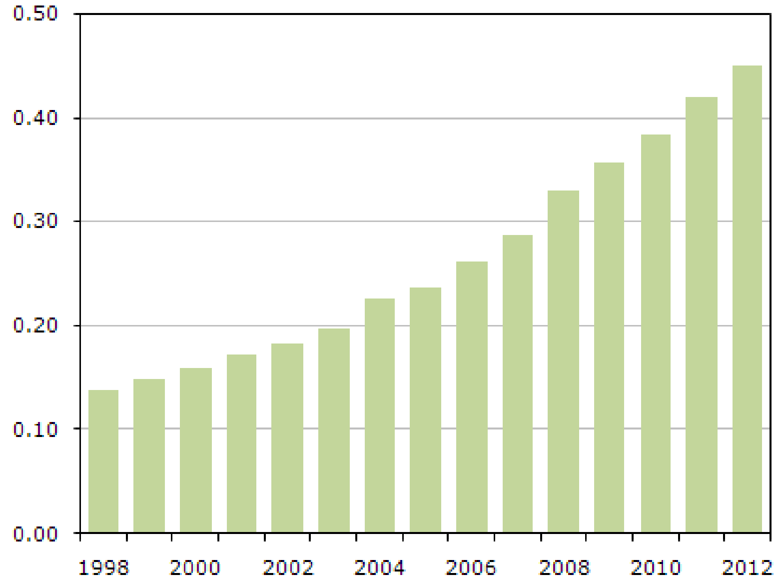
Stable income

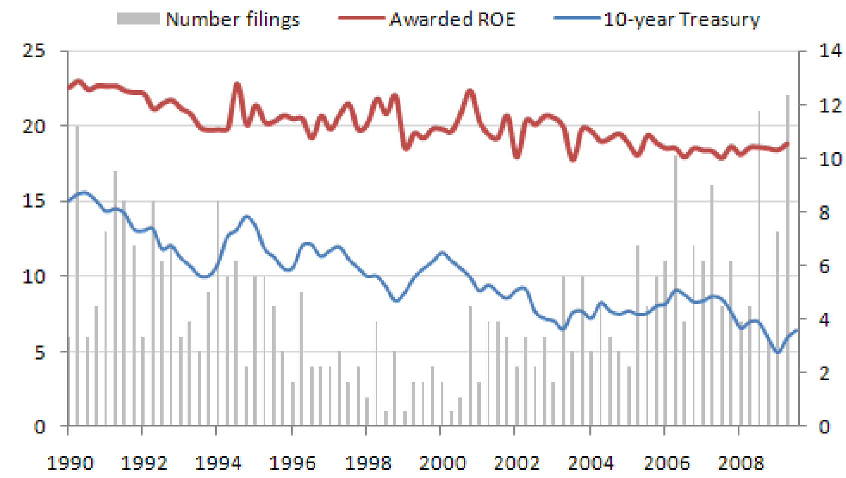
- → Regulated utilities and pipelines tend to deliver stable dividends over time, supported by regulated returns on equity and long-term contracts
- → Stable dividends require transparent and timely regulatory decisions, pass-through of uncontrollable costs and flexible capital structures

National Grid dividends per share



Source: Bloomberg, CFS GAM, guidance 8%pa growth 2009-12

US utility rate cases



Source: EEI, CFS GAM

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Inflation hedge

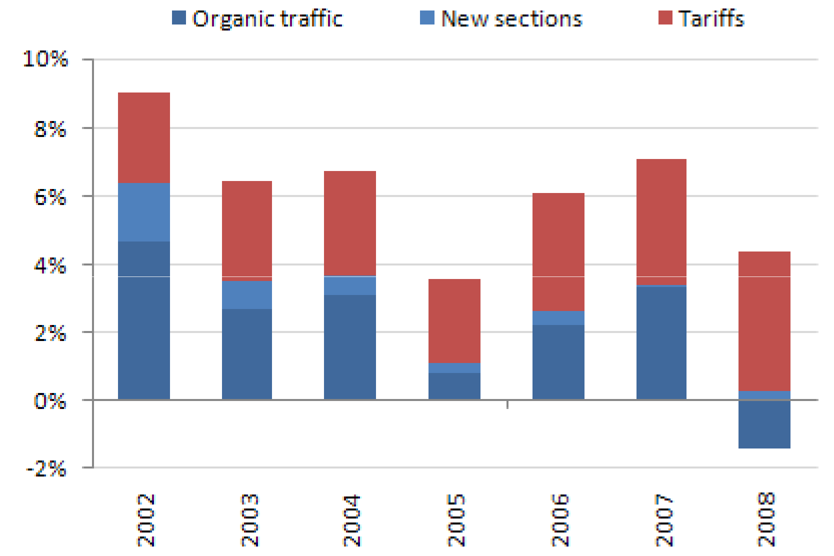
- Maintaining the real value of wealth is important for long-term investors

- Pricing of many infrastructure services is directly linked to inflation, providing a hedge

- UK regulated utilities earn a real return on capital, with prices adjusted annually by RPI + K (an efficiency/compensation factor)

- French motorway tariffs are adjusted annually by CPI x 70% + compensation for growth capex

ASF revenue growth

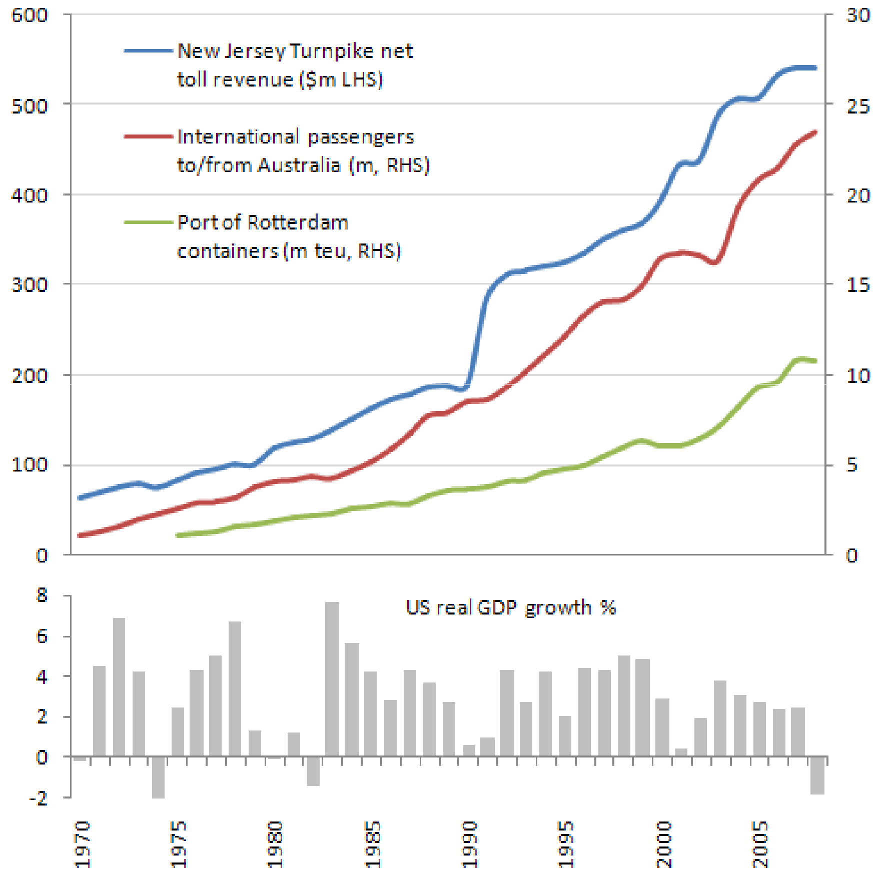


Source: Autoroutes du Sud de la France, CFS GAM

Predictable growth

- Growth in transport infrastructure supported by long-term drivers like urbanisation and globalisation
- New Jersey Turnpike revenue growth 5.9% pa since 1970 (just 2 negative years for 1974 oil crisis and 2008 credit crisis)
- Australian international airport passenger growth 8.3% pa since 1970 (shocks followed by return to trend)
- Port of Rotterdam container growth 7.2% pa since 1975

Transport infrastructure organic growth



Source: NJTA, BTRE, PoRA, BEA, Bloomberg, CFS GAM

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Thematic

- Many investors are conscious of the world around them and can see opportunities to both profit from and contribute to this constant change

- Infrastructure companies can benefit from addressing issues such as climate change, security of energy supply and globalisation

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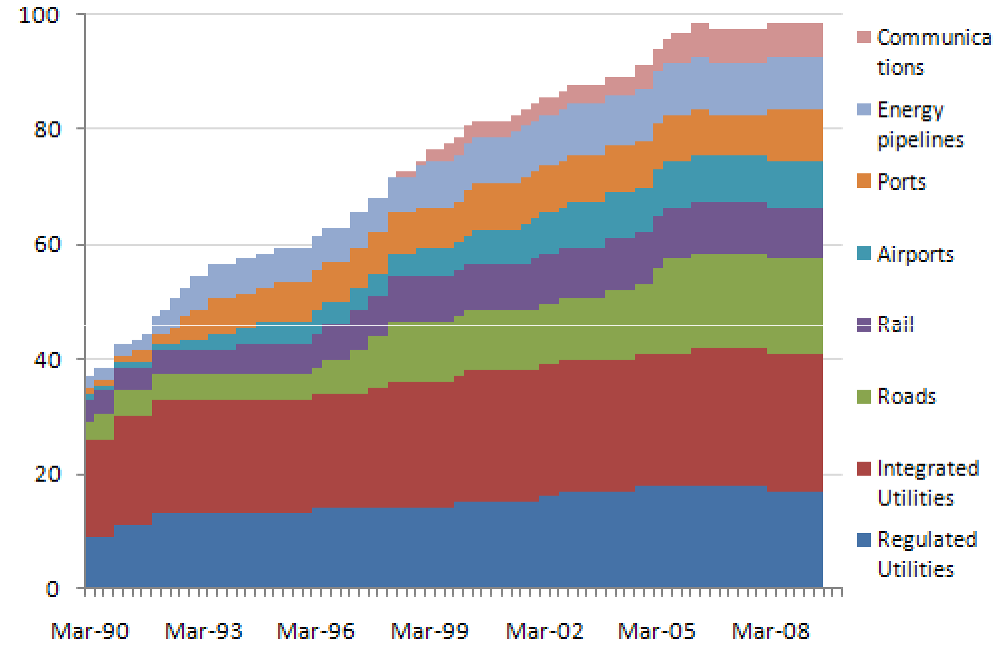
Liquidity

- Listed infrastructure universe has grown from 40 stocks and $400bn market cap in 1990 to 100 stocks and $1,200bn in 2009
- Reflects privatisations, IPOs, corporate restructurings and equity returns
- Risk reduced by adding geographic, sector and asset diversity

Global Listed Infrastructure Stock Count by Sector

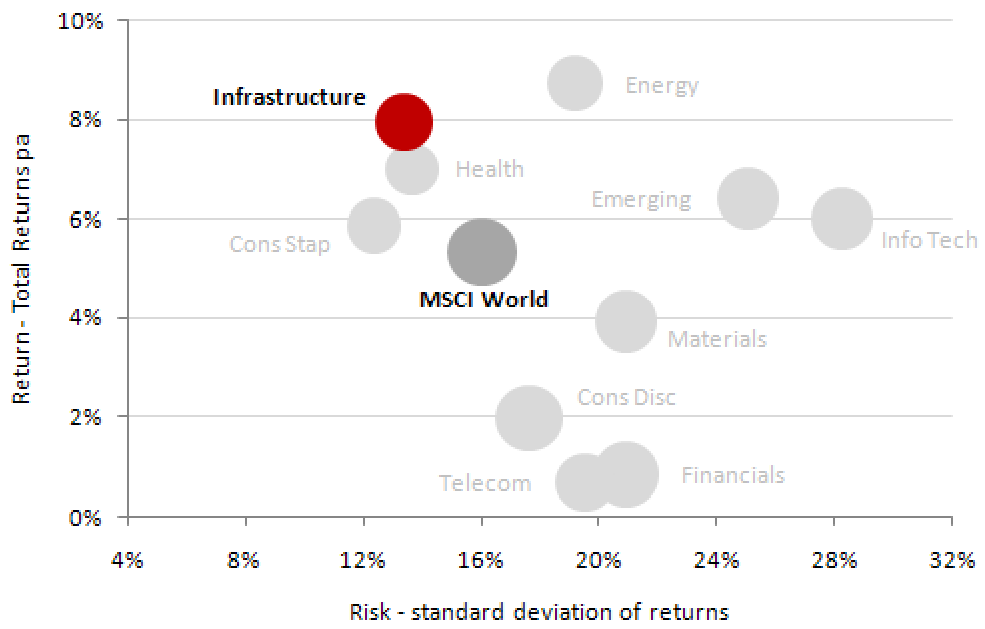


Source: Bloomberg, CFS GAM

Risk adjusted returns

- Global listed infrastructure has delivered higher returns with lower risk than global equities
- Total returns over the 15 years to June 2009 average 8.0% per annum compared to 5.4% for the MSCI World
- Emerging Markets and Info Tech experienced periods of exceptional performance but have ultimately delivered lower returns with twice the risk

Global Listed Infrastructure Relative Risk & Return



Source: UBS Global Infrastructure, MSCI World, Bloomberg, Jan 1994 - Jun 2009, USD

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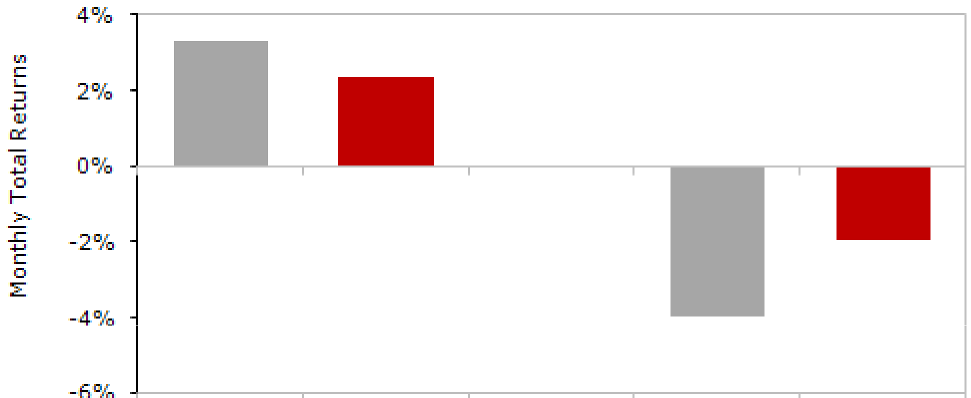
Returns in Up/Down markets

- Given listed infrastructure is often seen as a diversifying strategy, it is also worth considering how it behaves in different market conditions

- Compared to global equities over the last 15 years, global listed infrastructure has delivered around 70% of the upside but only 50% of the downside

Global Infrastructure Performance in Up/Down Markets



MSCI Up	Infra		MSCI Down	Infra
3.3%	2.3%		-4.0%	-1.9%
Beta	0.71		Beta	0.48
Months	108	.	Months	66

Source: UBS Global Infrastructure, MSCI World, Bloomberg, Jan 1994 - Jun 2009, USD

Excess return potential

- Total returns for infrastructure are a function of many factors including:
  - Yield: infrastructure dividend yield of 4-5% compares well to the risk free alternative
  - Inflation: infrastructure assets can increase prices if fiscal and monetary stimulus leads to heightened inflation
  - Asset growth: transport infrastructure will benefit from economic recovery while opportunities are being created from fiscal stimulus, securing energy supplies and meeting environmental targets
  - Sector growth: privatisations and corporate restructurings will likely increase the universe of opportunities

Risk factors

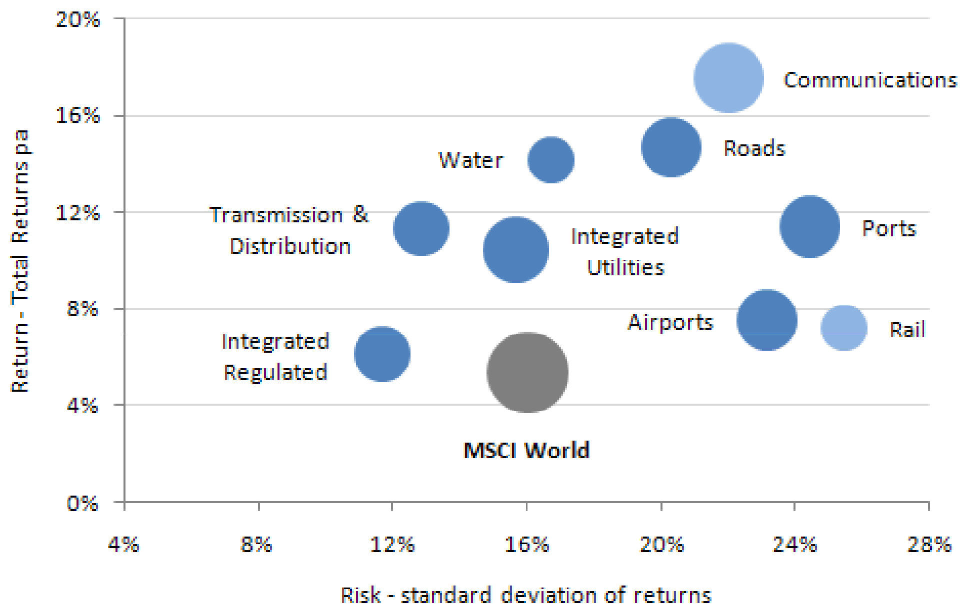
- Risk factors that could limit returns include:
  - Regulation: returns could be impacted by a marked increase in social unrest or political interference
  - Credit: excessive use of leverage in a rising interest rate environment will impact profits and management flexibility
  - Environment: infrastructure companies need to address issues ranging from carbon emissions at coal-fired power stations and aircraft noise around airports to gas pipelines through wilderness areas and water leakage from distribution networks

Sector relative returns

- Infrastructure is a general term for a broad range of real assets

1. All infrastructure sectors outperformed the MSCI World over 15 years, despite extraordinary events (eg. airports)
2. Growth sectors like roads and communications delivered higher returns
3. Economic sensitive sectors like ports, airports, rail carried higher risk

Global Listed Infrastructure Risk & Returns



Size of bubble reflects correlation to MSCI World
Source: UBS Global Infrastructure, MSCI World, Bloomberg, Jan 1994 - Jun 2009, USD

- Sector relative returns highlight the potential for a skilled active manager to outperform a passive approach

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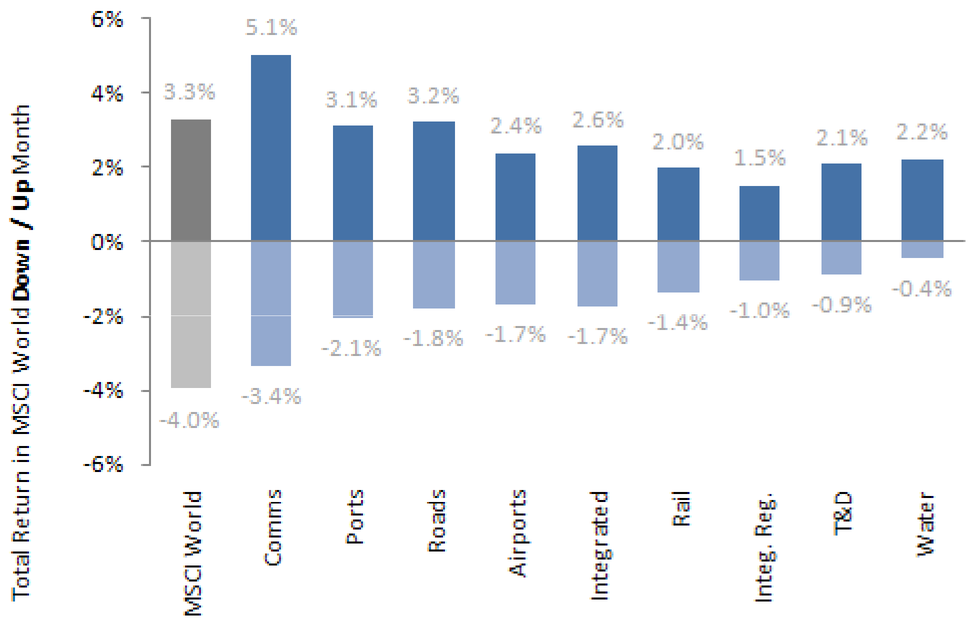
Sector returns in Up/Down markets

- Performance also varied by infrastructure sector when compared to up and down markets for general equities
- Regulated utilities were the most defensive in down markets (down less than 1% vs MSCI World down 4%, on average)
- Communications, roads and ports kept pace with rising markets

Global Listed Infrastructure Returns in Up/Down Months



Source: UBS Global Infrastructure, MSCI World, Bloomberg, Jan 1994 - Jun 2009, USD

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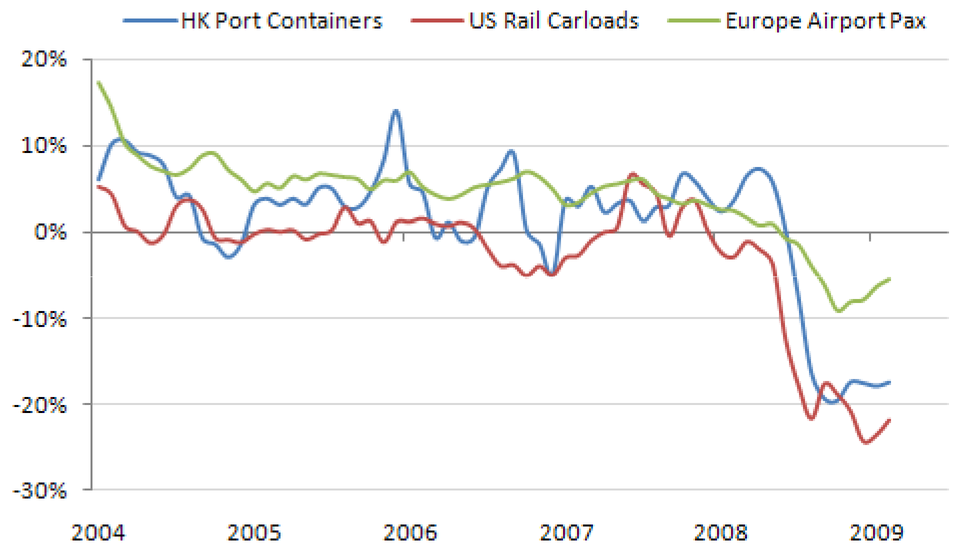
Market impacts in 2008/09

- The impact on asset prices from tighter credit, higher equity risk premiums, reduced confidence and falling demand was widespread

- Ports – largest decline in export volumes from Japan and Germany since WWII (down 30-40%)
- Airports – low cost carrier collapses, 20% decline in premium travellers, travel warnings for swine flu
- Roads – declines in heavy vehicle traffic and high level of sector gearing
- Utilities – industrial electricity loads down 20-30%

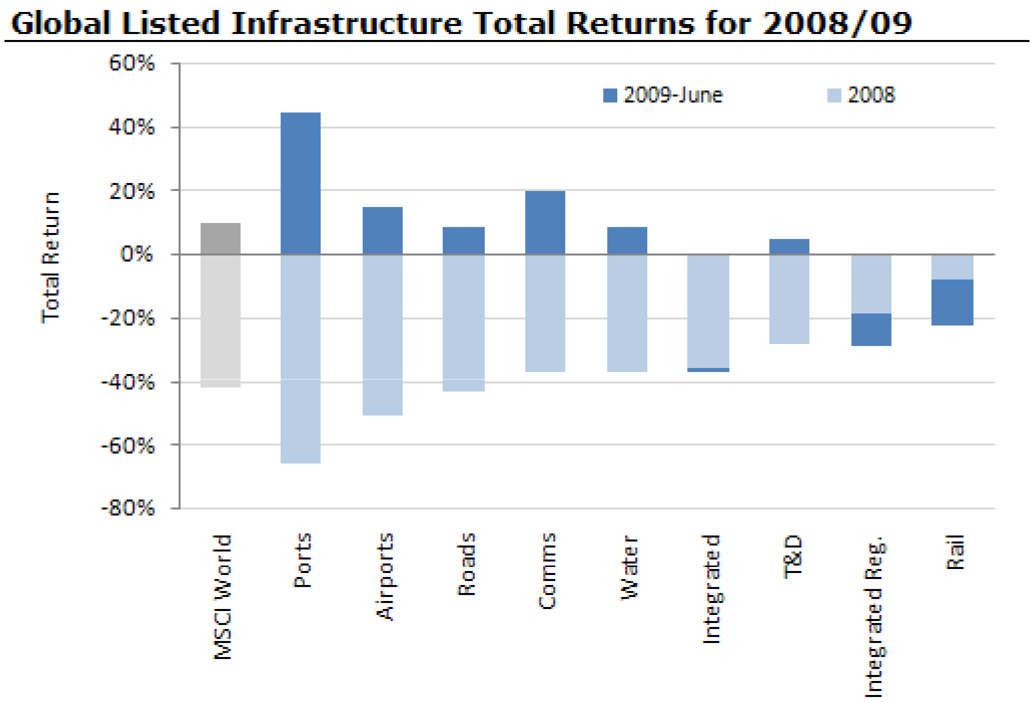
Global traffic volumes



Source: HKMIC, AAR, IATA, CFS GAM

Outcomes for 2008/09

- Correlations rose across all (market valued) asset classes in 2008
- Listed infrastructure was not immune from the volatility, with the UBS Global Infrastructure & Utilities Index falling 32% (though reasonable compared to the MSCI World down 41%)
- Sector relative returns highlight the opportunities for a skilled active manager to outperform a passive approach



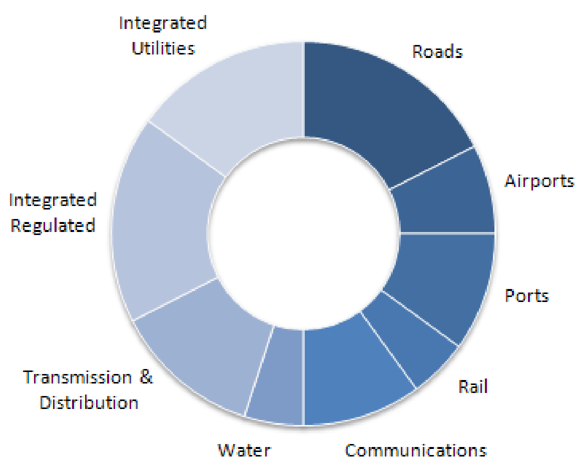
Source: UBS Global Infrastructure Indices, Bloomberg, USD

Recommended portfolio

- Recommended portfolio reweights away from integrated utilities towards regulated utilities (aim to reduce risk), roads and communications (aim to improve returns), and airports, ports, rails (aim to capture tactical value)

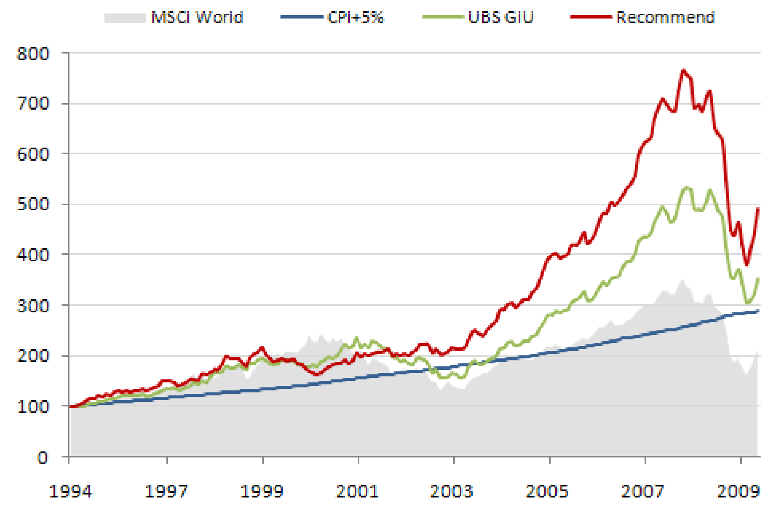
- Recommended portfolio would deliver 11.6% pa versus 9.1% for the passive, market-cap weighted benchmark and 5.3% for the MSCI World

Global Listed Infrastructure Recommended Portfolio



Source: CFS GAM

Global Listed Infrastructure Total Returns



Source: UBS Global Infrastructure Indices USD, Bloomberg, CFS GAM

Why invest with CFS?

High quality assets	Target real infrastructure assets with monopoly characteristics High barriers to entry, strong pricing power, predictable free cash, sustainable growth
Protect and grow	Aim to deliver inflation-protected income and strong capital growth over time (c. 4% yield + 8% growth)
Pragmatic approach	Bottom-up stock selection balancing value and quality High conviction portfolio with sensible diversification
Specialist team	Dedicated investment team >10 years in the sector, remuneration linked to long-term fund performance Resources of a global asset manager, backed by CBA

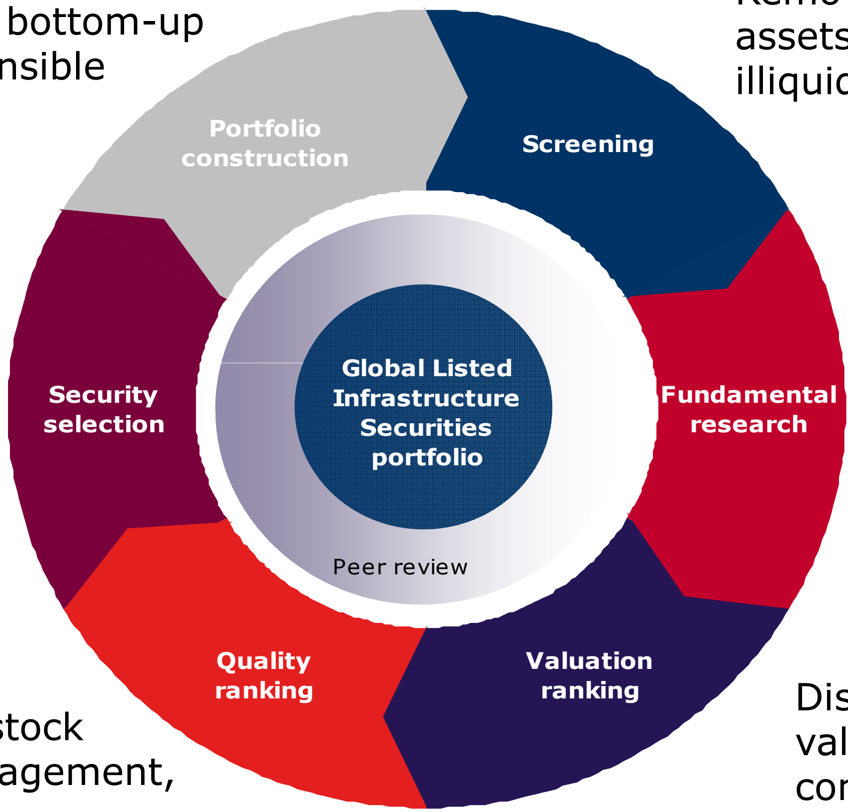
Investment process summary

High conviction, bottom-up portfolio with sensible diversification

Remove high risk assets, markets and illiquid stocks

Rating based on value, quality and catalysts

Detailed industry research, 350+ company visits per yr



Focus on other stock drivers like management, leverage, ESG...

Discounted cash flow valuation in a consistent framework

Fund performance

Performance Before fees and expenses as at July 2009	1 Month	3 Months	6 Months	1 Year	2 Years pa	Since Inception
Wholesale Global Listed Infrastructure Securities	**6.0%**	**11.3%**	**11.8%**	**-14.6%**	**-10.5%**	**-11.5%**
UBS Global Infrastructure & Utilities 50-50 (A$ hedged)	4.4%	9.0%	7.3%	-19.8%	-14.7%	-15.3%
Outperformance	**1.6%**	**2.3%**	**4.5%**	**5.2%**	**4.2%**	**3.8%**

Source: CFS GAM

Inception 1 June 2007

→ Thanks for your attention

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