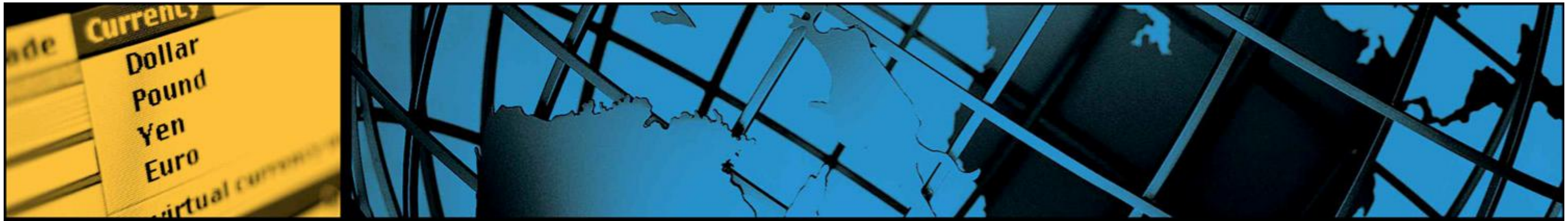

European Infrastructure Markets:
The Emergence of an Alternative Asset Class

VOGON Symposium, Amsterdam 9th of November 2007

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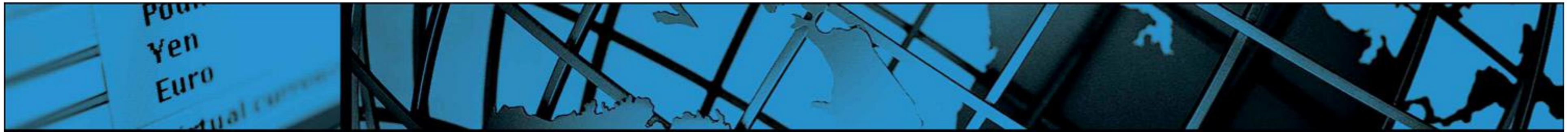
What is Infrastructure Investing?



What is Infrastructure?

Essential real assets and services capable of generating a strong and stable cash return

Economic infrastructure

Transport

- Bridges
- Toll roads
- Tunnels
- Airports
- Sea ports
- Freight rail

Utilities

- Gas networks
- Electricity networks
- Power generation
- Water & sewerage
- Renewable energy
- Communications infrastructure

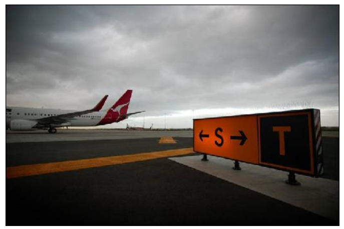
Other

- Parking garages
- Storage facilities

Social infrastructure

- Education facilities
- Healthcare facilities
- Judicial facilities
- Public Transportation

Focus on: “User–pays” assets that provide essential services capable of generating a strong and stable cash return



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Infrastructure: A Unique Asset Class

Compelling Investment Characteristics for Investors:

- High barriers to entry: “quasi–monopolies”
  - Regulatory, permitting constraints
  - Physical, property constraints
  - High initial capital expenditure
- Stable cash flow, typically with inflation hedge
  - Inelastic demand, given scarcity of resource
  - Long useful life of assets
- Hybrid nature of both fixed income and capital gains
  - Best opportunity for capital gains from investments involving development risk, or some monopoly businesses
- Variety of risk and return profiles
  - Range from low-risk regulated assets to high-risk Greenfield projects

Infrastructure Has Similar Characteristics to Other Asset Classes

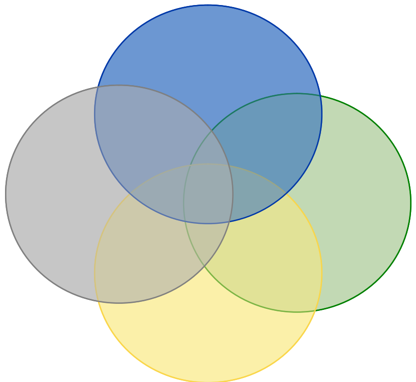
Comparison of Infrastructure and Other Relevant Asset Classes

Infrastructure

- Stable, often monopolistic
- High entrance barriers
- High Income return

Fixed Income

- Regular return component
- Inflation hedge
- Emphasis on cash-flow
- Low risk profile



Private Equity

- Capital intensive
- Due diligence process
- Active operative management

Real Estate

- Tangible asset / right of use
- Long duration
- Good diversification potential

Source: Gothaer Asset Management; RREEF

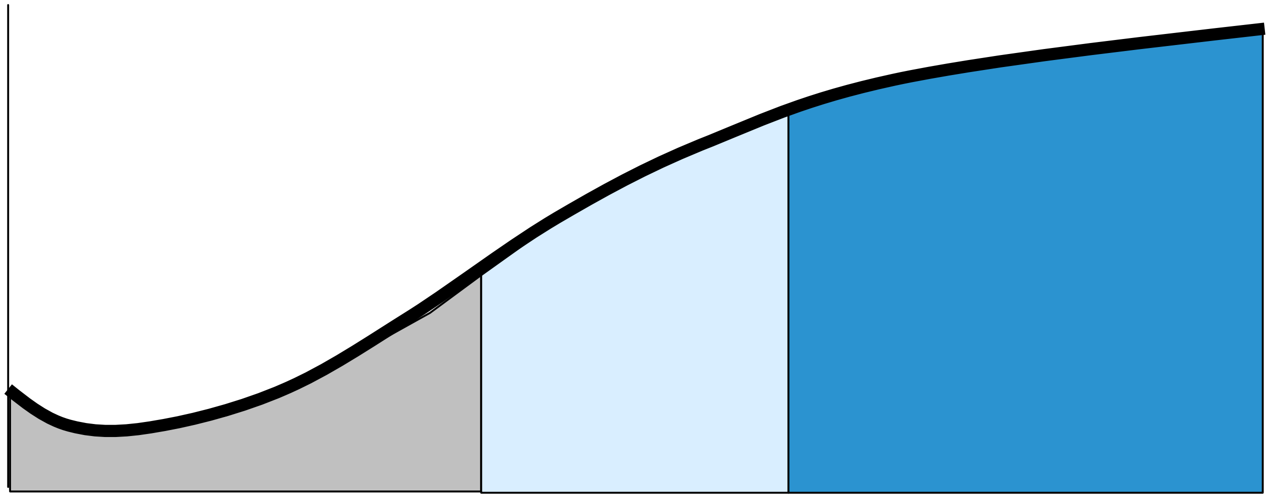
Lifecycle of Infrastructure Assets

Examples:

- *Greenfield toll-roads*
- *New energy sources*
- *Infrastructure in emerging economies*

- *Expansion projects*
- *New privatizations with potential development opportunity*

- *Established airports, toll roads, utilities*
- *Regulated assets (privatized)*



Development:
Brand new infrastructure built with unproven demand

Growth:
"Ramp up" from early demand

Mature:
Stable, income oriented returns driven by established usage

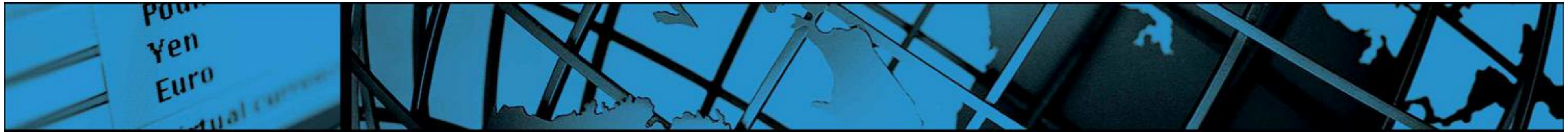
Section II

Why the interest in Infrastructure Investing?

Infrastructure as an Asset Class continues to Grow due to Increased Supply and…

Drivers of Transaction Opportunities

Private to Private	Public to Private
q Portfolio rationalisation by utility, transport & communications companies	q Economic & Demographic developments: creates demand
q Refinancing	q Historical under-spending: makes demand/provision imbalance more acute
q Secondary and tertiary sales	q Budget deficits: Governments unable to fund infrastructure demand from traditional sources
q Development and expansion	



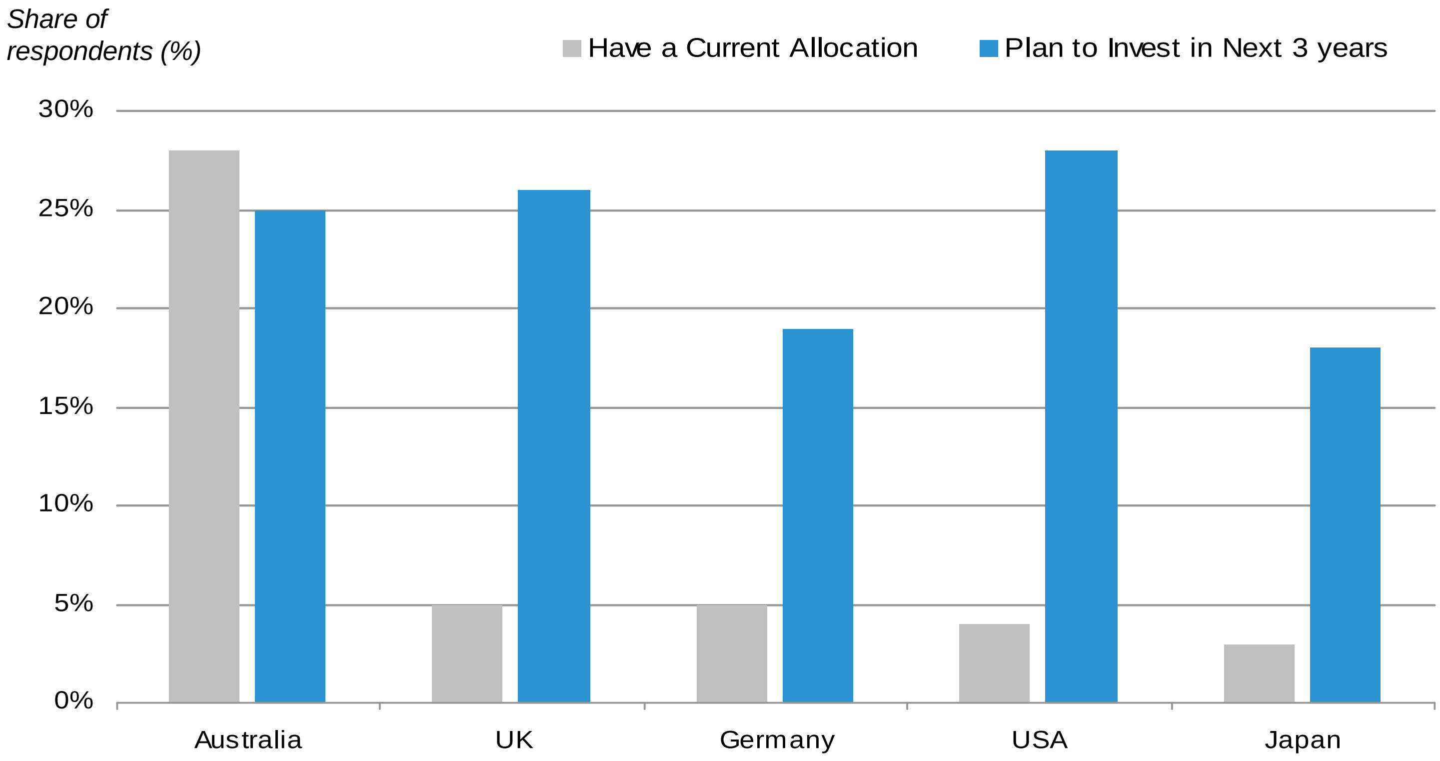
…. Demand

Surge of capital entering the infrastructure market

- Continuing growing global investment capital looking for secure assets
- Growth in the European retirement market will continue to drive demand for steady, predictable and inflation protected, income-oriented investments, such as Infrastructure
- Increasing number of global financial institutions, private equity firms and public companies are entering the infrastructure space
- Emergence of publicly listed infrastructure funds is a new trend; IPOs of generalist, managed infrastructure funds

Significant rise in institutional demand for infrastructure investment opportunities

Current Allocation to Infrastructure and Plans to Invest



Note: Based on Survey of 330 institutional investors, Summer 2006
Source: Greenwich Associates; RREEF

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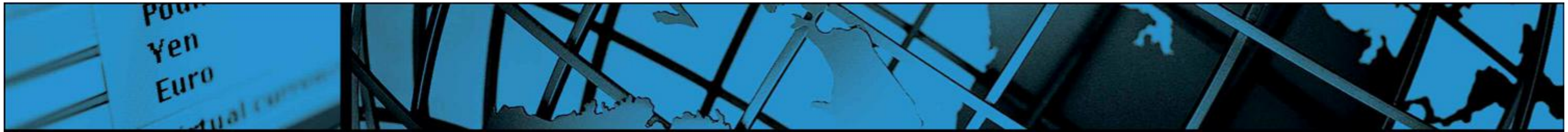
The Rationale for Infrastructure Investing

- Market fundamentals:
  - Strong user demand and constrained supply
  - Shift away from the use of public funds to provide infrastructure assets
  - Investment gap

- Investment characteristics compared to bond and equity markets
  - Historically strong absolute and relative performance
  - High and stable income yield
  - Low volatility
  - Long duration and liability matching
  - Diversification potential

Section III

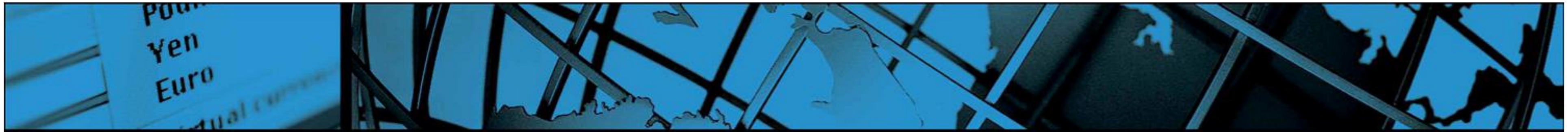
Characteristics of Investment Returns



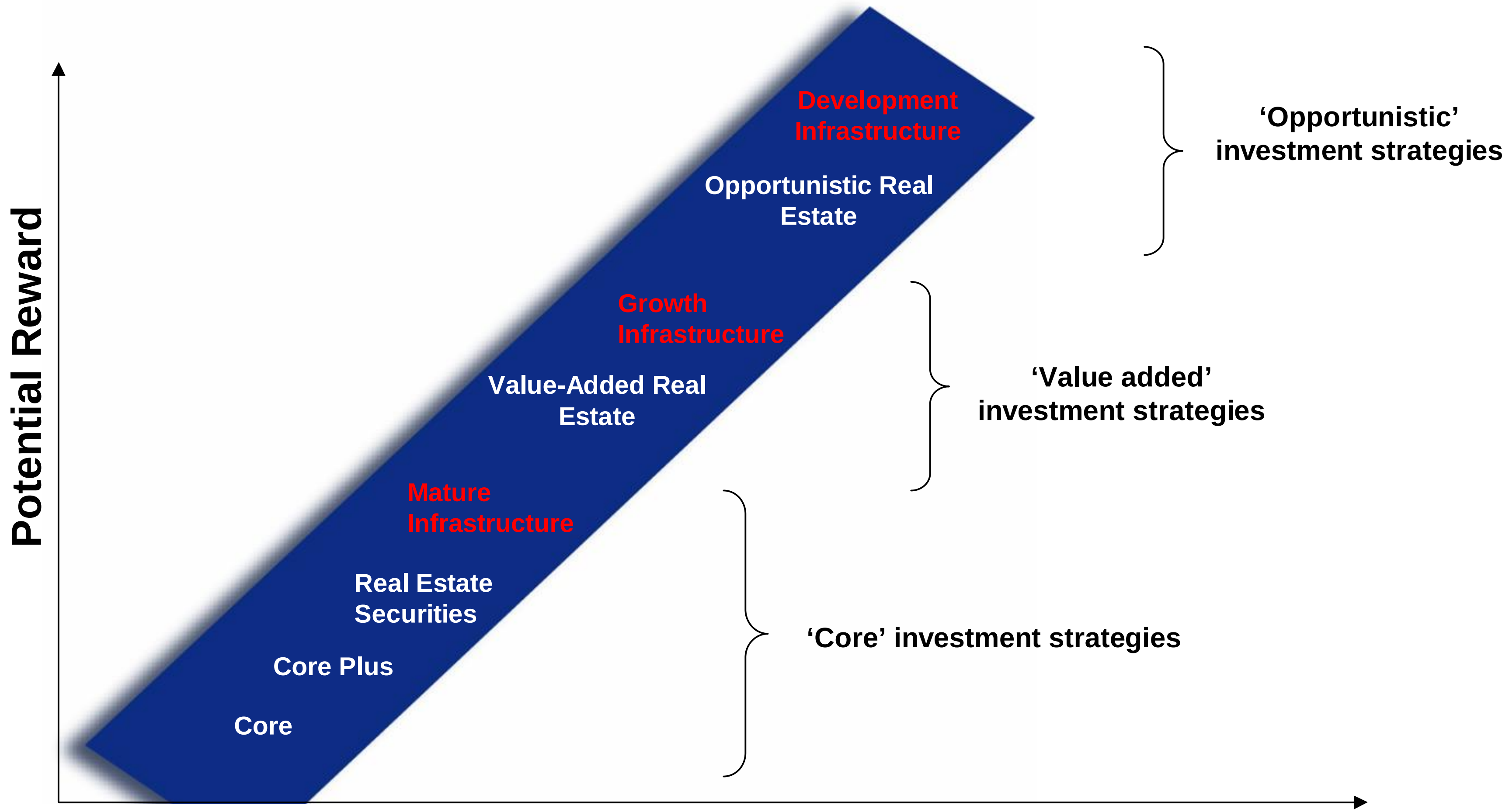
Measuring Market Behavior

- Significant difficulties exist
- The large scale and unique characteristics of infrastructure assets
- Limited number of transactions
- Significant variations in behaviour according to:
  - Maturity – development stage and developed infrastructure
  - Asset type – utilities, toll-roads, airports, etc.
- The maturation of the asset class

For illustration purpose only



Infrastructure along the Risk/Reward Spectrum



Source: RREEF Infrastructure

Risk

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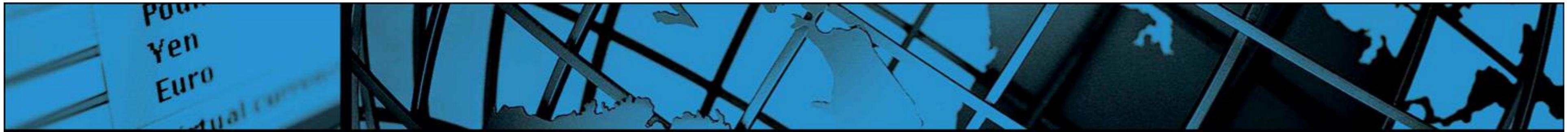

Approach to Calculating Market Behaviour: Hypothetical Index

§ Develop a hypothetical “late stage” infrastructure index by examining the performance of a representative group of listed infrastructure companies. Three key stages:

1. Weight sectors based on market size → 2. Identify a set of companies representative of late-stage infrastructure → 3. Generate a weighted return series based on representative companies

§ Limitations in the approach mean the hypothetical series is likely to differ to the actual performance of actual infrastructure classes

- The use of listed companies rather than underlying infrastructure assets
- The use of some companies with relatively short time series

§ The approach should be seen as an attempt to contribute to the understanding of the asset class and should not be relied on as an indicator of future performance nor in making investment decisions.

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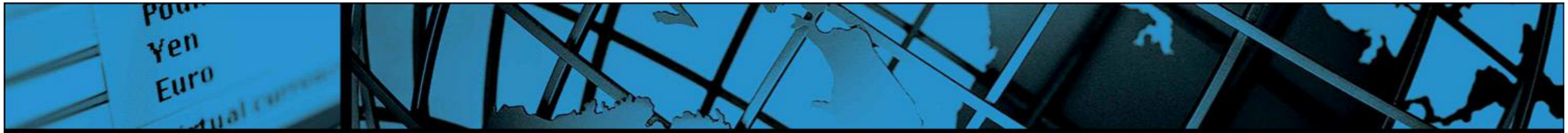
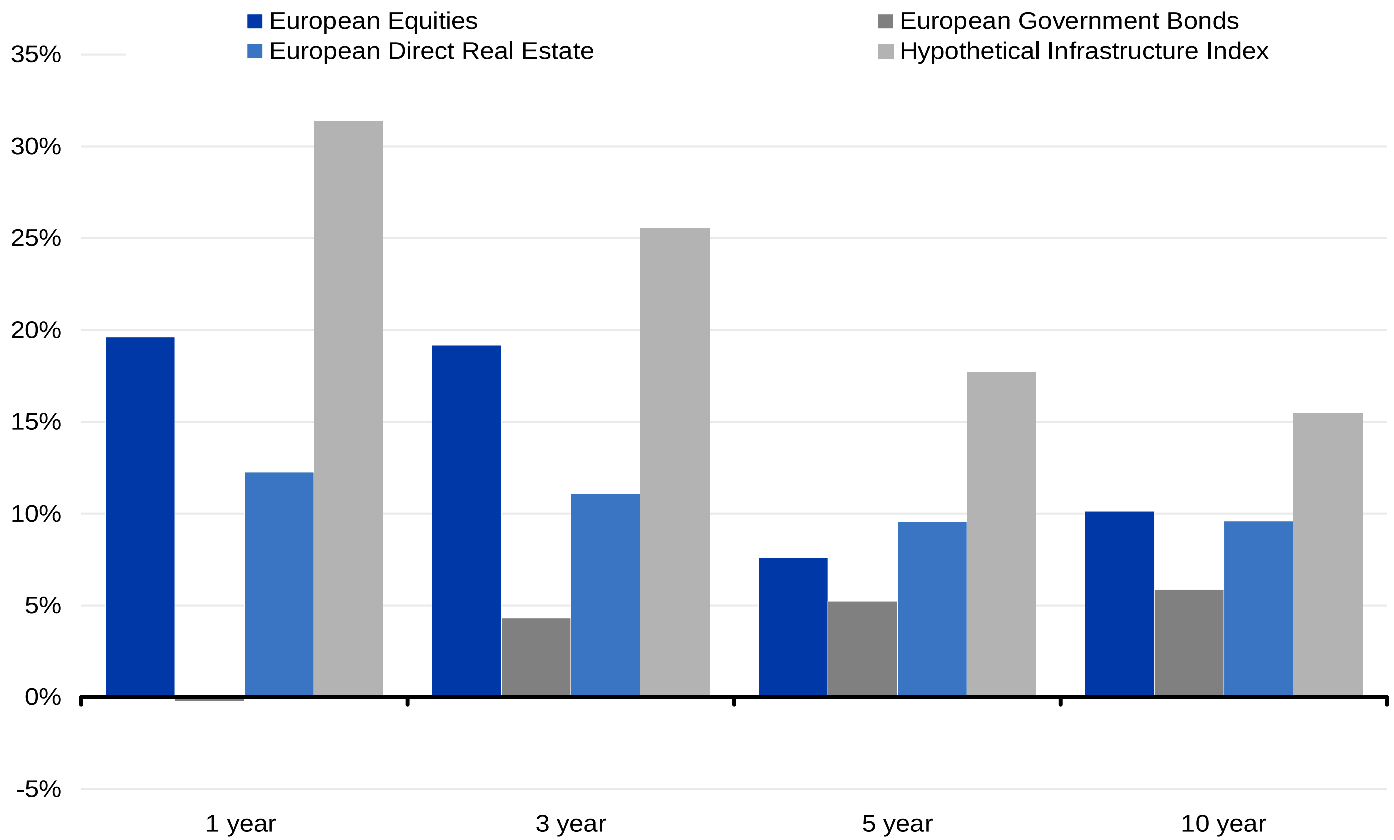


Historic Performance: The Case of Europe

Annual Average Returns for Major European Asset Classes to End 2006

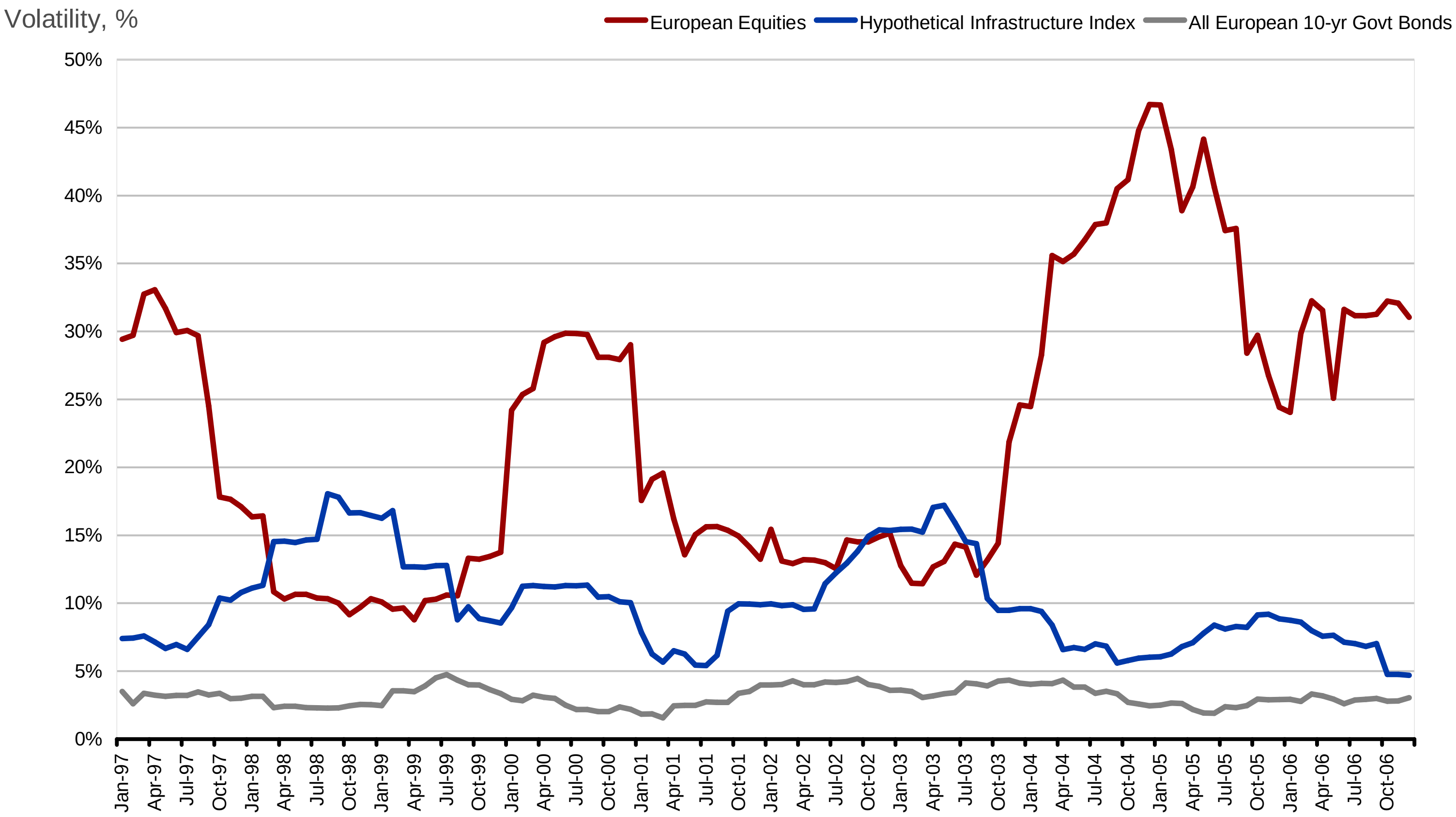


Note: For Illustrative purposes only

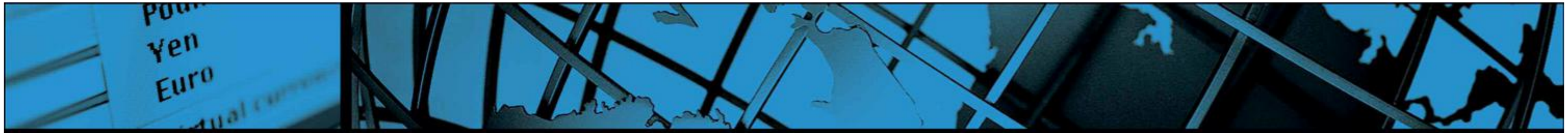
Source: MSCI European Equity Index, SB European Government Bond Index, PMA/IPD and RREEF Research

Volatility Has Tended to Fall Between Equities and Bonds

Volatility of Major European Asset Classes, based on Rolling 12 month Standard Deviations

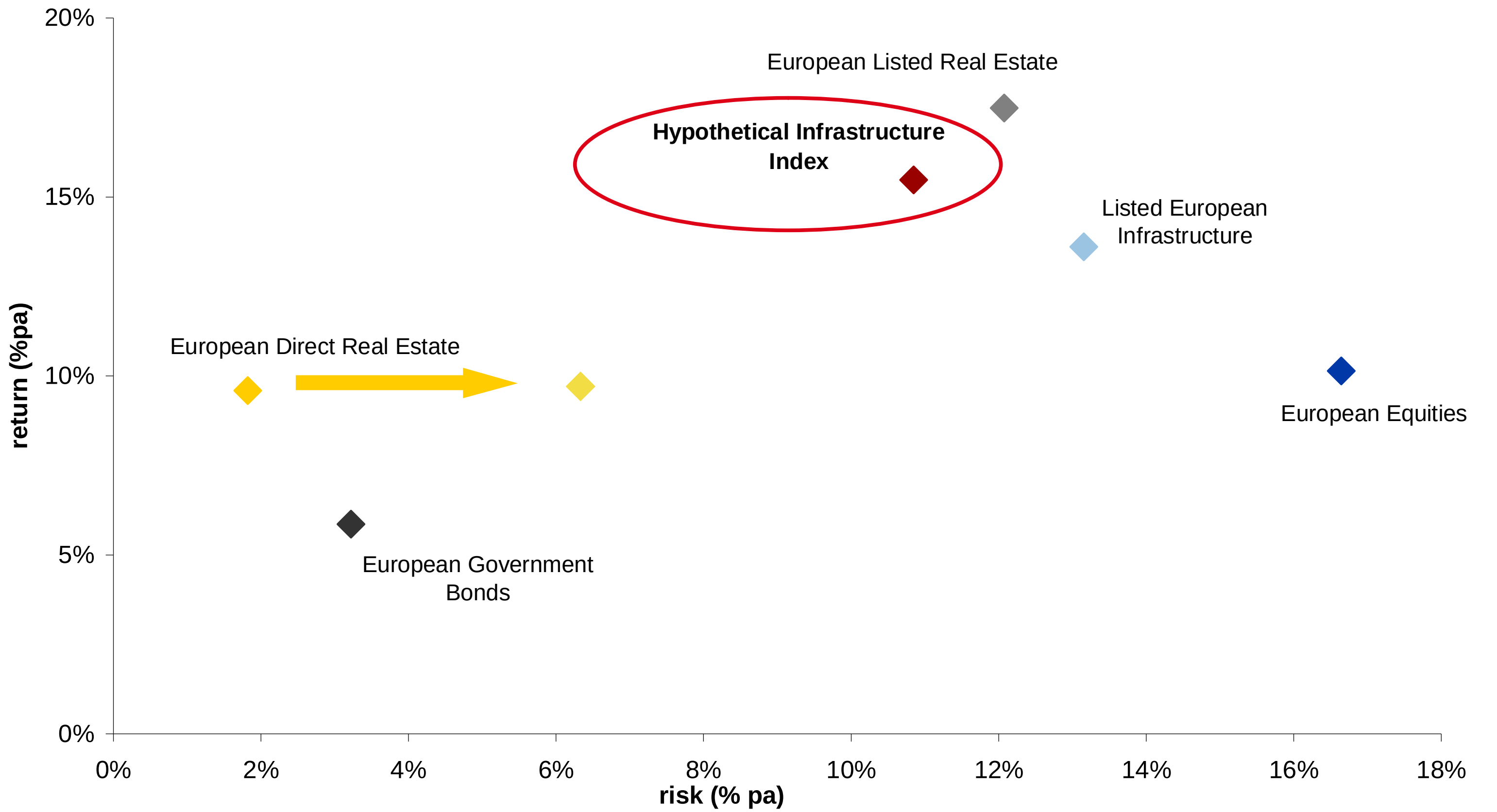


Source: RREEF Research; MSCI



Giving Infrastructure an Attractive Risk/Return Profile

European Asset Class Risk Return Profiles, 10 years to end 2006



Note: For Illustrative purposes only
Source: MSCI European Equity Index, EPRA, SB European Government Bond Index, MSCI 7-10yr Bond Index, MSCI Transport & MSCI Utility Index, PMA/IPD and RREEF Research

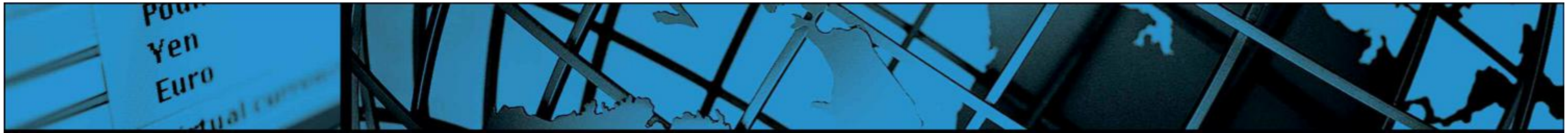
Expected Returns Vary by Sector

Expected Returns, mature assets	
q Rail	6-10%+
q Roads	10-13%
q Airports	11-13%
q Water/Wastewater	10-14%
q Distribution/Transmission	12-14%
q Seaports	15%+
Average expected return	**6-15%+**

Source: Booz Allen Hamilton, Infrastructure Market, Interview Input, July 17, 2006

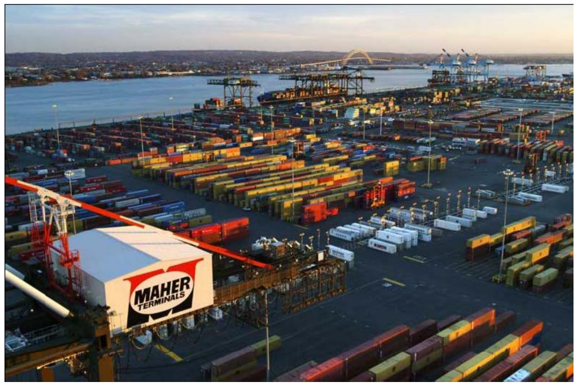
Section IV

Infrastructure Investment opportunities: a set of opportunities



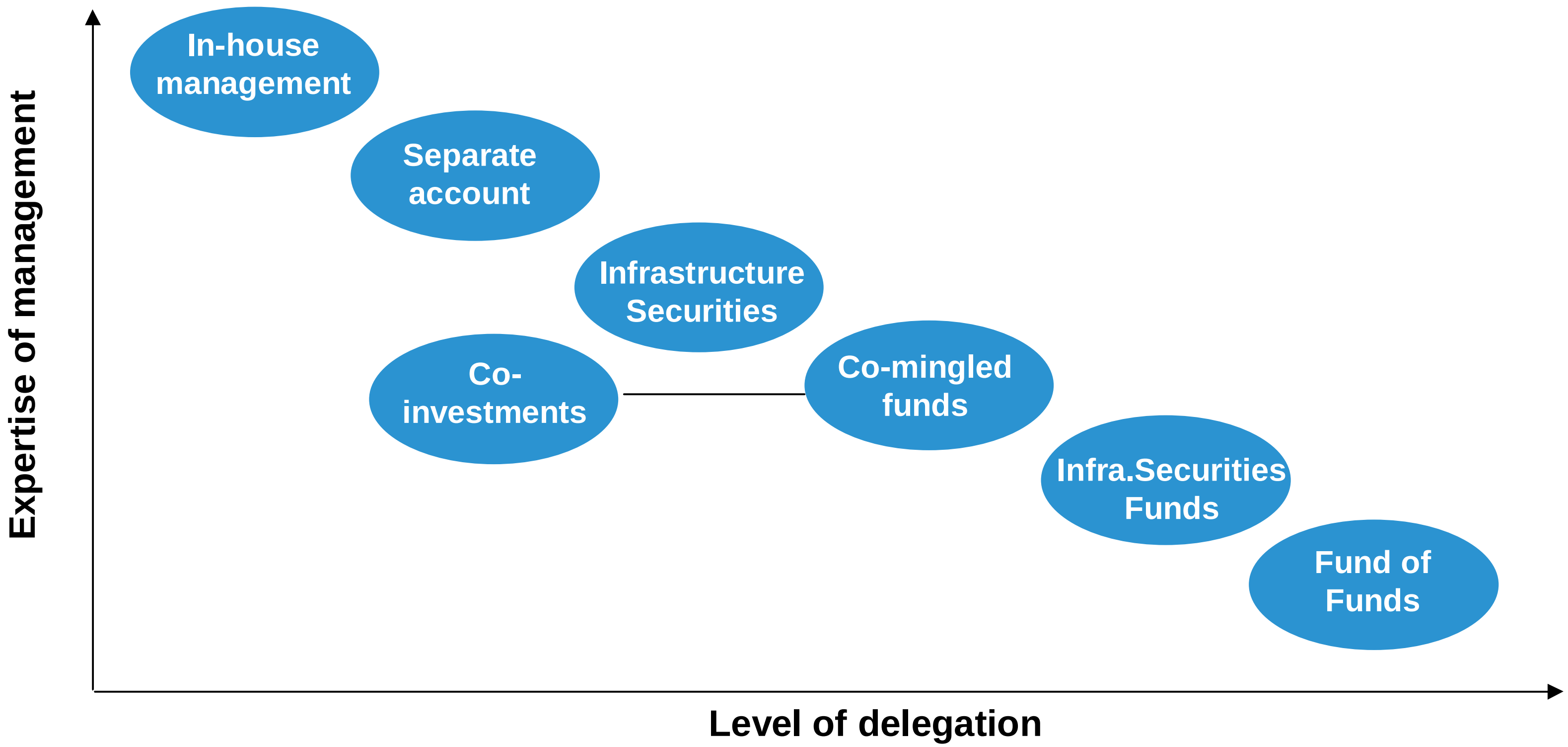
Access to Infrastructure Assets

- Different ways to gain equity exposure to infrastructure
- Direct investments in infrastructure assets/projects
- Unlisted Infrastructure Fund
- Listed Infrastructure Fund
- Listed Infrastructure Company e.g. United Utilities
- Infrastructure Securities Fund

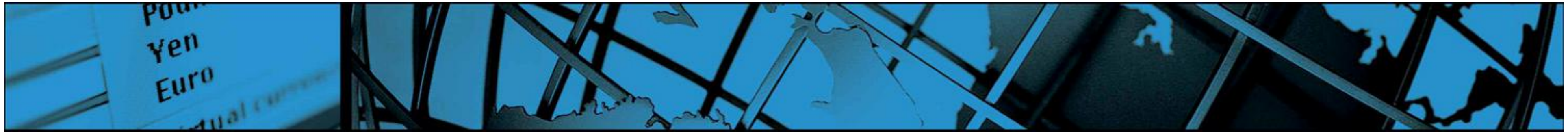


Expertise and Willingness to delegate as a determinant of product selection

Alternative Options for Infrastructure Investing



Source: RREEF Research



Direct versus Indirect

Relative Strength of different models for investing in Infrastructure

Dimension	Direct Infrastructure	Private Infrastructure Funds	Infrastructure Securities
Access to Direct Infrastructure	ü ü	ü	û
Access to Good Infrastructure Managers	ü	ü ü	ü ü
Scope for Portfolio Diversification	û	ü	ü ü
Liquidity	û	ü	ü ü
Costs of Trading	û	ü	ü ü
Costs of Asset Management	û	ü	ü ü
Performance volatility	ü	ü ü	û

Source: RREEF Research

Note: ü ü Significant Strength ü Some Advantages û Neutral

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Section V

Conclusion

Summary

- Infrastructure investment involves investing **equity in businesses that own/operate the physical structures and networks** used to provide essential services to society
- Infrastructure as an asset class is evolving quickly due to **favourable supply and demand**
  - Growing global investment capital looking for secure assets and with tightening Real Estate markets institutional investors are looking with increased interests at alternatives
  - Global economic & demographic developments drive increasing opportunities for private sector participation in the sector
- Infrastructure has investment characteristics of **long-duration assets** with stable, yield-dominated returns, which makes them compatible with requirements of pension and insurance portfolios
- Infrastructure offers a **range of risk and return profiles** due to differences in performance from the different stages as well as specific sectors
- **Gaining access to infrastructure** can be achieved through direct investment, listed infrastructure funds as well as unlisted, listed and securities funds
- With the asset class maturing we expect to see **more products** coming to the markets, offering a wider range of opportunities suitable for different investment profiles