

# *Infrastructure Investment Profile*

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# *Alternative Investments*

- Alternative investments provide an opportunity to increase returns and/or reduce risk within a diversified portfolio
- Offers a combination of return, standard deviation, and correlations that may improve portfolio performance
- Goal is to create a well-diversified portfolio that can weather downturns during periods of difficult market conditions

Real Estate

International  
Equities

Commodities

Natural  
Resources

Hedge Funds

Private Equity

Infrastructure

# *Infrastructure – A Different Alternative*

- Infrastructure companies are spread across multiple industry sectors
- Diverse services, geographies, political regimes, and regulatory jurisdictions
- Uniform financial characteristics enable the accumulation of multiple industry sectors into an asset class:
  - Revenues with low variability
  - Inflation-linking
  - Stable and predictable cash flows
  - Above average dividend payout
  - The capacity to accommodate relatively high leverage
- Each industry sector exhibits separate and distinct performance behavior

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Infrastructure

# Publicly-Traded Infrastructure Universe

## World:

- 1,500 Public Companies\*
- \$4 to \$5 Trillion Market Cap

## Developed Markets:

- 800 Public Companies\*
- \$3 to \$4 Trillion Market Cap

## Communications



Fixed-line Service Providers  
Wireless Service Providers  
Satellites  
Broadcast Towers  
Fiber Optic Cable

## Utilities



Power Generation  
Electricity Transmission  
Electricity Distribution  
Gas Distribution  
Water Distribution  
Environmental Services

## Energy



Oil & Gas Transmission  
Oil & Gas Distribution  
Oil & Gas Storage  
Oil & Gas Tankers

## Transportation



Toll ways  
Airports  
Marine Ports

\* Source: Bloomberg data derived from a broad industry universe compiled by Duff & Phelps

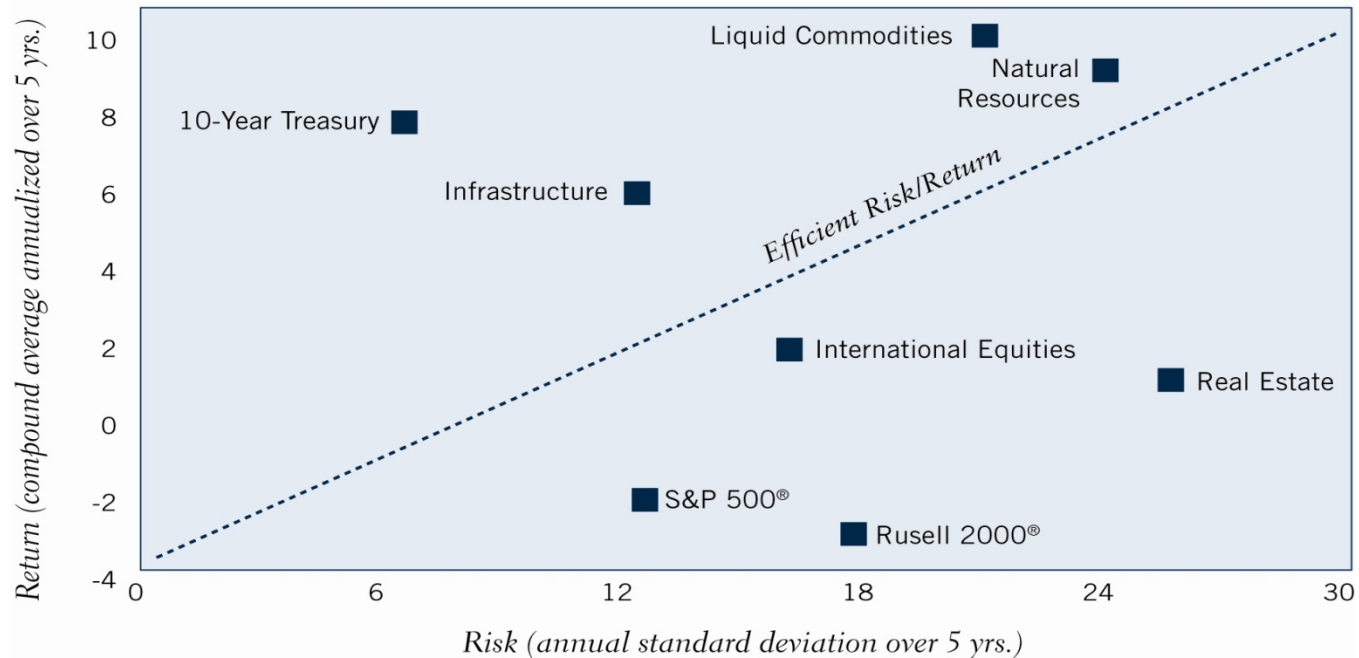
# *The Infrastructure Asset Class*

## **Investment Profile**

- Multiple industry sectors
  - Communications
  - Utilities
  - Energy
  - Transportation
- Attractive risk/return characteristics
- High income with moderate growth
- Low correlations to other asset classes
- Less sensitive to economic cycles

*Past performance is no guarantee of future results*

# Efficient Frontier



As of December 31, 2008. Sources: Bloomberg, Deutsche Bank, Federal Reserve, FTSE, MSCI, S&P, Russell Investments. The Efficient Risk/Return line represents the highest expected returns possible for given levels of risk pursuant to modern portfolio theory. No assumptions should be made regarding the risk or returns that would be experienced by an investor. Infrastructure represented by the MSCI World Infrastructure Sector Capped Index. Returns for Treasuries based on 10-year constant maturity information in H.15 reports prepared by the US Federal Reserve. Real Estate represented by FTSE NAREIT Equity REITs Index. Currencies represented by the Deutsche Bank G10 Currency Future Harvest (DBCFFH) Index. Natural Resources represented by the S&P North American Natural Resources Index that tracks stocks in industries related to extraction, energy, timber, pulp, paper and forestry services. International equities represented by the MSCI EAFE Index. It is not possible to invest directly in any of these indices. Different time periods or points in time will produce results that vary. **Past performance is no guarantee of future results.**

# 5-Year Annualized Risk/Return Profiles

	Infrastructure	S&P 500	Russell 2000	International Equities	Real Estate	Commodities	Natural Resources	10-Year Treasury
5-Year Return	5.8%	-2.2%	-0.9%	1.7%	0.9%	9.9%	9.0%	7.6%
5-Year Standard Deviation	12.5%	12.7%	17.9%	16.3%	25.8%	21.2%	24.2%	6.7%
5-Year Sharpe Ratio	0.44	-0.19	-0.07	0.09	0.03	0.45	0.36	1.10
Correlations To Infrastructure	1.00	0.85	0.73	0.91	0.57	0.50	0.71	0.06

As of December 31, 2008. Sources: Bloomberg, Deutsche Bank, Federal Reserve, FTSE, MSCI, S&P, Russell Investments. Infrastructure represented by the MSCI World Infrastructure Sector Capped Index. Returns for Treasuries based on 10-year constant maturity information in H. 15 reports prepared by the US Federal Reserve. Real Estate represented by FTSE NAREIT Equity REITs Index. Liquid Commodities represented by the Deutsche Bank Liquid Commodities (DBLCI) Index that includes futures contracts on Light Sweet Oil, Heating Oil, Gold, Aluminum, Corn and Wheat. Natural Resources represented by the S&P North American Natural Resources Index that tracks stocks in industries related to extraction, energy, timber, pulp, paper and forestry services. International equities represented by the MSCI EAFE Index. It is not possible to invest directly in any of these indices. **Standard Deviation** (5 year) measures variability of returns around the average return for an investment fund. Higher standard deviation suggests greater risk. **Sharpe Ratio** is the portfolio's annualized return, minus the annualized risk-free rate (typically the 90-Day T-bill return), divided by the portfolio's annualized standard deviation and measures the efficiency, or excess return per unit of risk, of a manager's returns. A Sharpe Ratio greater than 1 indicates a good level of excess return relative to the volatility of the performance. Different time periods or points in time will produce results that vary. **Past performance is no guarantee of future results.**

# 5-Year Returns

	Infrastructure	S&P 500	Russell 2000	International Equities	Real Estate	Commodities	Natural Resources	10-Year Treasury
2004	21.3%	10.9%	18.3%	20.5	31.6%	36.4%	24.6%	4.6%
2005	4.9%	4.9%	4.6%	13.5	12.2%	27.8%	36.6%	2.3%
2006	29.0%	15.8%	18.4%	20.3	35.1%	11.5%	16.8%	4.1%
2007	19.6%	5.9%	-1.6%	11.2	-15.7%	26.1%	34.4%	8.6%
2008	-32.6%	-36.9%	-33.8%	-43.38	-37.7%	-34.7%	-42.6%	19.2%

As of December 31, 2008. Sources: Bloomberg, Deutsche Bank, Federal Reserve, FTSE, MSCI, S&P, Russell Investments. Infrastructure represented by the MSCI World Infrastructure Sector Capped Index. Returns for Treasuries based on 10-year constant maturity information in H. 15 reports prepared by the US Federal Reserve. Real Estate represented by FTSE NAREIT Equity REITs Index. Liquid Commodities represented by the Deutsche Bank Liquid Commodities (DBLCI) Index that includes futures contracts on Light Sweet Oil, Heating Oil, Gold, Aluminum, Corn and Wheat. Natural Resources represented by the S&P North American Natural Resources Index that tracks stocks in industries related to extraction, energy, timber, pulp, paper and forestry services. International equities represented by the MSCI EAFE Index. It is not possible to invest directly in any of these indices.

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# *Infrastructure Investment Strategies Publicly-Traded vs. Private*

	<b>Publicly-Traded</b>	<b>Direct Investment/Private Equity Funds</b>
<b>Pre-investment timeframe</b>	Minimal time required to come up to speed on the infrastructure asset class	Could take as much as 3 to 5 years to assemble team and find the “right” investment
<b>Diversification</b>	High – portfolio may invest across multiple sub-sectors and countries	Low – investment in only a few projects, potentially large investment specific risk
<b>Liquidity</b>	Highly liquid, full and easy access	Mostly illiquid, requires lock-up periods
<b>Valuation Transparency</b>	Complete transparency, securities are priced daily	Limited transparency, 3 <sup>rd</sup> party valuation services are required
<b>Expenses</b>	Low to Moderate	Moderate to High
<b>Market Risk</b>	Over short time periods can exhibit higher than average correlation to the overall stock market	None