



The Role for Super Funds in Major Queensland Infrastructure Projects

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1. Cbus: Who We Are



780,000 Members



Growth (Cbus MySuper) returns

10.74

Annual return over the year
to 30 September 2018
(median fund* 9.68%)

139,000 Employers



9.29

Annual average over the last
34 years to 30 June 2018

FUM: \$46.5B

Net inflows of
\$1.3-2.2bn p.a. over
the last 3 years

1984

Public offer opens
Maximise returns to members

30+ years

Returns are based on the crediting rate, which is the return minus investment costs and taxes, the Trustee Operating Cost and reserves. Excludes administration fees. Past performance is not a reliable indicator of future performance. * SuperRatings Fund Crediting Rate Survey SR50 Median Balanced fund at 30 September 2018.

2. What We Invest In



3. Infrastructure Benefits to Funds



Infrastructure provides access to long-term stable cash flows with high margins and diversification from public markets

Benefits of infrastructure as asset class

1

Diversification



- ✓ Low correlation with other asset classes over time

2

Illiquidity premium



- ✓ Unlisted infrastructure assets are illiquid
- ✓ Long life assets with constrained exit options - illiquidity premium

3

Inflation protection



- ✓ Infrastructure assets can include escalation
- ✓ Protection against inflation

4

Returns



- ✓ Compares favourably with other asset classes over time

5

Stable, defensive assets



- ✓ Inelastic demand, protection against economic downturns
- ✓ Higher returns than cash or bonds

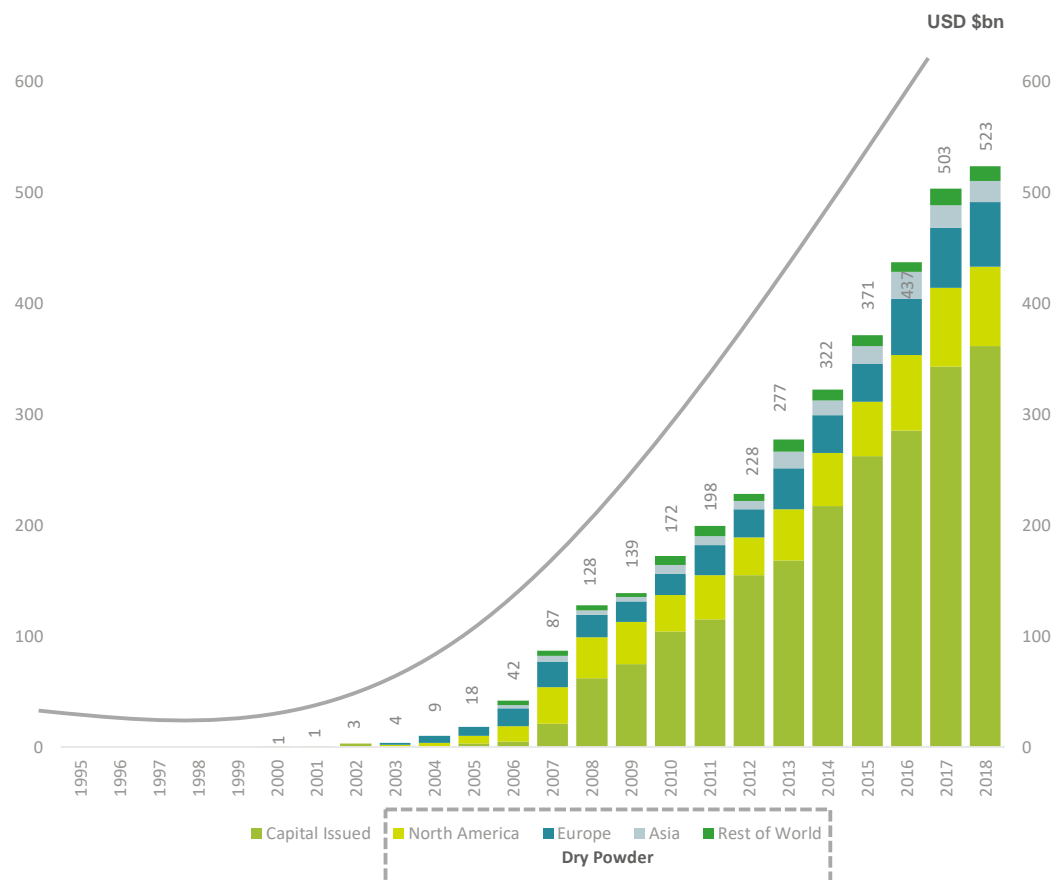
4. Infrastructure Market Evolution



Evolution of infrastructure market

- ✓ **Large, growing pool of funds for infrastructure:** Investors continue to raise capital and are faced with increasing pressure to deploy funds
- ✓ **Broadened Scope:** New assets entering the investable universe, including non-physical assets (e.g. land title registries) as they possess 'infrastructure like' characteristics
- ✓ **Development, greenfield and brownfield:** Increasingly infrastructure funds are taking construction risk / early stage investments to increase returns

Infrastructure capital raised and deployed¹



(1) Source: Preqin. Aggregate capital raised, and quantum of dry powder.

5. Cbus Infrastructure Portfolio Overview



Cbus Infrastructure as at November 2018



11%

SAA



40

of Investments

\$5.3B

FUM

Majority of FUM with open-ended managers



Examples of individual assets



Port of Brisbane



Brisbane Airport



Port Botany &
Port Kembla



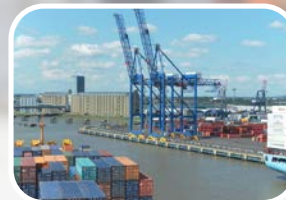
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Indiana Toll Road



Bright Energy
Investments



Forth Ports



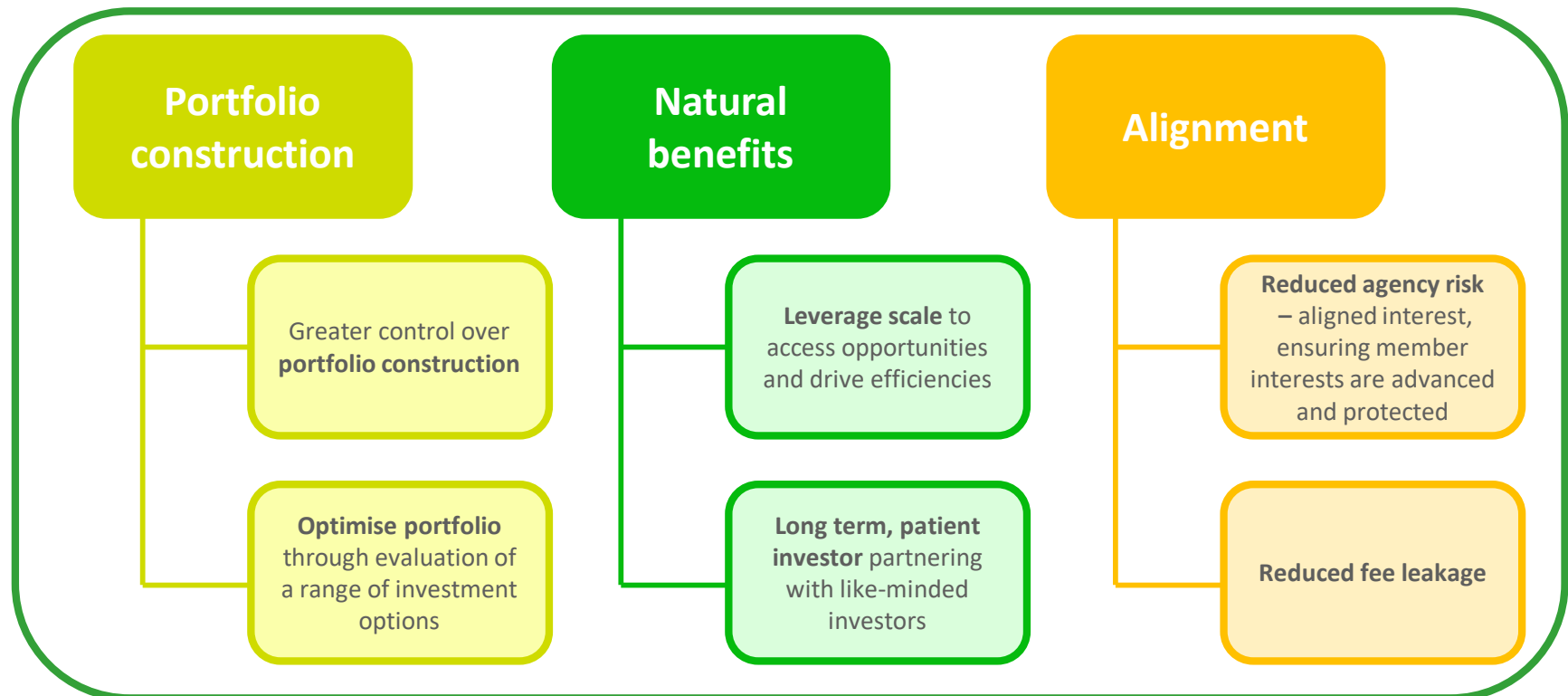
Colonial Pipeline

6. Overview of the Hybrid Infrastructure Strategy



The hybrid infrastructure strategy leverages multiple models and allows direct investments to rebalance the Cbus infrastructure portfolio and broaden access to opportunities

Benefits of the strategy and building in-house capability and capacity to actively manage the infrastructure portfolio include...



7. Superannuation Investment in Greenfield Projects



Advantages

- ✓ **Revenue diversification:** e.g. availability payments complement traditional GDP-linked revenues
- ✓ **Returns:** capture more project economics, reflect whole-of-life risks
- ✓ **ESG:** e.g. renewable development, align with fund ESG objectives
- ✓ **Long-term investors, responsible custodians:** ultimate owners of assets mums and dads
- ✓ **Member alignment:** e.g. Cbus, strong alignment with construction industry
- ✓ **Creates jobs:** develop built environment



Potential Issues

- **Scale and resources:** need to deploy capital, in-house teams needed
- **Complex, expensive bid processes:** resource intensive, bid costs
- **Risk, structure & returns:** by definition, greenfield has construction risk, risk allocation
- **Fund liquidity issues:** need liquid assets for regulatory purposes, need net inflows to invest
- **Clear, committed pipeline:** improve economies of scale, offset bid costs

8. Direct Investment Value Proposition and Targets



Direct investments rebalance the Cbus infrastructure portfolio and broaden access to opportunities

Value Proposition



- ✓ Proven track record of co-investments and direct investments in infrastructure
- ✓ Principal investor with no conflicts
- ✓ Patient investor with long-term investment horizon
- ✓ Ability to provide broader capital solutions e.g. debt
- ✓ Scale and growing FUM
- ✓ Ability to leverage Cbus Property
- ✓ Forge strategic partnerships with like-minded investors

Areas of Focus and Strategy



Target investment size

- ✓ Greenfield flexibility to accommodate smaller cheque size
- ✓ Brownfield targeting mid-market

Target sectors and geographies

- ✓ Transport, social, utilities/energy, telecommunication etc.
- ✓ Focus on sustainable investments
- ✓ Brownfield - OECD countries, greenfield – Australia, NZ

Value and risk

- ✓ Acceptable return for current market, whole-of-life risk profile, asset quality, costs/fees
- ✓ Stable, long-term cashflows, contracted revenues
- ✓ Credit-worthy counterparties, strong management
- ✓ Partnerships with like-minded investors

Strategy

- ✓ Access to broader opportunities / follow-on investments
- ✓ Unique value propositions

Governance

- ✓ Ability to influence, significant minority partner rights

9. Case Studies - Forth Ports and Bright Energy Investments



Forth Ports

- In October 2018, Cbus acquired a stake in Forth Ports alongside PSP Investments, First State Super and GLIL Infrastructure following **bilateral discussions** with the former majority owner, Arcus Infrastructure
- Forth Ports operates the Port of Tilbury, the main port for London, as well as seven ports in Scotland including Dundee and Grangemouth

Bright Energy Investments

- Cbus entered a joint venture with DIF and Synergy in 2018 to develop a portfolio of greenfield wind and solar assets in WA, with Synergy as offtaker
- As a **renewable energy platform**, Bright Energy Investments includes the Greenough River Solar Farm, Albany Grasmere Wind Farm and Warradarge Wind Farm, as well as a pipeline of other developments

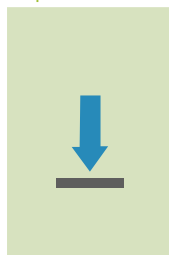


10. Options to Alleviate Constraints



Streamlined procurement and bid costs

Governments should continue to streamline processes, no unnecessary information



Risk allocation and structuring

e.g. options to mitigate demand risk



Unsolicited proposals, innovation

Investors like super funds can play a role too e.g. unsolicited proposals, innovate



Develop a clear, committed and funded pipeline of projects

e.g. prioritised lists of projects



Questions?



27 March 2019