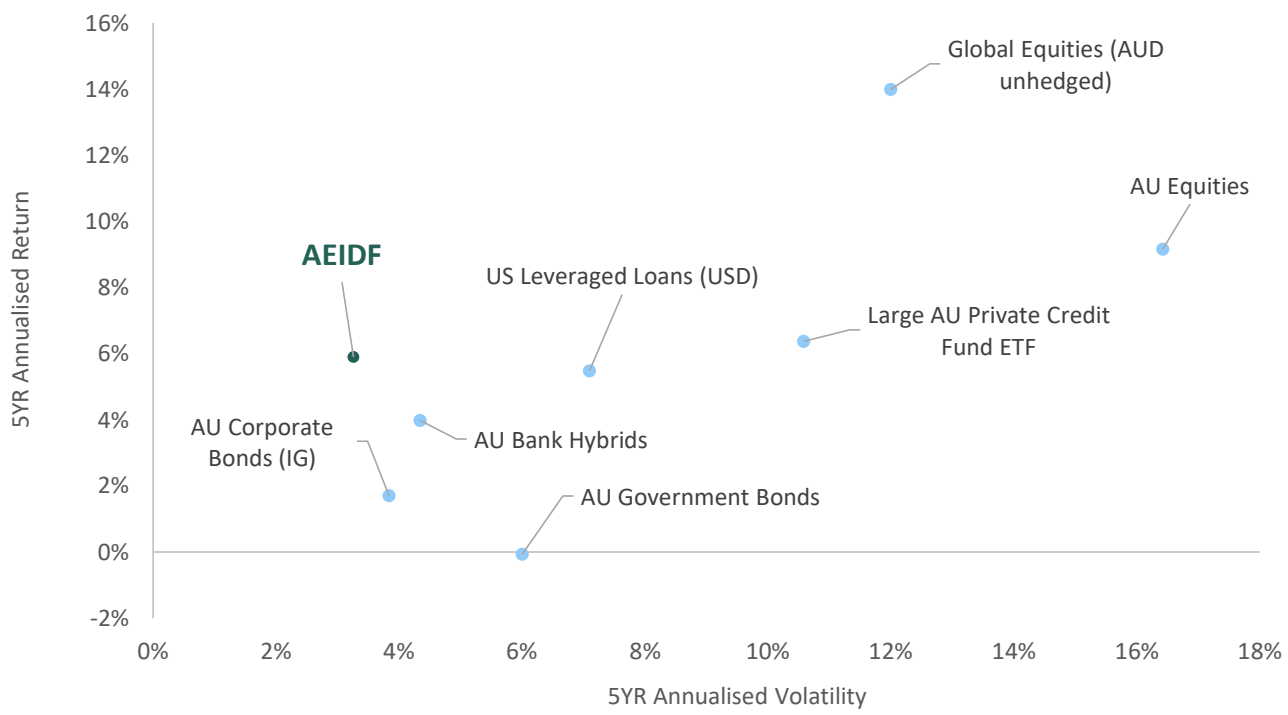
Risk return profiles of infrastructure debt vs. other asset classes

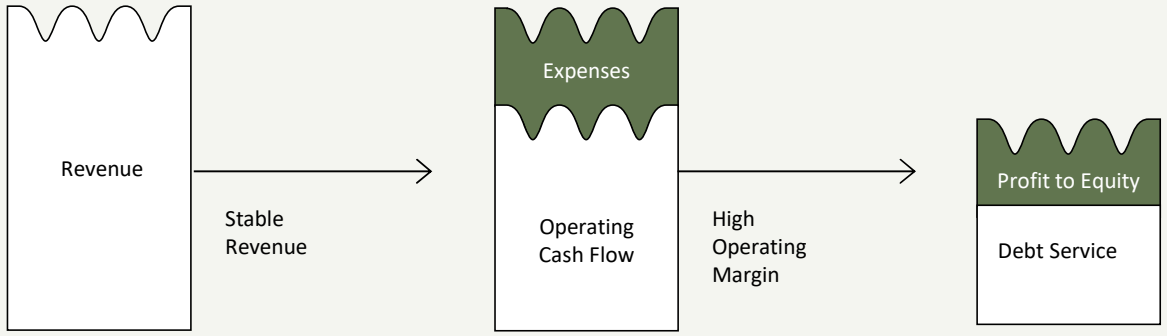
Risk Return Profiles as at 31 March 2024



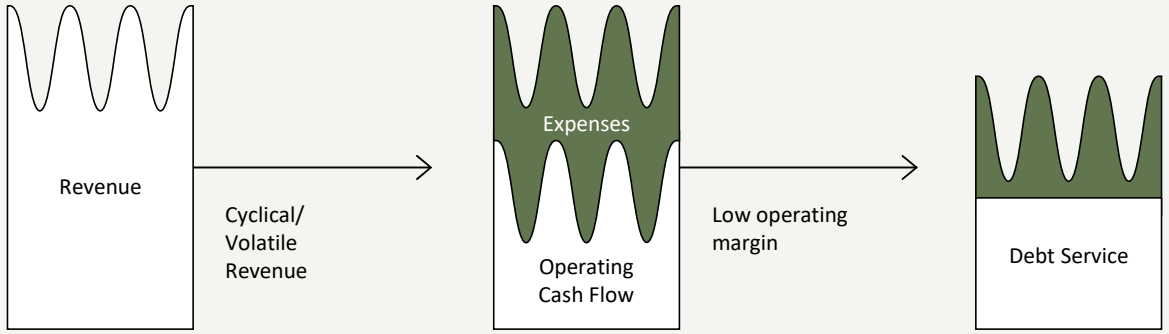
Source: Factset, April 2024
AU Government Bonds: Bloomberg AusBond Govt 0+ Yr Index, AU Bank Hybrids: Solactive Australian Hybrid Securities Index (Net), Global Equities (AUD Unhedged): MSCI World Index (AUD Unhedged) , US Leveraged Loans (USD): Morningstar LSTA US Leveraged Loan TR (USD), AU Corporate Bonds: Bloomberg AusBond Credit 0+ Yr Index, Australian Equities: S&P/ASX 300 (TR), Large AU Private Credit Fund (Monthly change in traded unit price of the ETF plus distributions), Australian Ethical Infrastructure Debt Fund: Infradebt Ethical Fund (assets marked to market)

Infrastructure debt vs. Corporate credit

Typical infrastructure asset



Typical corporate asset



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Infrastructure debt:

- Full security over physical asset
- ⊕ Stable revenues
- ⊕ High Operating Margins

- = Stable Debt Servicing Capacity
- = Attractive Credit Risk

Corporate credit:

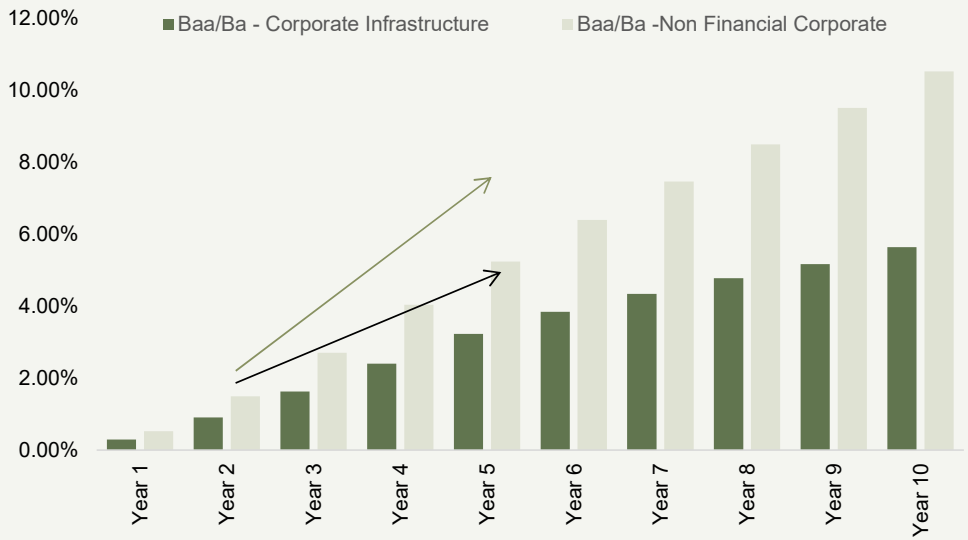
- No large physical asset security
- ⊕ Cyclical/volatile revenues

- = Less certainty on debt service, lower recoveries in event of default (see next slide)
- = Less attractive credit risk for the same credit margin/rating

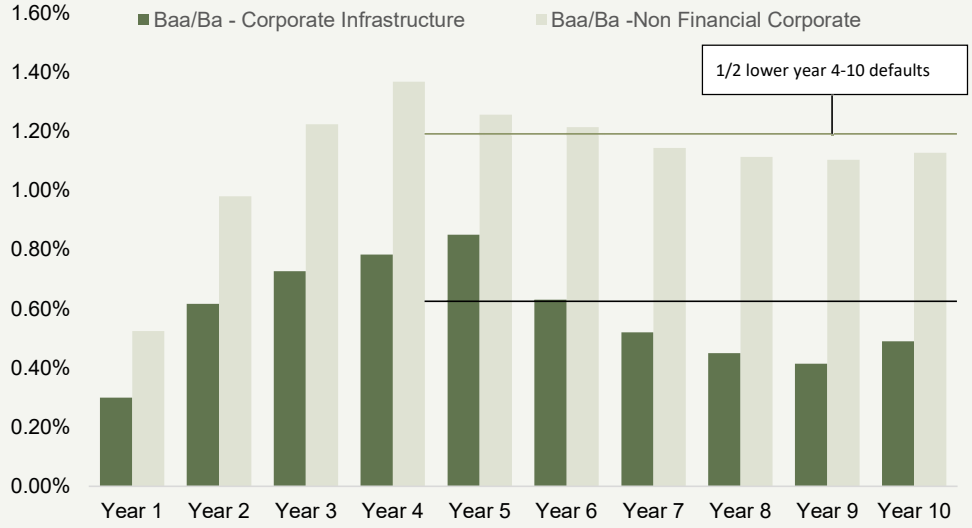
Default & recovery studies

Moodys' Infrastructure Default and Recovery Rates study – September 2018
US$2.0 trillion of infrastructure securities | 1983-2017 time horizon | Over 1,000 separate entities

Cumulative default rate



Marginal default rate



Infrastructure borrowers show significantly lower long-term default rates. Particularly post-year 3.

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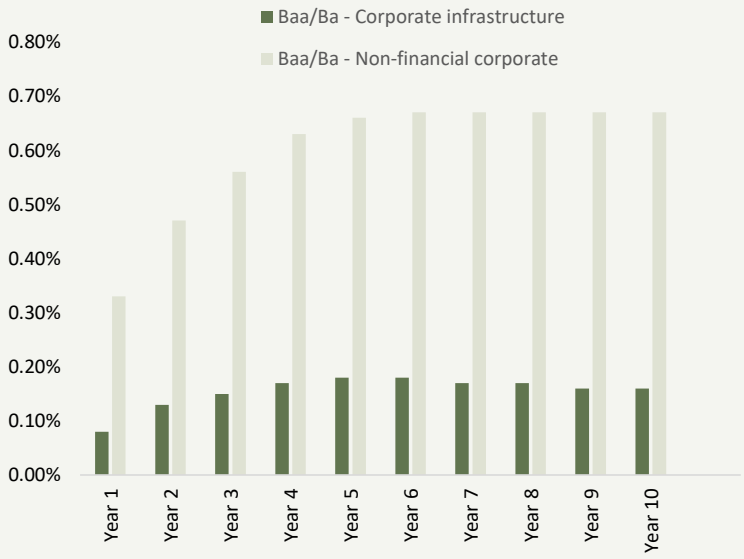
Recovery rates

Most infrastructure loans are senior secured – compared with corporate bonds, which are usually unsecured.
The defensive and stable characteristics of infrastructure businesses translate into higher recoveries.

Annualised credit losses



Lower default + Higher recoveries
= Substantially lower credit losses.

Recovery rates

Sector	Senior secured	Senior unsecured
Utilities	73%	56%
Regulated E&G utilities and networks	81%	60%
Unregulated E&G utilities and power	80%	55%
Transportation	74%	n/a
Average corporate infrastructure debt securities	72%	55%
Average non-financial corporate issuers	54%	38%

Cross-ratings comparison

	10-year annualised credit loss	
Rating	Corporate infrastructure	Non-financial corporates
Aaa	0.00%	0.02%
Aa	0.01%	0.02%
A	0.04%	0.08%
Baa	0.07%	0.20%
Ba	0.25%	1.17%
B	0.71%	2.70%
Caa-C	1.56%	3.92%
Investment grade	0.05%	0.12%
Speculative grade	0.48%	2.33%

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