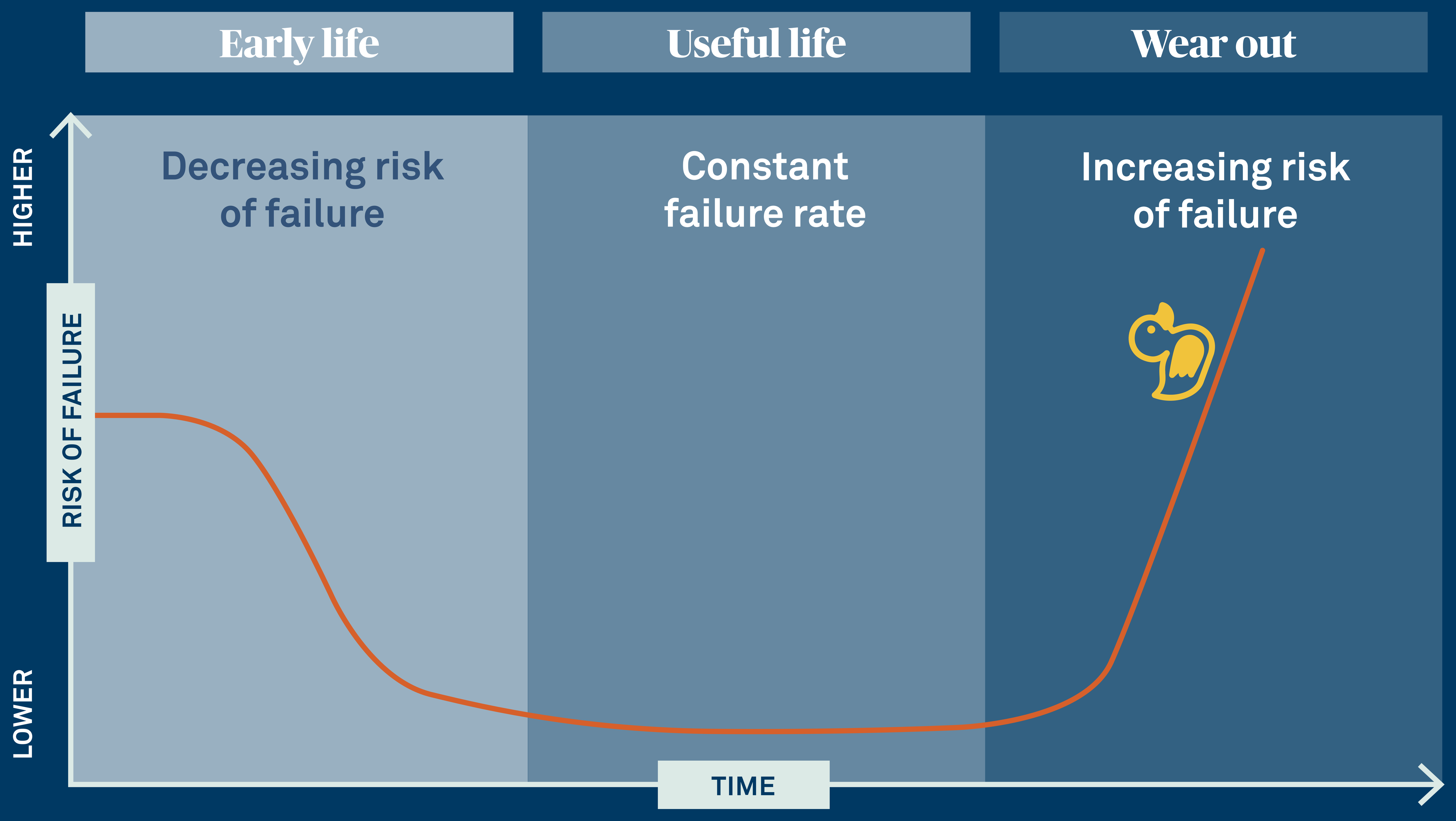
The power of infrastructure

Bathtub curve

STAGES, RISKS AND OPPORTUNITIES IN THE LIFE OF INFRASTRUCTURE ASSETS



Early life

- Cash flows typically strong
- Operational risks may be low
- Potential overspending on operating costs early on in project life as needed areas of focus begin to be understood

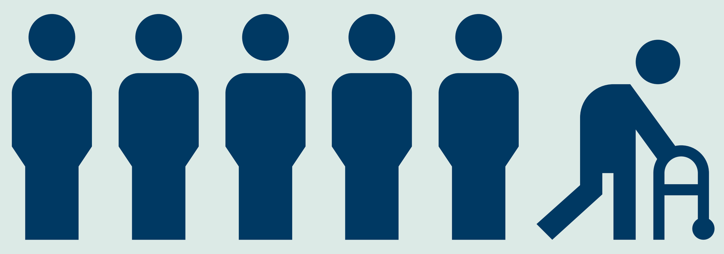
Useful life

- Cash flows typically continue to be strong
- Operational risks likely largely been worked out
- Assets still relatively young, ongoing operational costs understood
- Highest stage of cash flow visibility through life of asset

Wear out

- Cash flows can be strong
- Operational risks start to emerge as end of life appears on the horizon
- Operational costs typically increase, initially reactive, then increasingly proactive

Willis Towers Watson November 2018; Jim Lydotes, Newton Investment Management. January 2023.



By 2030, **1 in 6 people**[1] in the world will be **aged**

60 years or over.

The number of people aged **65 years and older worldwide** is expected to reach

1.5 billion

by 2050.[2]

Global renewable electricity capacity is expected to rise over **60%** between 2020 and 2026.[3]

Europe, America, China and India are together responsible for **80%** of renewable capacity expansion globally.[3]

[1]World Health Organization. Aging & health. October 2021.
[2]Global Issues. Population Aging: An inescapable future. January 5, 2022.
[3]IEA. Renewable electricity growth is accelerating faster than ever worldwide, supporting the emergence of the new global energy economy. December 1, 2021.

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The power of infrastructure

In this inflationary environment, we believe the infrastructure sector should continue to be much more insulated than other segments of the equity markets.

If economic stagflation continues this year, we think the backdrop for defensive businesses, particularly those exposed to themes such as the aging demographic and the energy transition, is as constructive as it has ever been.

In 2023, the oldest baby boomer is set to turn 77 years old, entering a phase during which alternative housing, which can be more conducive to the lifestyle of an older adult, often becomes desirable.

As this key demographic continues to age and the world recovers from the Covid-19 pandemic, our society may need more social infrastructure to support its increasing demands. Aged-care facilities, senior housing options and greater hospital capacity should invariably be necessary, and investors could benefit from this expected growth. We expect the healthcare REIT segment to remain an area for opportunity in 2023.

As for the global push toward a lower-carbon future – as initiatives and regulations continue to support net zero objectives, regulated utilities may need to convert their generation fleets to more sustainable sources. This process could drive regulated utilities to grow more rapidly than ever. Faster-rate base growth should lead to faster earnings growth and, likewise, faster dividend growth.

With the continuation of energy supply restraints and the continuing war between Russia and Ukraine, the notion of committing capital to renewable-energy solutions has become increasingly desirable. Nowhere is the energy cost-of-living crisis greater, and the political motivation to hasten renewable-energy growth stronger, than in Europe. This is where we continue to see the greatest opportunity for value creation in 2023.

Jim Lydotes, global infrastructure manager, Newton Investment Management

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