# THE VALUE OF INVESTING IN INFRASTRUCTURE

Capstone's focus on core infrastructure businesses positions us to offer shareholders reliable income and the potential for capital appreciation.

The need for infrastructure investment is large and growing. It is estimated that approximately $400 billion will be required by 2020 to plug Canada's infrastructure deficit.

**US$65 TRILLION**

Estimated value of infrastructure assets in OECD countries held by institutional investors.

Capstone invests in core infrastructure businesses, which represent a distinct asset class with unique investment characteristics and benefits for investors.

What makes infrastructure an attractive investment opportunity?

Our day-to-day lives intersect with infrastructure in many ways, from the roads we travel to the water we drink and the electricity that powers our homes and businesses.

Simply, the services provided by infrastructure businesses are essential. As a result, infrastructure businesses enjoy consistent demand throughout the economic cycle. In addition, infrastructure businesses operate in environments where there are high barriers to entry, such as a regulatory or contractual framework. These businesses enjoy a long life, relatively low risk profile and strong competitive advantage that cannot be easily replicated. In addition, infrastructure businesses typically generate defined cash flow that is linked to measures of economic growth, providing investors with a hedge against inflation — which is particularly important in today's economic climate.

Combined, these attributes result in predictable revenue and steady cash flow that is largely resistant to economic or market fluctuations.

In addition, infrastructure businesses have historically demonstrated low volatility relative to other asset classes, offering strong risk-adjusted return potential relative to equities and higher income potential than bonds. For investors, that means stable income, growth and a compelling total return.

While infrastructure delivers a number of benefits to an investment portfolio, it is not without risk. However, risks are typically more readily identifiable or can be mitigated. Revenue risk is mitigated through long-term contracts. Political risk is managed by investing in jurisdictions we are familiar with. And interest rate risk is managed through limited use of short-term debt.

The infrastructure asset class is poised for growth in the years ahead as the need for investment in critical infrastructure increases due to years of chronic underinvestment, population and economic growth, the challenges of climate change, and, more recently, increasingly strained public finances. Global infrastructure requirements for transport, energy, water and communications between 2013 and 2030 are estimated at more than US$57 trillion. The staggering amount of investment needed contributes to the potential for increasing private sector participation in infrastructure renewal and expansion.

Through Capstone, which intends to build a diversified infrastructure portfolio, investors have a unique opportunity to participate in — and benefit from — the infrastructure asset class.

**"INFRASTRUCTURE BUSINESSES HAVE HISTORICALLY DEMONSTRATED LOW VOLATILITY RELATIVE TO THE BROADER EQUITY MARKET."**