
Role of Core Infrastructure Through the Crisis and Beyond

Private & Public Pensions Summit
November 2020

As of September 30, 2020 and in U.S. dollar terms unless otherwise specified.

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ALTs by

J.P.Morgan
Asset Management

Core/Core+ Infrastructure is Essential

Distribution/Regulated Assets	Contracted/Power Assets	GDP-Sensitive Assets
<p>Monopolistic regulatory frameworks give visibility into stable cash flows</p> 	<p>Long-term contracts with volume minimums</p> 	<p>Mature assets with significant demand history often underpinned by contracts</p> 
<p>Essential services that often operate on a monopolistic basis either by regulatory structure or long-term contract, which drives visibility into <u>strong EBITDA margins & cash yield</u></p>		

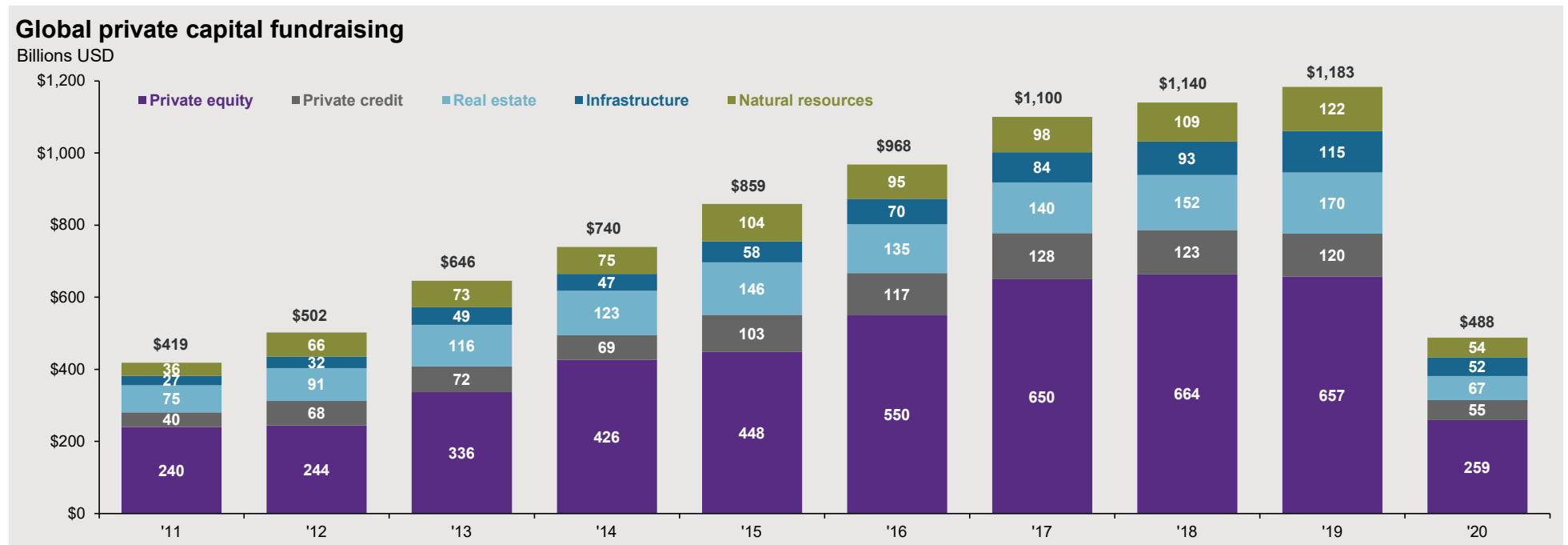
<p>D Diversification</p> <ul style="list-style-type: none"> Downside protection and lower volatility -0.4 correlation to Global equities¹ 	<p>I Inflation Protection</p> <ul style="list-style-type: none"> Inflation is a pass-through under many contractual and regulatory structures Strong historic relationship with utilities returns² 	<p>Y Cash Yield</p> <ul style="list-style-type: none"> Strong cash flow generation 50%+ EBITDA margins Majority of return in cash yield
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For illustrative purposes only. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

- Source: JPMAM Guide to Alternatives Q1-2020. 10-year correlation of MSCI AC World Index vs. MSCI Global Quarterly Infrastructure Asset Index
- Source JPMAM Guide to Alternatives Q1-2020. U.S. utilities' return on equity and inflation ROE (2-year lagged), CPI % change vs. prior year, 1980-2018

Private Infrastructure Fundraising

Pre COVID-19 Private Infrastructure Fundraising Had Continued to Grow



Source: Preqin, J.P. Morgan Asset Management.

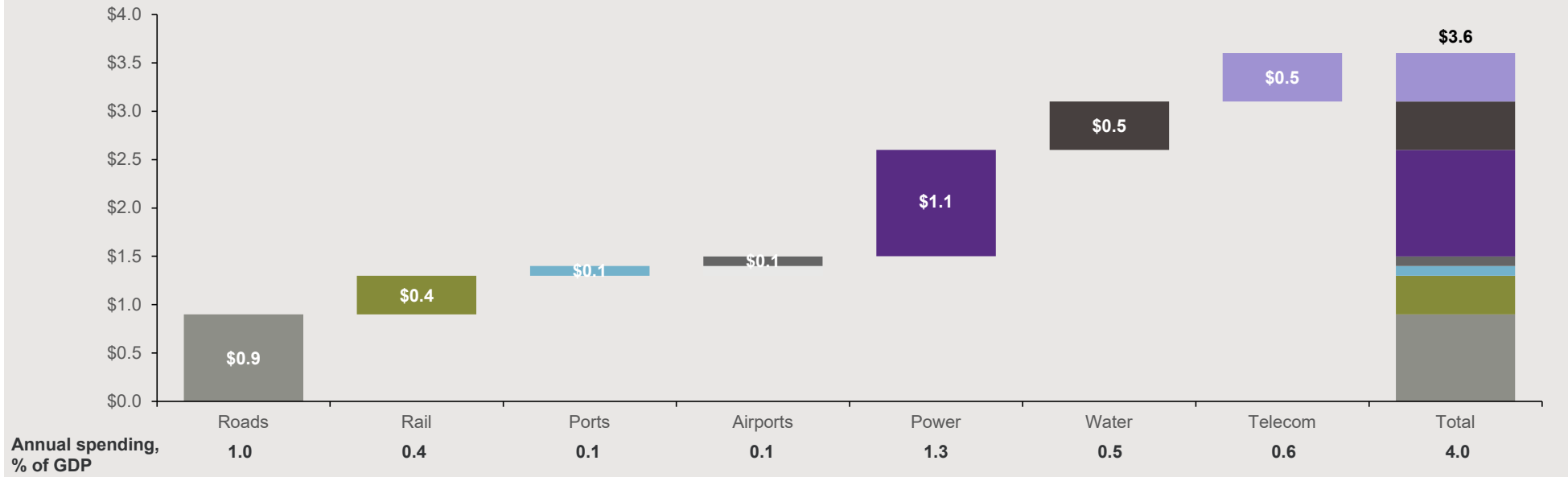
Fundraising categories are provided by Preqin and represent their estimate of annual capital raised in closed-end funds. Data may not sum to total due to rounding.

Data is based on availability as of August 31, 2020.

The Underlying Need For Infrastructure Investment Remains

Average annual infrastructure need

USD trillions, constant 2017 dollars



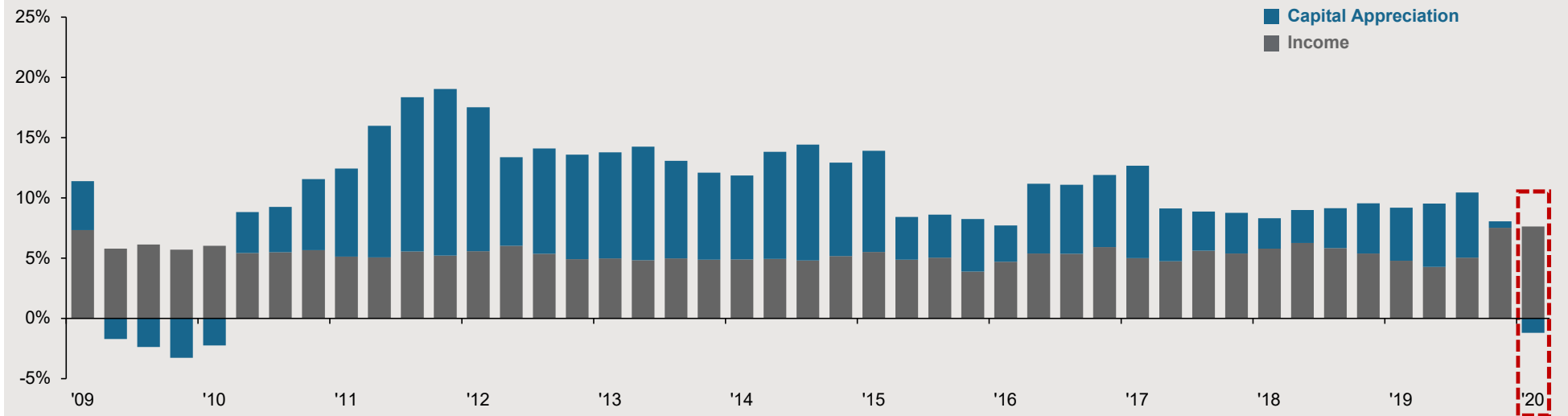
Source: McKinsey Global Institute, J.P. Morgan Asset Management.
Data is based on availability as of August 31, 2020.

Private Infrastructure Returns Have Been Resilient & Supported by Income

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Global core infrastructure returns

Rolling 4-quarter returns from income and capital appreciation



Source: MSCI, J.P. Morgan Asset Management.

Infrastructure returns represented by the "low risk" category of the MSCI Global Quarterly Infrastructure Asset Index. Data show rolling one-year returns from income and capital appreciation. The chart shows the full index history, beginning in the first quarter of 2009.

Past performance is not a reliable indicator current and future results. Alternative investments carry more risk than traditional investments and are recommended only for long-term investment. Some alternative investments may be highly leveraged and rely on speculative investments that can magnify the potential for loss or gain. Diversification does not guarantee investment returns or eliminate the risk of loss.

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Private Infrastructure Has Historically Demonstrated Diversification Over Time

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Public and private market correlations

Quarter returns

		2008 - 2020	Global Bonds	Global Equities	U.S. Core RE	Europe Core RE	APAC Core RE	Global Core Infra	Direct Lending	Venture Capital	Private Equity	Equity Long/ Short	Relative Value	Macro
Financial assets	Global Bonds		1.0											
	Global Equities		0.3	1.0										
Global real estate	U.S. Core RE		-0.1	0.1	1.0									
	Europe Core		-0.2	0.3	0.8	1.0								
	APAC Core RE		-0.2	0.2	0.9	0.8	1.0							
Other real assets	Global Core Infra		-0.1	-0.1	0.3	0.1	0.3	1.0						
Private markets	Direct Lending		0.0	0.7	0.3	0.4	0.4	0.2	1.0					
	Venture Capital		-0.1	0.6	0.5	0.7	0.5	0.1	0.6	1.0				
	Private Equity		0.0	0.8	0.4	0.6	0.5	0.2	0.9	0.7	1.0			
Hedge funds	Equity Long/Short		0.2	1.0	0.0	0.3	0.1	-0.1	0.8	0.6	0.8	1.0		
	Relative Value		0.1	0.9	0.0	0.2	0.1	0.0	0.9	0.5	0.8	0.9	1.0	
	Macro		0.4	0.4	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.2	0.4	0.3	1.0

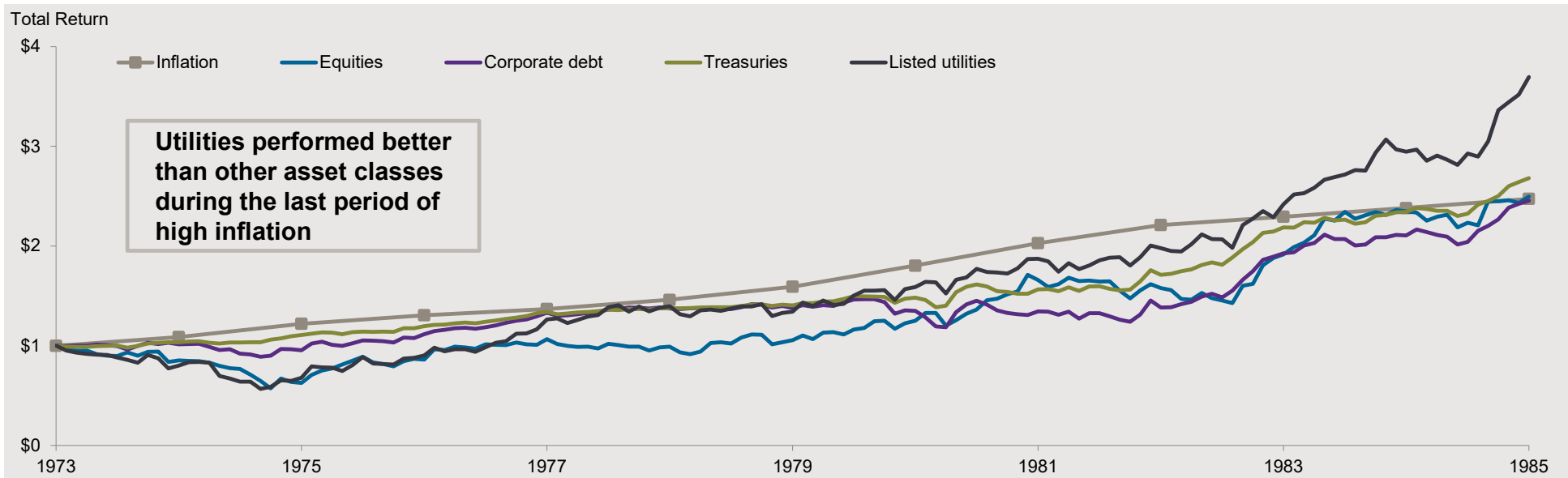
Source: MSCI, Bloomberg Barclays, NCREIF, Cliffwater, Burgiss, HFRI, J.P. Morgan Asset Management. RE – real estate. Global equities: MSCI AC World Index. Global Bonds: Bloomberg Barclays Global Aggregate Index. U.S. Core Real Estate: NCREIF Property Index – Open End Diversified Core Equity component. Europe Core Real Estate: IPD Global Property Fund Index – Continental Europe. Asia Pacific (APAC) Core Real Estate: IPD Global Property Fund Index – Asia-Pacific. Global infrastructure (Infra.): MSCI Global Quarterly Infrastructure Asset Index (equal-weighted blend). U.S. Direct Lending: Cliffwater Direct Lending Index. Global Private Equity: Cambridge Associates Global Private Equity Index. U.S. Venture Capital: Cambridge Associates U.S. Venture Capital Index. Hedge fund indices include equity long/short, relative value, and global macro and are all from HFRI. All correlation coefficients are calculated based on quarterly total return data for the period 06/30/08 – 03/31/20. Returns are denominated in USD.

Data is based on availability as of August 31, 2020.

Core Infrastructure Has Responded Well to Inflation

Compared to utilities, equities and fixed income investments struggled to regain purchasing power following the last period of high inflation

Last Period of High Inflation: 1973-1985



Source: Bloomberg, SNL.com, JPMAM. Inflation is U.S. CPI YoY, equities is S&P 500, corporate debt is Barclays U.S. Corporate Agg, Treasuries is Barclays U.S. Treasuries Index, and listed utilities is Dow Jones Utility Average. Data accessed December 2016. **Past performance is not a reliable indicator of current and future results.** Indices do not include fees or operating expenses and are not available for actual investment.

Value of ESG Implementation

ENVIRONMENTAL

- Climate Change
- Renewable energy
- Greenhouse gas emissions
- Waste generation and disposal
- Air pollution
- Water security



SOCIAL

- Health and safety for employees, customers, community
- Employee engagement
- Stakeholder communications
- Cybersecurity
- Gender and diversity



GOVERNANCE

- Board composition
- Executive compensation
- Audit committee structure
- Succession planning
- Bribery and corruption
- Whistleblower protection



Source: J.P. Morgan Asset Management – Global Alternatives, as of 2020. *Investing on the basis of sustainability/ESG criteria involves qualitative and subjective analysis. There is no guarantee that the determinations made by the adviser will align with the beliefs or values of a particular investor. Specific assets/companies are not excluded from portfolios explicitly on the basis of ESG criteria. Sustainability issues are identified and quantified as part of our investment due diligence process, not only as a pre-requisite for responsible investing, but also as a tool to help mitigate potential risks.*

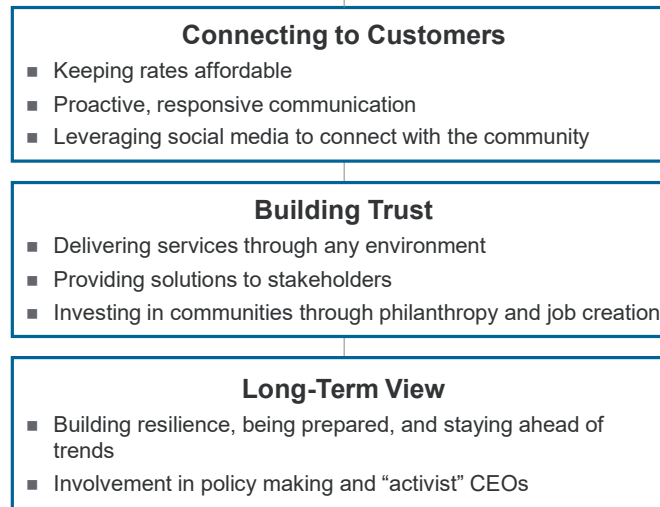
Playing Offense and Defense to Invest and Manage for the Long-Term

Implementation of strong ESG practices, with an emphasis on the “S” via stakeholder engagement, is critical for a long-term, sustainable investment.

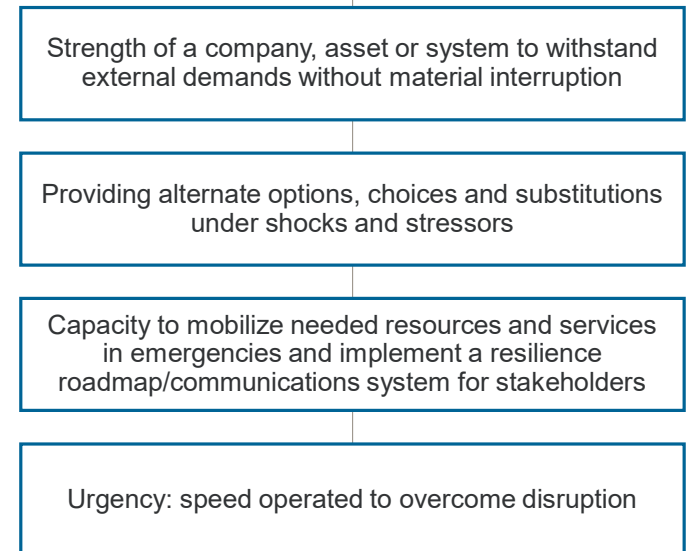
Defining Key Stakeholders



Stakeholder Engagement



Resilience









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Measuring the “S” – Active Engagement Across Local Communities

Providing essential services, actively engaging in communities, supporting local economic growth and providing local job opportunities

Volunteering			Cash donations		
Laptops and wi-fi for schools			Food banks		
PPE equipment for hospitals			Shovel ready projects		
Green energy			Carbon capture		

3 GOOD HEALTH AND WELL-BEING 	6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
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