

INVESTING IN SUSTAINABLE INFRASTRUCTURE PROJECTS

EIC Workshop

Rotterdam, 9 October 2015

Patrick Kanters - MD Real Estate & Infrastructure
APG Asset Management



AGENDA

- APG Asset Management
- Infrastructure as Pension Fund Asset Class
- Investment Strategy
 - Investment Criteria
 - Partnerships
 - Examples
- Responsible Investment Policy

MISSION OF APG ASSET MANAGEMENT

We are investors of pension money. Our ***clients and their participants are at the forefront*** of our thoughts and actions.

We use all of our ***experience, expertise and innovative power*** to invest the pension premiums in a ***sound, responsible and cost effective*** way.

We contribute to a ***high quality and affordable pension*** for the participants of our clients, by realising ***a stable, long term return on investments, while taking measured and controlled risks.***

To help achieve a ***sustainable world***, is an inherent part of our investment process.



WHAT IS INFRASTRUCTURE AND WHERE DO WE INVEST IN?

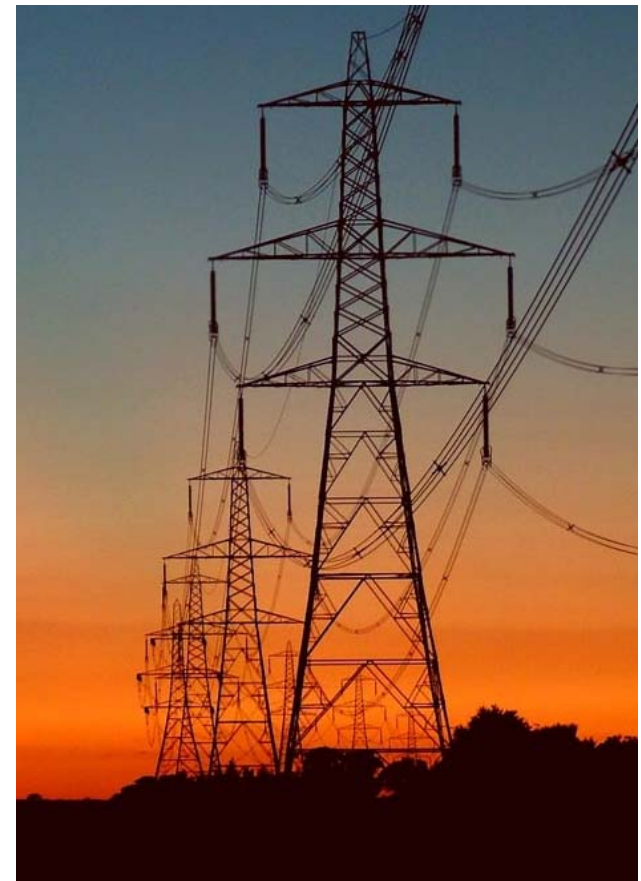
- “Infrastructure assets” are those installations, facilities and services on which the growth and development of a community depends. The assets can be found in different sectors, including:
 - Transport (roads, rail, ports, airports, storage)
 - Energy (generation, transmission and distribution, renewable energy)
 - Utilities (potable and waste water, waste management)
 - Telecommunications (networks and towers)
 - Social Infrastructure (hospitals, schools)
- APG Asset Management invests globally across the different infrastructure sectors

PROPOSITION

- Role and added value of Infrastructure
 - Diversifier due to low correlations to other (more traditional) asset classes providing stabilizing impact and as such could help improve portfolio's Sharpe ratio
 - Long-term nature can help mitigate duration risk for pension portfolios (especially appealing in times of potentially rising inflation and escalating interest rates)
 - Yield and return enhancement
- Limitation of exposures to the same systematic risk

INVESTMENT IN ASSETS WITH THE FOLLOWING CHARACTERISTICS

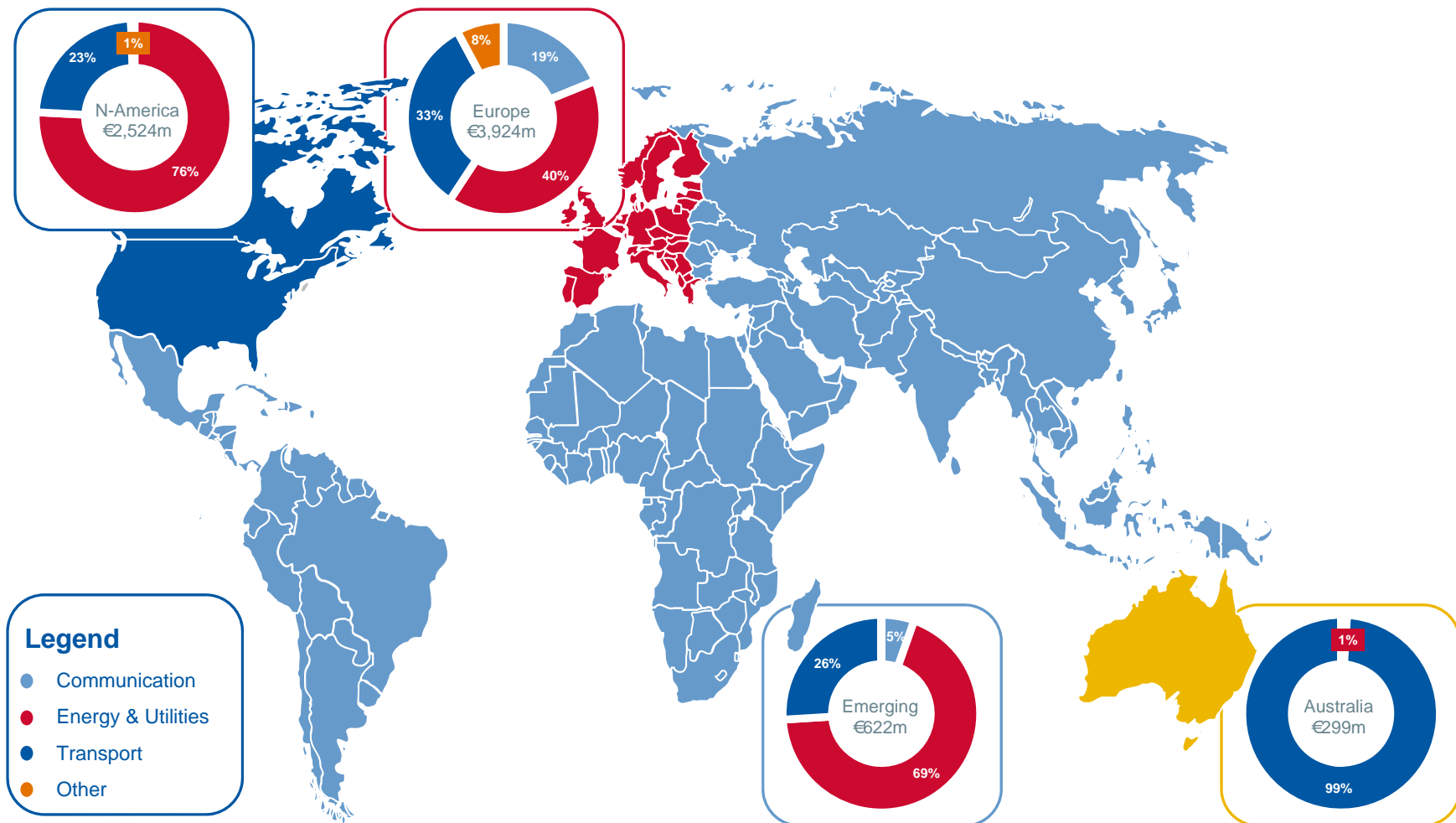
- Ability to generate **long term**, predictable cash flows
- **Cash yield** in contrast to exit multiples
- **Regulated** sectors or near monopolies
- **Tangible** assets
- Revenues correlated with **inflation**
- Relatively **low risk** and low volatility
- **Low correlation** to other investment assets
- High **barriers** to entry
- Limited dependence on economic / business cycle



KEY RISK RETURN DRIVERS

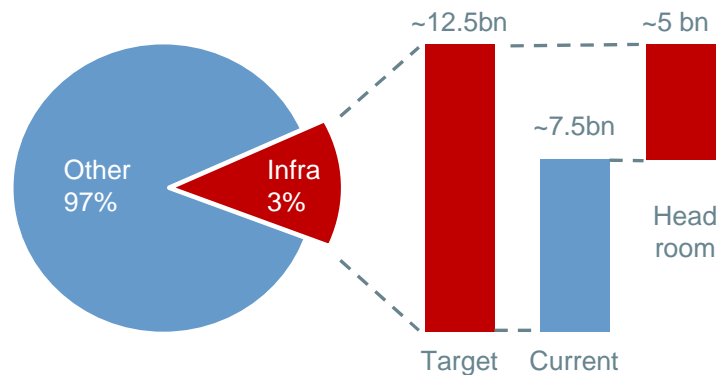
1. Contractual and regulatory arrangements are the primary drivers of cash flows and risks to equity, while lifecycle stage of infrastructure projects (construction to operations), demand elasticity and financial leverage importantly impact predictability and volatility of returns
2. Correlations between regional returns are all positive and high, but not perfectly, providing scope for geographical diversification

APG HAS INVESTED ~€7.5 BN WITH MAJORITY IN EU AND US

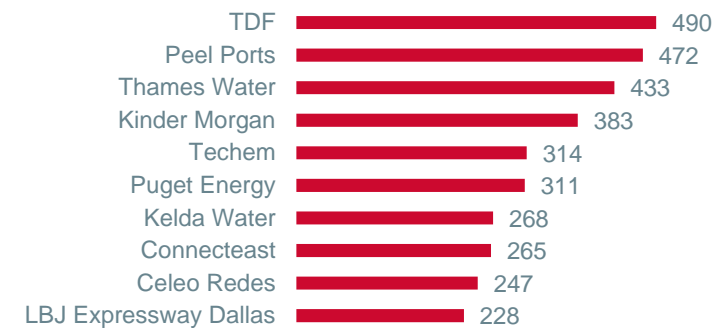


(I) ROOM FOR OVERALL GROWTH AND LARGER TICKETS, (II) UNDERWEIGHT IN CORE ASSETS AND (III) TRANSPORT AND E&U ARE OUR LARGEST ASSET SECTORS

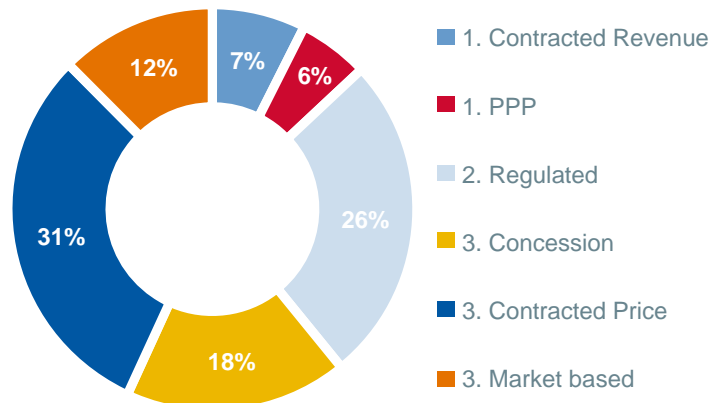
Target allocation



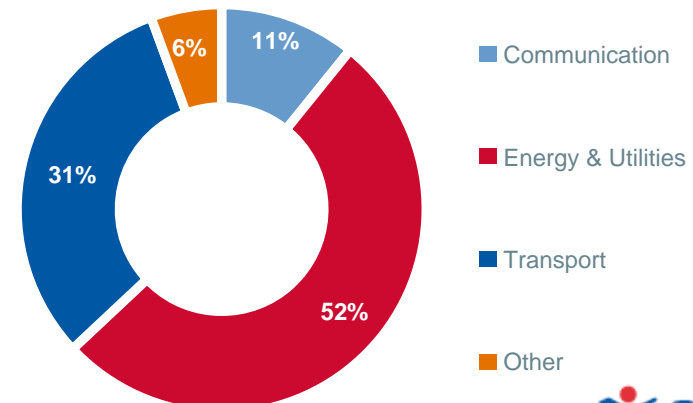
Top 10 assets



Assets by group style



Assets by sector



APG AS INVESTMENT PARTNER

- Strong track record in executing (direct) transactions in consortia
- Open to structure investments to get the right risk profile
- Can take large equity tickets, with sufficient dry powder
- Extensive network in the infrastructure community both with likeminded as well as strategic investors
- Leader in responsible investing with a strong focus on governance and ESG matters



CELEO REDES IS A PLATFORM THAT OWNS, DEVELOPS AND OPERATES HIGH VOLTAGE TRANSMISSION LINES AND ACCOMPANYING SUBSTATIONS IN BRAZIL AND CHILE

Overview

- **Business** Transmission Lines
- **Sector** Energy & utilities - Transmission
- **Closed** September 2014
- **Amount** €247 million
- **Ownership** 49%
- **Location** Brazil, Chile

Rationale

- Portfolio positioned to further capitalize on the projected growth of the Latin American transmission markets
- Assets with long term visibility on revenues due to the contracted nature
- Partnership with Elecnor, a leading developer and operator of electricity and gas transmission assets
- Strong governance position for APG

Asset – Linha de Transmissão Triângulo



Highlights

- Low-risk pure-play transmission platform with sixteen assets in portfolio. Twelve are in Brazil and the remaining four in Chile
- Compelling platform for growth
- Company and management with a proven track record
- Low operational risk
- Stable investment environment

THROUGH APG-ONLY ACCOUNTS WE HAVE INVESTED A SIGNIFICANT AMOUNT IN SOCIAL INFRASTRUCTURE

Overview

- **Business** Public Private Partnerships (PPP)
- **Sector** Social Infrastructure
- **Closed** January 2012 + subsequent closes
- **Ownership** 95%
- **Location** Europe

Rationale

- Managed account tailored towards APG's needs with large amount of control and flexibility
- Availability based revenue scheme with no terminal value risk (concession based return)
- Investments have high social importance and are classified as 'high sustainability investments'
- Strategy responds to large European infrastructure investment needs/program

Asset – Various PPP assets



Coslada Hospital Madrid



Ministry of Finance the Netherlands



Tribunal de Grande Instance (Courthouse) Paris



M6 Road Hungary

Highlights

- Low-risk pure-play PPP platform, with 30 assets in portfolio, all located in Europe
- Compelling platform for growth – pipeline of assets coming exclusively to the platform
- Manager with a proven track record
- Attractive risk-return profile for predominantly no-volume-risk deals
- Low operational and technology risk

RESPONSIBLE INVESTMENT POLICY

Sustainability one of APG's Investment Beliefs

"...responsible investment is a way to improve the investment portfolio's risk-return profile and simultaneously contributing to sustainable development."

Eight pillars of Responsible Investment Policy

1. Integrate sustainability in investment decisions
2. Use our influence
3.

SUSTAINABILITY INTEGRATED IN EVERY STEP OF THE PROCESS

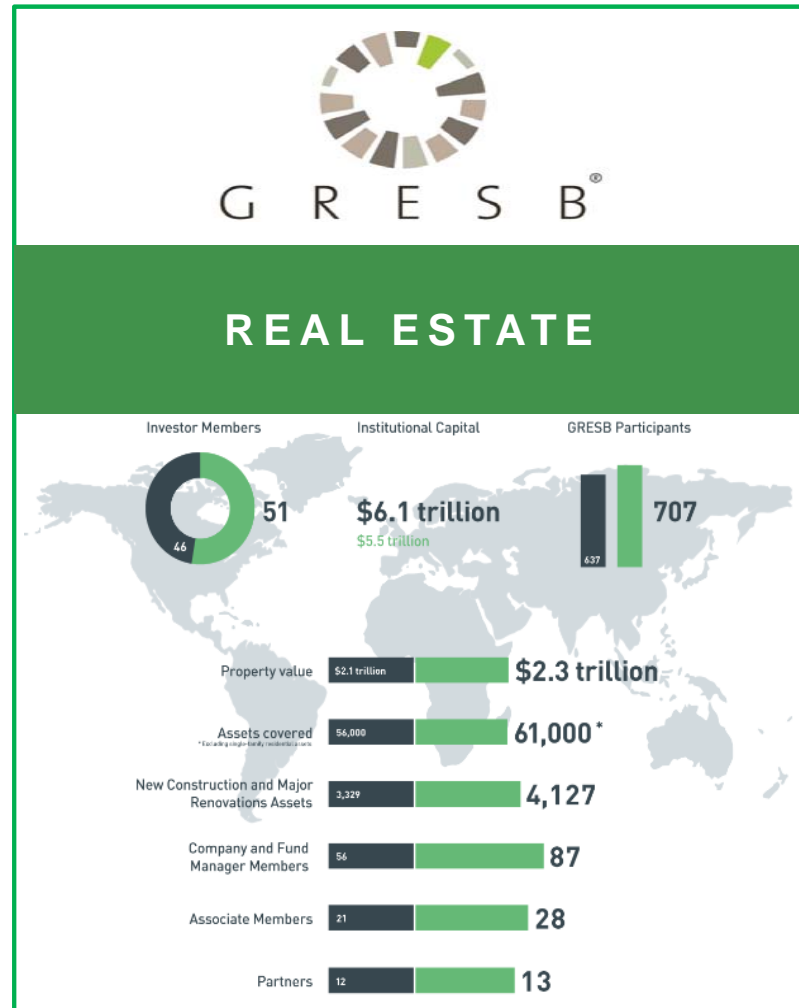
Close collaboration between portfolio managers and Sustainability and Governance team

- Formal ESG sign-off for all new investments
- Conditions where relevant
- Active dialogue during investment phase
- Annual review sustainability performance



ROLE OF STANDARDIZED INFORMATION

2009



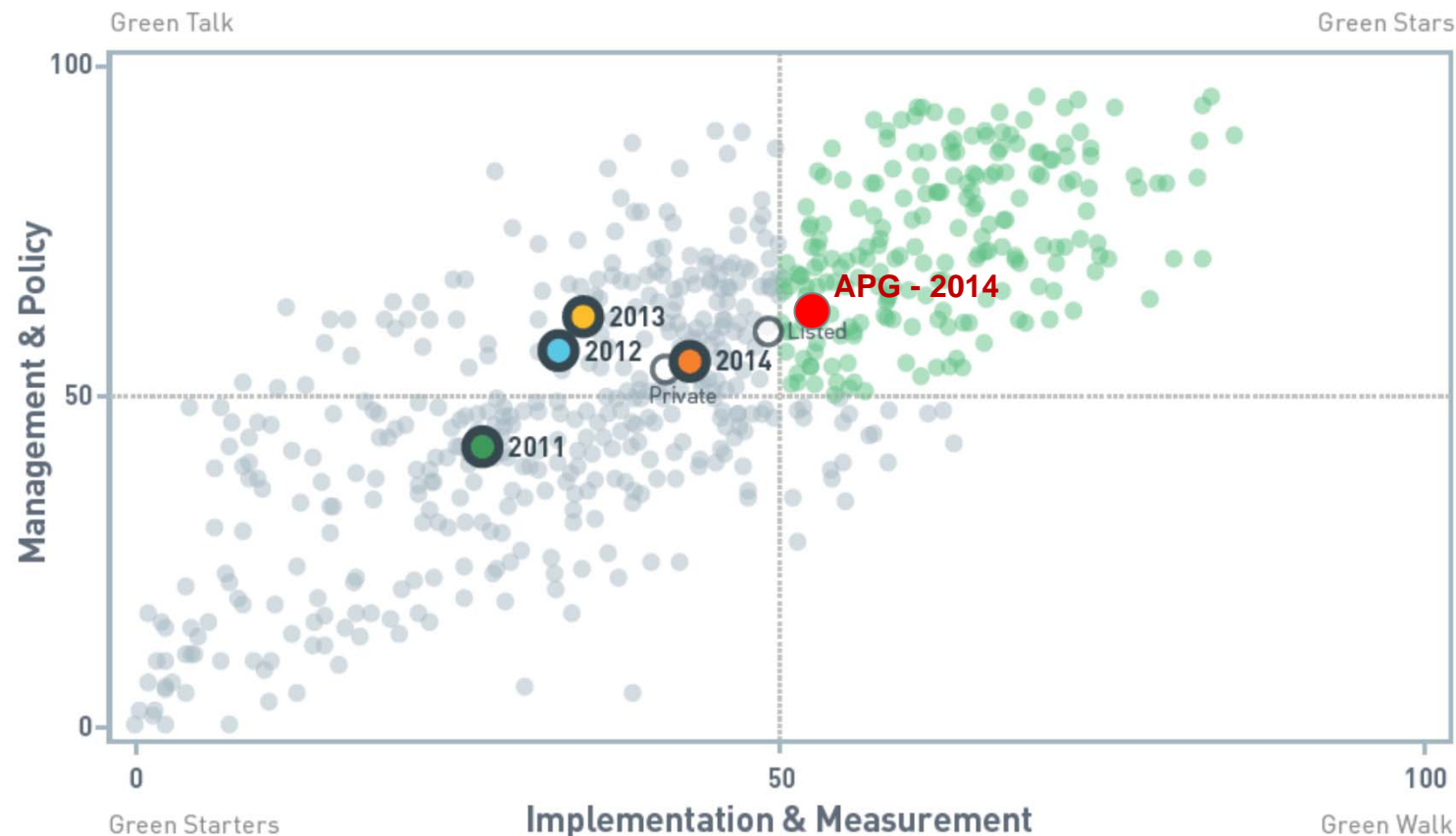
2015



SUSTAINABILITY BENCHMARKING

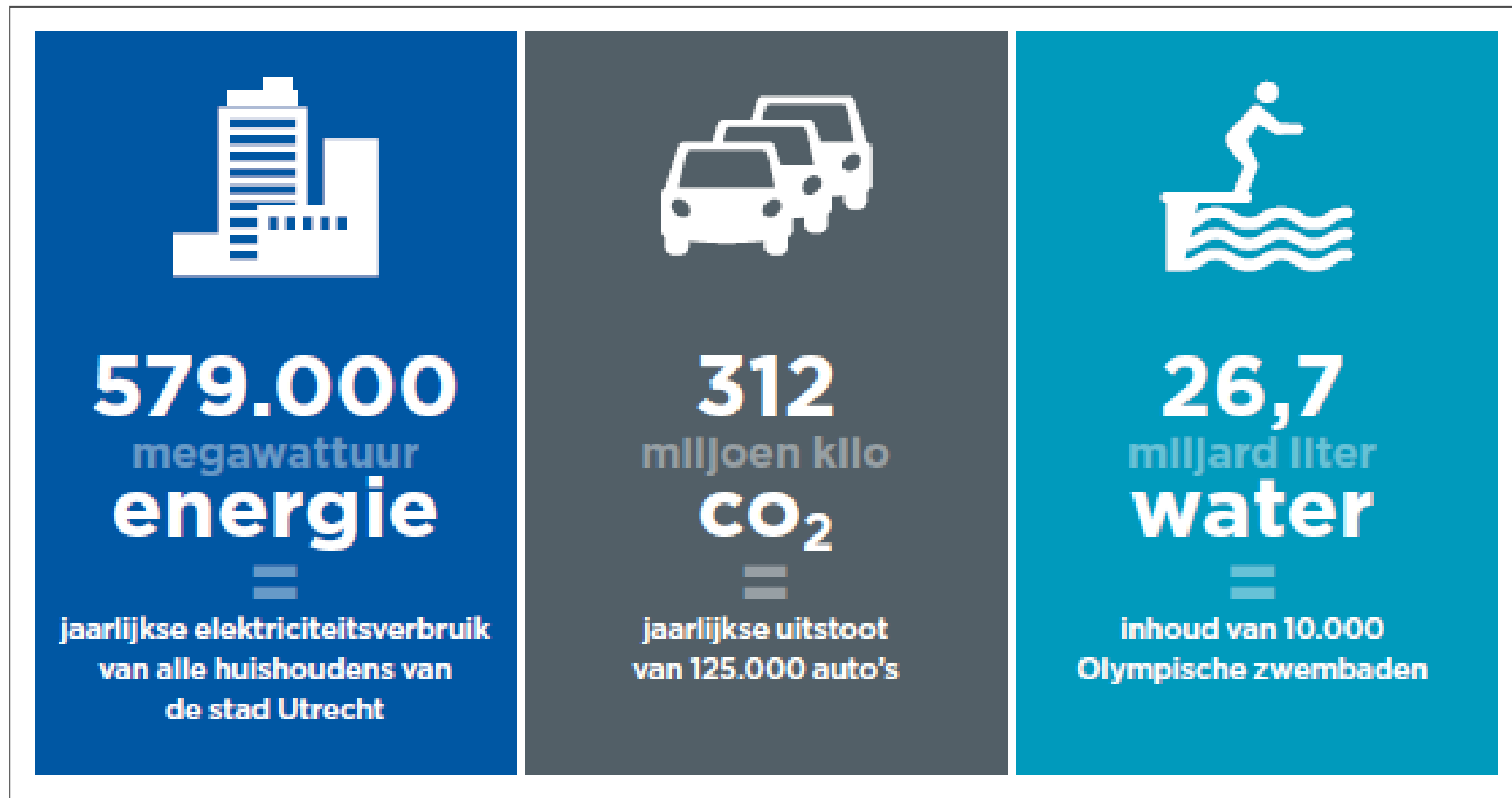
Comparing managers against peers and our own portfolio against the GRESB average

GRESB Global average scores (2011-2014)



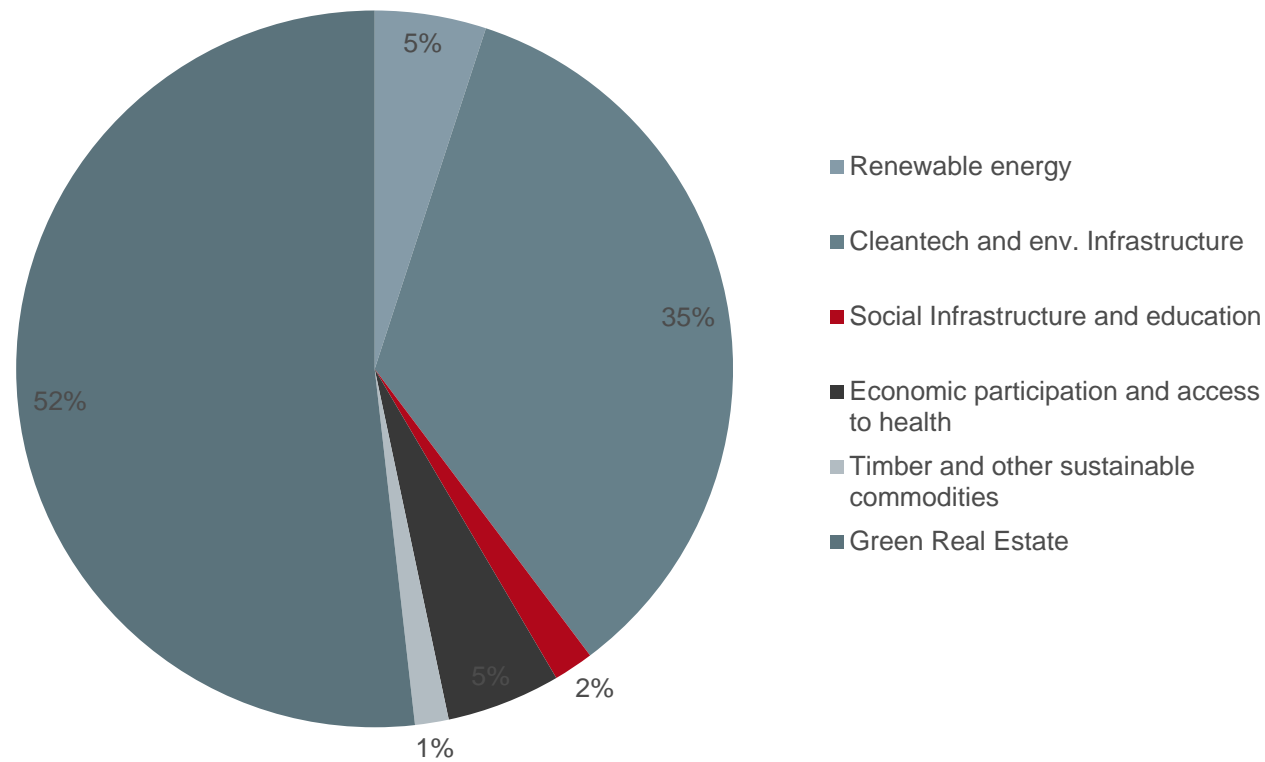
IMPACT MEASUREMENT

Quantifying savings of our real estate managers and operators



INVESTING IN SOLUTIONS

~8% of AuM invested in High Sustainability Investments in 2014



INVESTING IN SOLUTIONS

Determined to accelerate our investments in renewables to contribute to the energy transition and climate goals



**CLIMATE
SUMMIT 2014**
CATALYZING ACTION

UN HEADQUARTERS - NEW YORK
23 SEPTEMBER 2014



“We will double our
investments in renewable
energy in three years time”

IMPORTANT INFORMATION

Addresses

APG Asset Management NV, Amsterdam
Symphony Building
P.O. Box 75283, 1070 AG Amsterdam
Gustav Mahlerplein 3, 1082 MS
Amsterdam
Tel. 00-31-20-60-48000

APG Asset Management NV, Heerlen
P.O. Box 2889, 6401 DJ Heerlen
Oude Lindestraat 70, 6411 EJ Heerlen
Tel. 00-31-45-57-99222

APG Asset Management US, Inc.
666 Third Avenue, Second Floor
New York, NY 10017, USA
Tel. 00-1-917-368-3500

APG Asset Management Asia, Ltd.
5/F Chater House
8 Connaught Road Central
Hong Kong
Tel. 00-852-3769-0300

General disclaimer

This presentation has been prepared by APG Asset Management N.V. ("APG AM NV"). This presentation has been prepared for information and discussion purposes only and does not form part of an offer, nor an invitation to an offer. By preparing this presentation, APG AM NV might have used (unverified) data of Third Parties. No representation, warranty or assurance of any kind, express or implied, is made as to the accuracy, completeness or timeliness or the information contained herein. Each recipient agrees that it will not bring any claim or lawsuit against APG AM NV or its officers, directors or employees related in any way to the content of this presentation. This presentation may contain inter alia forward-looking information, projections, forecasts and scenario-analyses. However, this presentation does not form a proposal, advice or suggestion. APG AM NV waives every liability or responsibility for (the consequences) of activities which will be undertaken, based on this presentation.