Infrastructure Debt in Emerging Markets

High protection against credit risks in times of COVID-19

Speaker: Jean-Francis Dusch

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Upcoming Webinars

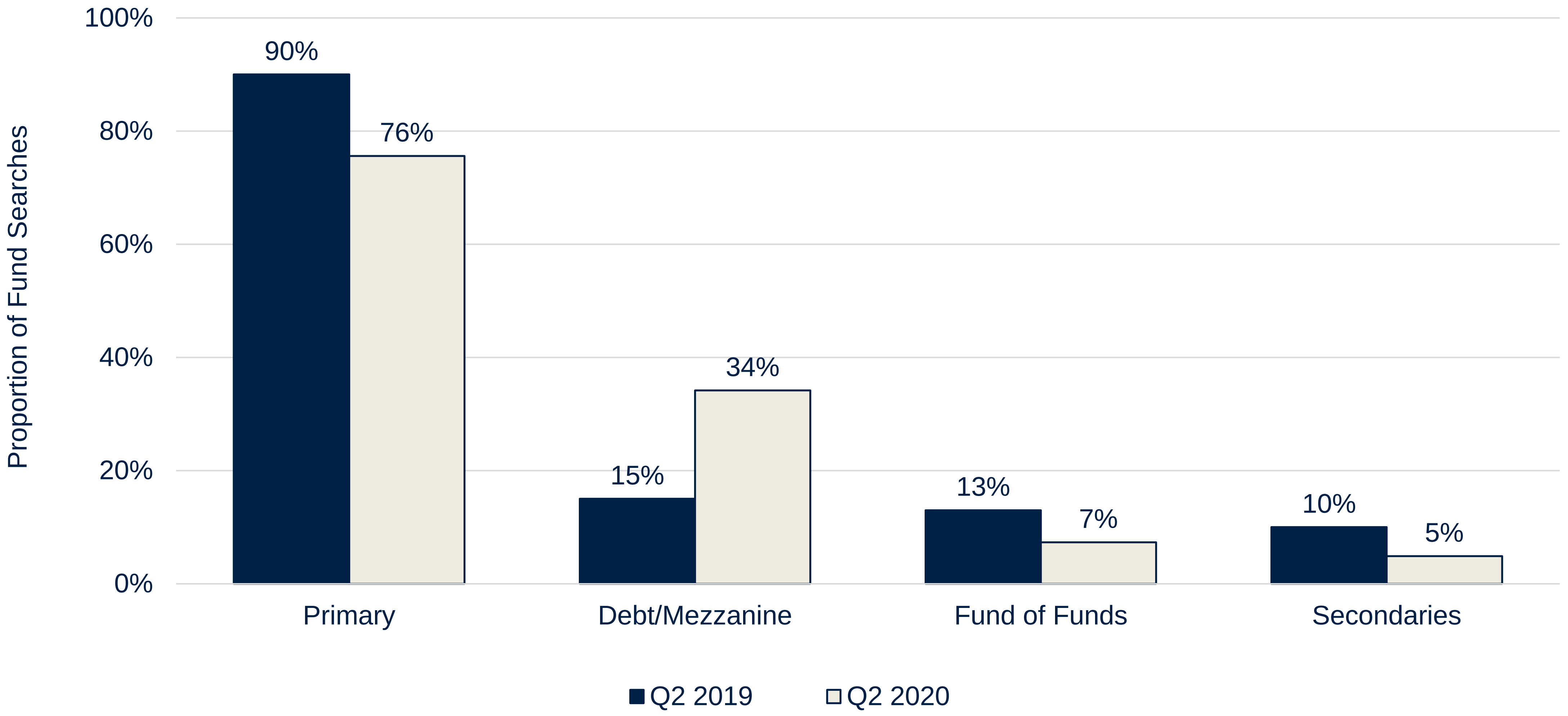
September 29, 2020 2:00 p.m. – 3:00 p.m.	Route to Recovery The New Landscape of Commercial Aviation Finance

with EnTrust Global

September 30, 2020 11:00 a.m. – 12:00 p.m.	Trade Finance as an Investible Asset Class

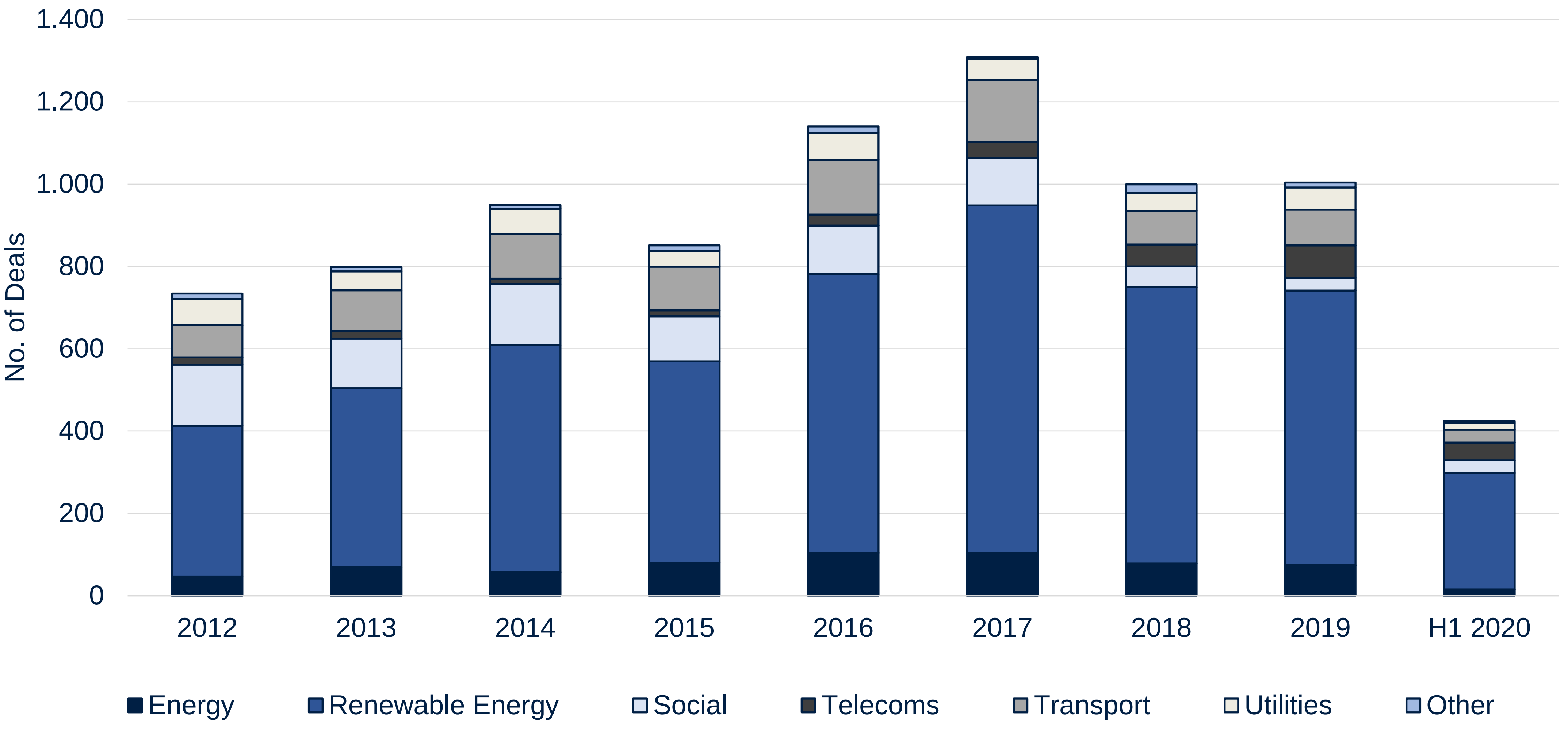
with PEMBERTON

Strategies Targeted by Infrastructure Investors
over the Next 12 Months



Source: Preqin Quarterly Update: Infrastructure Q2 2020 (July), Figure 8

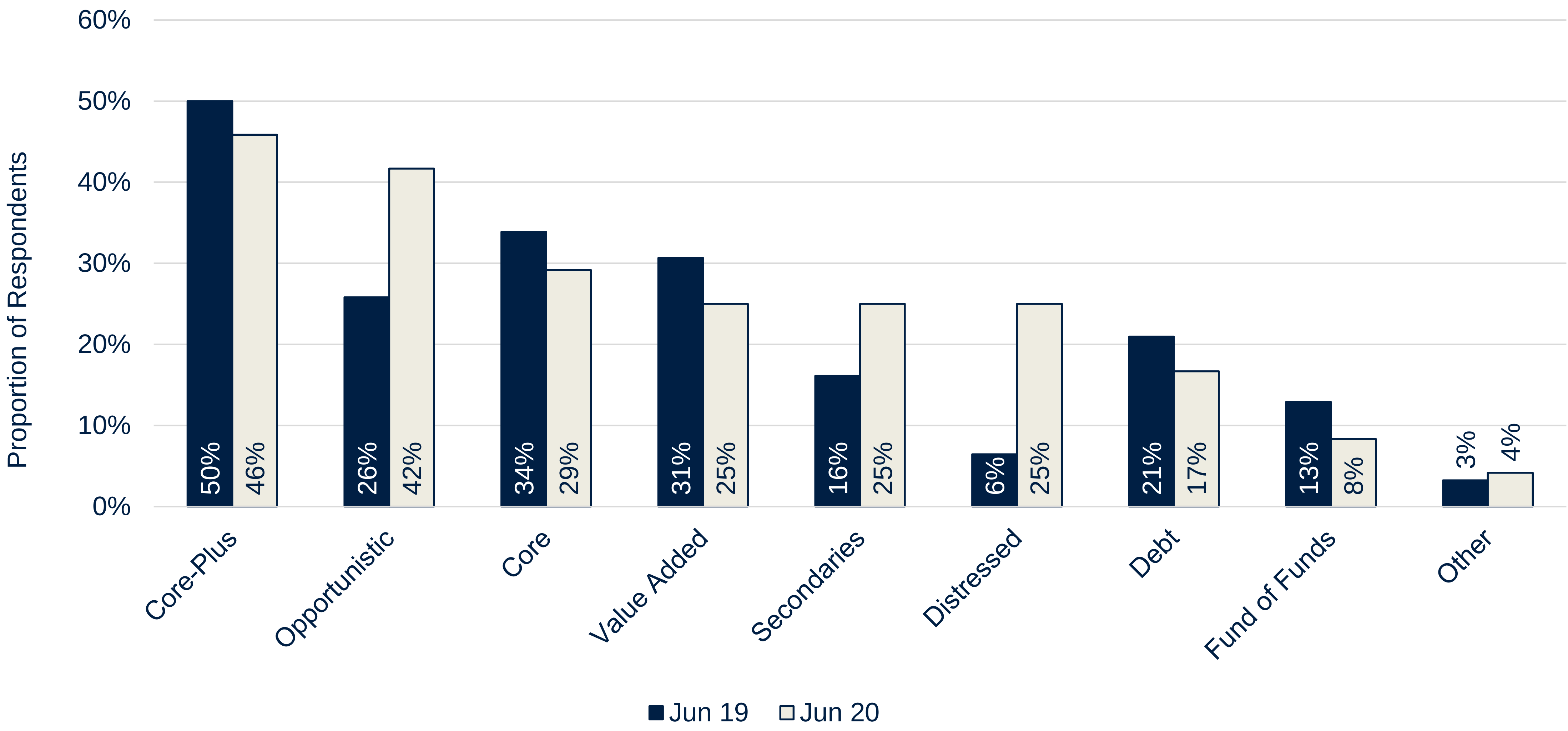
Infrastructure Deals in Europe



Source: 2020 Preqin Markets in Focus: Alternative Assets in Europe (September), Figure 6.2

Fund Types Presenting the Best Opportunities in Infrastructure

(Investor views)



Source: Preqin Investor Update: Alternative Assets H2 2020 (August), Figure 34

EDMOND DE ROTHSCHILD

Infrastructure Debt in Emerging Markets:

High protection against credit risks in times of COVID-19

Jean-Francis Dusch, CEO Edmond de Rothschild Asset Management (UK) Limited,
CIO BRIDGE – Global Head of of Infrastructure, Real Assets and Structured Finance

BAI Webinar, September 24, 15:00h – 16:00h

AGENDA

INFRASTRUCTURE DEBT AND EMERGING MARKETS

- INFRASTRUCTURE DEBT: KEY BENEFITS & RISKS
- THE INSTRUMENTS OF INFRASTRUCTURE DEBT
- IMPACT OF COVID-19
- INFRASTRUCTURE DEBT VS. CORPORATE DEBT
- INFRASTRUCTURE DEBT IN EMERGING MARKETS
- SUMMARY





INFRASTRUCTURE DEBT: KEY BENEFITS & RISKS

INFRASTRUCTURE UNIVERSE

BROAD RANGE OF INVESTMENT POSSIBILITIES

Transport

- Road/Rail
- Airport
- Port
- Bridge
- Tunnel
- Logistic

Social

- School
- Hospital
- Prison
- Stadium

Energy

- Electricity generation (renewable/ conventional)
- Gas & oil

Utilities

- Distribution networks
- Water company
- Waste Management

Telecoms

- Fixed line
- Mobile line
- Broadband/fast internet
- Tower
- Broadcasting
- Data

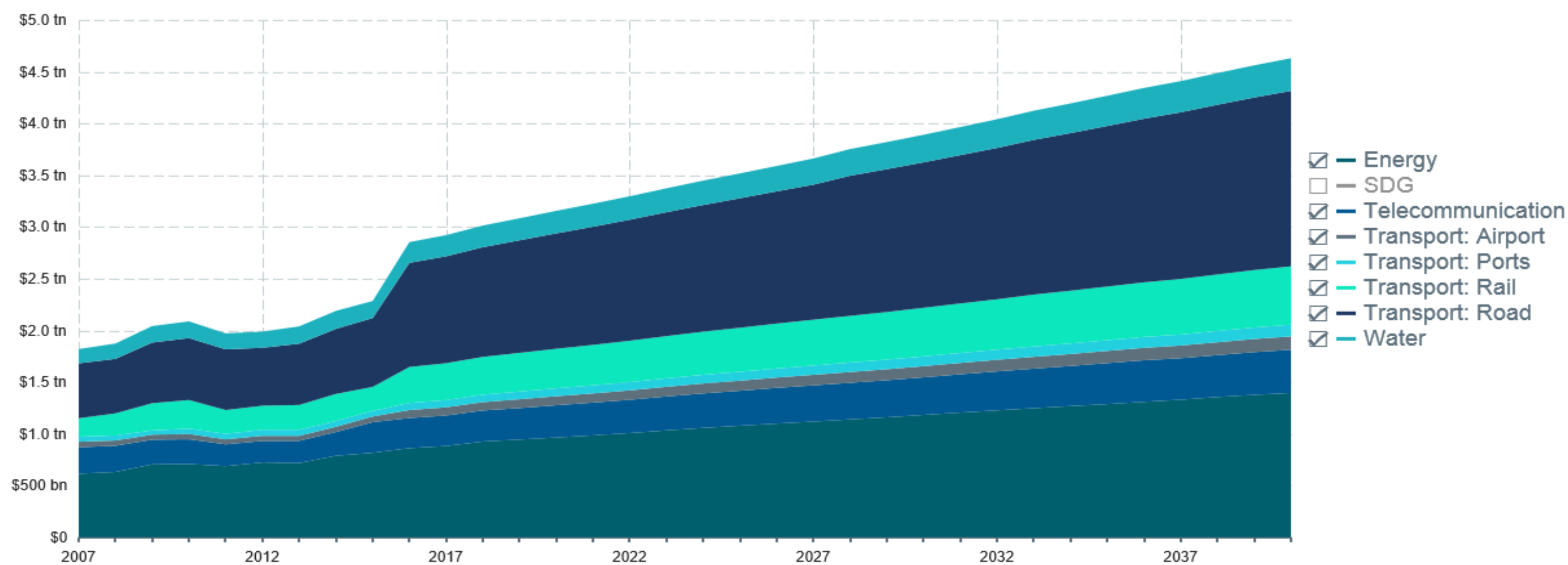
→ Financing Energy Transition, Digital Infrastructure, Modernization of Utilities, Energy Efficient Social Infra and Cleaner Transport Mobility

Source: Edmond de Rothschild Asset Management, September 2020

INFRASTRUCTURE IS A HUGE GLOBAL MARKET

STRONG DEMAND FOR INFRASTRUCTURE VIA FUNDS AND DIRECT INVESTORS

- The need for infrastructure financing is growing. The Global Infrastructure Hub, an initiative of the G20, estimates the future needs up to 2040 at USD 94 trillion.
- In the past, 3/4 of infrastructure projects were financed by bank financing.
- Basel III has reduced the long-term lending capacity of the banks.
- Heavily indebted states cannot cope with infrastructure financing needs
- Leaving room for new players: funds and direct institutional investors



Source: Global Infrastructure Hub October 2019

FINANCING STRUCTURE OF AN INFRASTRUCTURE PROJECT

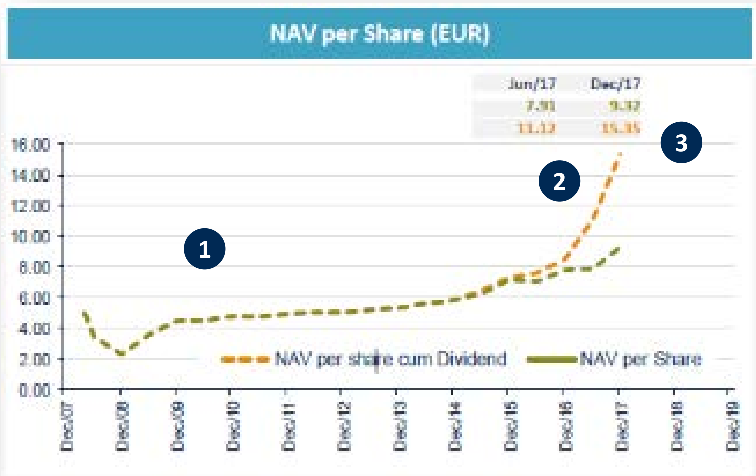
VARIOUS INSTRUMENTS ARE AVAILABLE TO INVESTORS

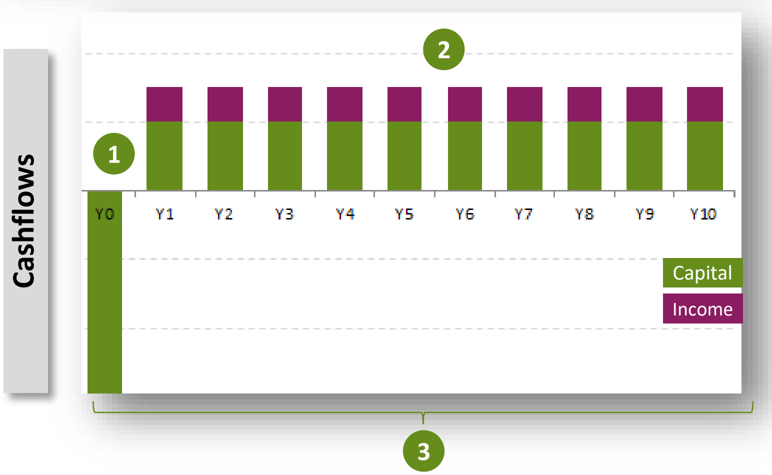
	Senior Debt	Yield Plus Debt	Equity Funds
Capitalisation	60%-90% of the sources of funding	0%-20% of the sources of funding	10%-40% of the sources of funding
Expected Yield	3%-4.5% (all-in)	4%-8% (all-in)	6%-15% (RCP) Potential upside return in the event of asset outperformance
Instruments	Loans/Obligations	Loans/Obligations	Shares /Shareholder Loans
Key features	• Based on asset value and cash flows • Greenfield / Brownfield Assets • **Regular interest / coupons and debt repayments** (except in the case of a single payment structure at maturity) • Commercial banks and institutional investors Restrictive maintenance clauses • **Senior" rank - lowest risk of default in the capital structure** • **Strong voting rights on credit issues** • Repayment profile: amortisation, balloon/ *bullet, cash sweep*	• Greenfield/Brownfield Assets • **Interest/coupons and/or debt repayment** (except in case of bullet structure) can be deferred in case of insufficient cash/PIK • Commercial banks and institutional investors • **Restrictive covenants - similar to senior lenders** • Unguaranteed • **Subordinate voting rights on credit matters** • Repayment profile: amortisation, balloon/*bullet, cash sweep* • Maturity: may be shorter than senior debt (lenders' requirement)	• Greenfield/Brownfield Assets • Ordinary or preference shares • Industrial or financial sponsors • Equity capital market (listed or direct investments) • Less restrictive clauses - more collaborative • **Active involvement in the management of the company** • **No voting rights on credit matters** (except Equity Curve right) • Control: Change of shareholders may take place prior to the maturity of the Senior Debt (subject to agreed transfer principles). • **Exit strategies: IPO, sale, transfer (BOT), repurchase, liquidation, etc.**
Securities/ Collateral	• Use of project assets • Secured instrument collateralised with specific tangible/physical asset(s) and/or contract(s).	• Possible use of project assets • Subordinated securities with tangible/physical asset(s) and/or specific contract(s)	• Sponsors are exposed to volatile cash flows

Source : Edmond de Rothschild Asset Management, September 2020. Yield not guaranteed.

DEBT VS. PRIVATE EQUITY STRATEGY

YIELD PLUS DEBT OFFERS A DIFFERENT CASHFLOW PROFILE THAN PRIVATE EQUITY





Private Equity

1. Initial costs to acquire the asset are **borne by the fund** (inc. legal, technical, tax, financial due diligence). If the asset is not acquired **it becomes an abort cost.**

2. Income via dividends which can vary in size and timing, giving a degree of volatility to equity cash flows.

3. **Cashflows and return on equity are predominantly back ended**, with ultimate return (IRR) **dependent on successful exit** at an unknown level and, to a certain degree, time horizon.

Infrastructure Debt

1. Unlike equity investments, **lenders tend to receive an initial up front fee** following successful closing of a transaction. **Although due diligence costs are even higher** due to the level of credit protection sought by the lender, **these are borne by the borrower irrespective of a commitment/ funding from the lender (no abort cost).**

   Income via scheduled interest / coupon payments at regular intervals, **giving strong predictability of cashflows.**

2. **Accumulated cashflows tend to grow faster than for equity relative to initial investment.** This includes repayment of principal – essentially the repayment of the

3. initial investment – which for equity tends to be back ended.

Source: Edmond de Rothschild Asset Management, September 2020

BENEFITS OF INVESTING IN INFRASTRUCTURE DEBT(1/2)

LONG-TERM & STABLE CASH FLOWS

- Long term cash flows matching investors' long term liabilities
- High visibility and predictability on yields
- Low volatility compared to other asset classes

LOW RISK

- 10- years cumulative default rates below 5%*
- Recovery rates of more than 70%*
- For certain projects known as availability based: the counterparty is a state risk

LOW CORRELATION

- Negative correlation
- Not directly linked to the international markets

INFLATION-LINKED

- Inflation-linked pricing or contracts
- Long term hedge
- Improvement of the instruments and contracts

ILLIQUIDITY PREMIUM

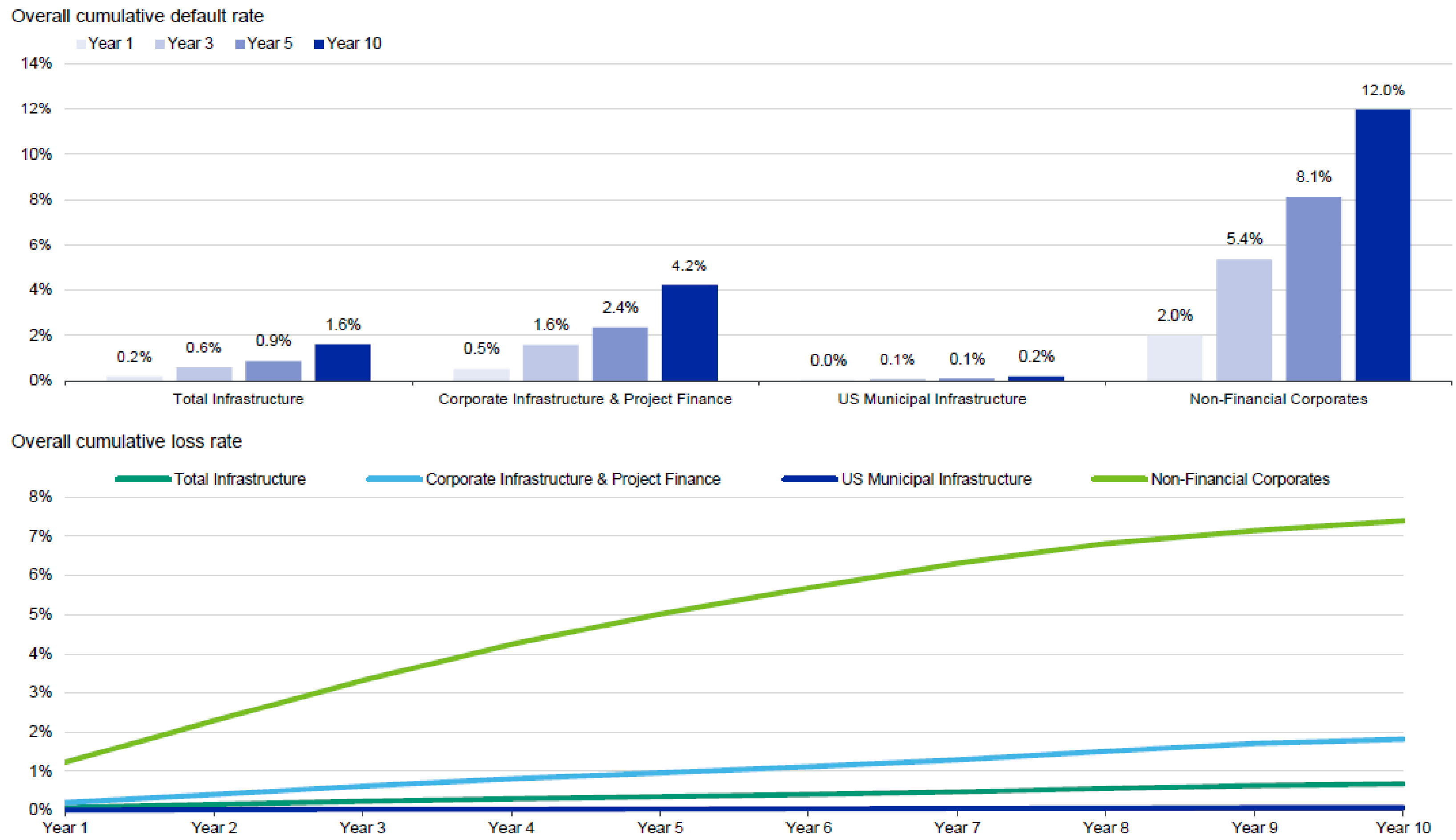
- Assets unlisted and not traded on the open market
- Entry barriers
- Attractive yields when compared against publicly traded assets

Source: Edmond de Rothschild Asset Management, September 2020

**Source: Moody's Infrastructure default and recovery rates, 1983-2018*

BENEFITS OF INVESTING IN INFRASTRUCTURE DEBT (2/2)

Average overall cumulative default and loss rates, 2009-18

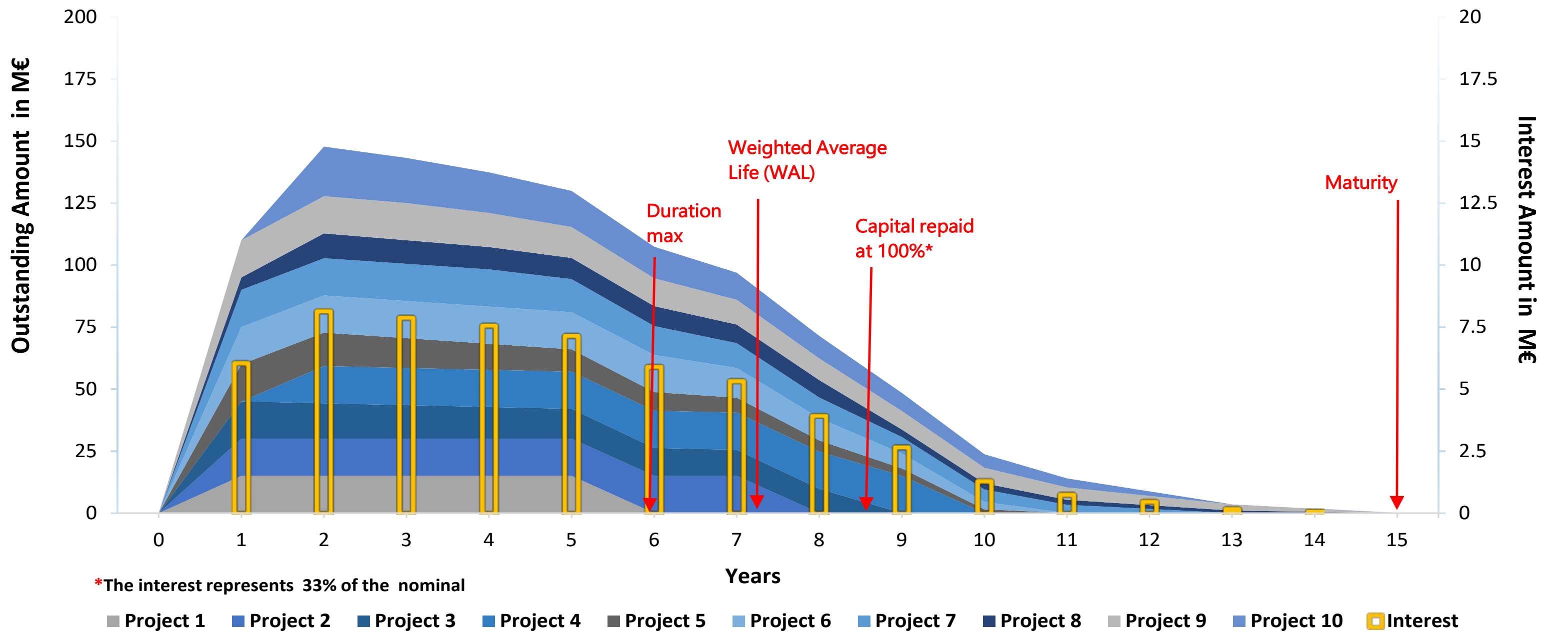


Source: Moody's Investors Service

***Source: Moody's Infrastructure default and recovery rates, 1983-2018**

INFRA DEBT – INDICATIVE SIMULATION OF CASH FLOWS

- **Based on a target portfolio breakdown in terms of sectors and assets (greenfield/brownfield) we have developed an indicative forecast of the estimated drawdown and repayment profile for a Yield Plus fund**
- Target assets are expected to have tenors ranging from 5 to 15 years
- Financings are expected to have either a bullet repayment or an amortisation profile starting between year 1 and year 2, thus resulting in an average portfolio life of ca. 7-8 years and an average portfolio duration of ca.6 years
- Approximately 50% of the fund commitments are expected to remain outstanding at years 7-8
- Weighted Average Life (WAL) is usually equal to 2/3 (or even ½) of the maturity and the duration is closer to ½ of the maturity due to the receipt of interest (on top of the contractual repayments)



Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cashflow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance. The Fund will be under no obligation to achieve the indicative targets or average lives and the actual drawdown and repayment profile of any fund may vary substantially from that indicated above.

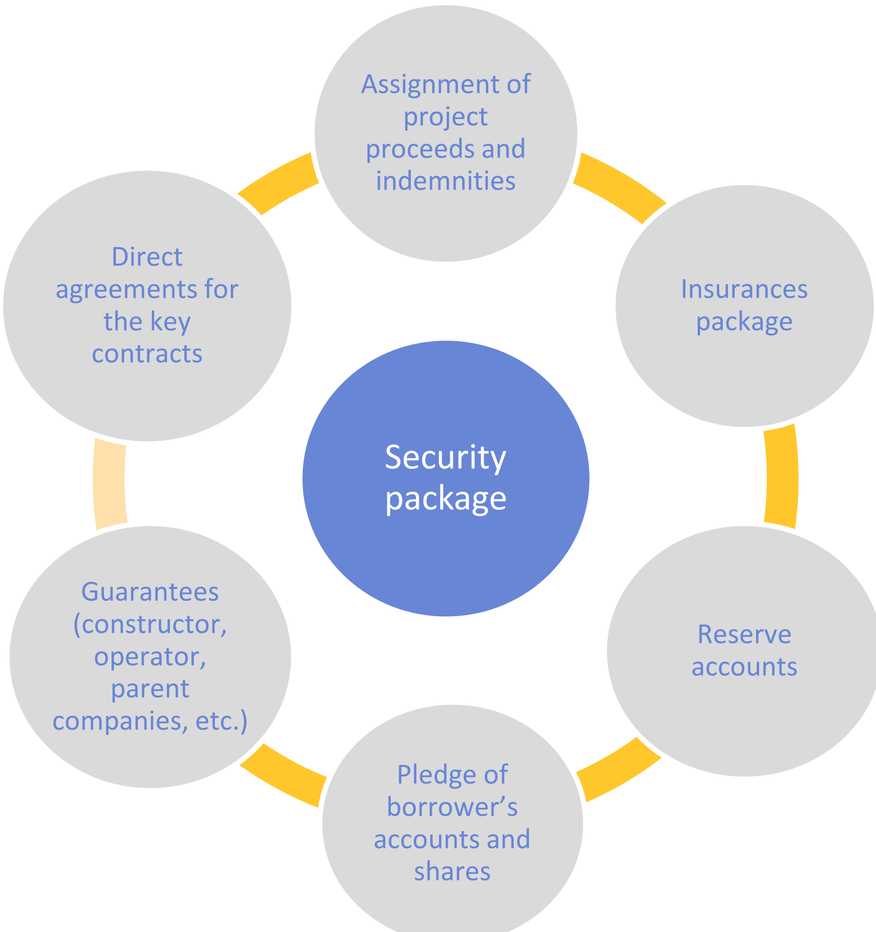
KEY RISKS OF INFRASTRUCTURE DEBT

AND HOW TO MITIGATE THEM...

RISK	SOLUTION
Financial: re-payment, depreciation, interest construction (delays, extra costs, defaults, etc.)	› Selection at the earliest stage of sound projects resisting conservative downside and stress-test scenarii › Strong documentation with effective covenants and enforceable security package alongisde strong guarantees and risk transfer to sub-contractors
Political, regulatory	› Prudent choice of jursidcitions with a strong and proven legal framework and protective provisions (eg. Change in law)
Merchant, commercial Fire, natural disasters (force majeure) Technological changes	› Strong prudential stress tests on adverse scenarios › Contractual clauses, insurances › Selection of proven technologies and control of obsolescence risk
Maintenance Renewal/refurbishment	› Transfer of risk to subcontractors, stress tests and guarantees › Transfer of risk to subcontractors, stress tests and technical expertise

Source: Edmond de Rothschild Asset Management, September 2020

SECURITY PACKAGE IN INFRASTRUCTURE PROJECT FINANCE



HOW TO MONITOR THE INVESTMENT?

VARIOUS OPPORTUNITIES SECURE POSSIBLE RISKS

- Semi-annual unaudited accounts
- Annual audited accounts
- Budgets and financial model updates
- Ratios certificates
- Monthly or quarterly reports by an independent engineer
- Summaries of the assets' performances
- Constructor reports
- Borrower reports
- …

GOAL: PROTECT INVESTORS, DELIVER A STRONG RISK/ RETURN, ACCEPT NO LOSS IN CAPITAL FOR A BUY AND HOLD STRATEGY FINANCING THE REAL ECONOMY AND SUSTAINABLE DEVELOPMENT

Source: Edmond de Rothschild Asset Management, September 2020

CHARACTERISITICS OF A WELL-PERFORMING INFRASTRUCTURE DEBT FUND

AN EXTENSIVE DEDICATED TEAM WITH:

A proven track record

10 years is a minimum to be "senior"

An excellent knowledge of international markets

French and German roads are different

Extensive sector's knowledge

Rail ≠ Road

Experiences (origination, structuration, monitoring, credit, …)

Many things may happen in 20 years

A priviledged network with key infrastructure players

Industrials

Financial sponsors

Public authorities

Lenders (banks, institutions, multilateral, organisations, …)

Source: Edmond de Rothschild Asset Management, September 2020

IMPACT OF COVID-19

THE IMPACT OF COVID-19 ON INFRASTRUCTURE DEBT INVESTMENTS

Setting the scene

Anticipating the long-term impact of COVID-19 is difficult, as the situation is rapidly changing, and new headlines break daily.

Infrastructure has historically consistently proven resilient to economic/financial market shocks (see crisis of 1998, 2003, 2008, 2011) as it offers a defensive positioning and assets are structured to resist adverse conditions and volatility in the long run. This is even more true for infrastructure debt.

Sector view

Limiting exposure to volume risk infrastructure, especially:

i. toll roads where there is “young/ not proven” ramp-up;

ii. regional airports;

iii. large high speed rails (with non-proven ramp-up); and

iv. ferries.

These seem to be the most vulnerable investments. On the contrary:

i. Conservatively structured renewable energy assets backed by strong off take agreements from solid corporate and solid feed-in tariffs as part of the Energy Transition;

ii. telecoms assets in fibre optic with limited roll-out and ramp-up risk (yellowfield) as well as large towers businesses as part of the infrastructure digitalization;

iii. utilities assets especially natural resources storage;

iv. a limited number of assets with pure construction risk (greenfield – ca. 15% of the overall EDR infrastructure debt platform) as of now.

All contributes to having, as things stand, relatively COVID-19 resilient portfolios.

Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

INFRASTRUCTURE DEBT MARKET OUTLOOK

An opportunity for debt funds/ institutions

In the short/ medium term, activity level remains high.

With the relaxation of the lockdown in many countries, Q3/2020 has been very busy so far and we expect also Q4/2020 to generate several investment opportunities.

Any repricing upwards will be captured as we structure/ lead transactions

Corporate spreads have largely returned to pre-COVID 19 levels. Although it is difficult to predict the trend as of now, with a **BBB IG bonds** benchmark at 200bps+, **such bonds have a higher probability of default** (cumulative 5-year above 15% against still less than 2% for infrastructure debt over longer maturities) **and a lower recovery rate** (ca. 40% at that price point when infrastructure debt will remain close to 100% or above for the Senior debt).

Therefore, infrastructure debt not only has proved to be resilient but also remains attractive from a risk return standpoint. Should the increase in credit spreads become more sustainable, infrastructure debt would capture it.

In the medium/ long term infrastructure will remain key to support the economy

Last but not least, we believe that **governments will put an increased emphasis on infrastructure to boost the economy**. Programs were announced even before the COVID-19 crisis (the latest one being the ca GBP 700 bn program in the UK announced in early March 2020).

Overall, **what made infrastructure debt attractive** until the COVID-19 crisis and related financial crisis **will remain**.

Leading, experienced infrastructure debt asset managers backed by institutions have now a great opportunity to play an even more influential role in financing the asset class, and will continue to have to redirect liquidity on several asset classes to support sovereign and corporate debt.

Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

INFRASTRUCTURE DEBT VS. CORPORATE DEBT

INFRASTRUCTURE DEBT VS. CORPORATE DEBT

ATTRACTIVENESS OF INFRASTRUCTURE DEBT IN COVID-19 TIMES

In the context of a financial crisis, such as the one facing now due to corona virus, there are some benefits to favour infrastructure debt:

- Today’s average BBB spread were at ca. 5-y 200+bps i.e. a yield of 160+bps, since one has to factor in the negative EURIBOR
- A strong senior infrastructure debt portfolio can display an average spread of 250bps with a zero-floor. Therefore it is attractive vs. the BBB corporate index with much less market volatility (and potential adjustment downwards of the current pricing) in the mid-long term
- The structure of infrastructure debt instruments significantly decreases the cumulated default rate: very unlikely it could be up to 15% and should normally remain at less than 1.5-2% with a recovery rate of 100% for senior above the BBB corporate benchmark
- For junior debt, the creditworthiness reference is more likely to be a corporate BB, which in the current market conditions involves, over 5-year a 20+% default rate and a 40% recovery rate. A strong infrastructure junior debt portfolio can achieve a ca. 8-9% cumulated default rate over 5 years and a approx. 70% recovery rate





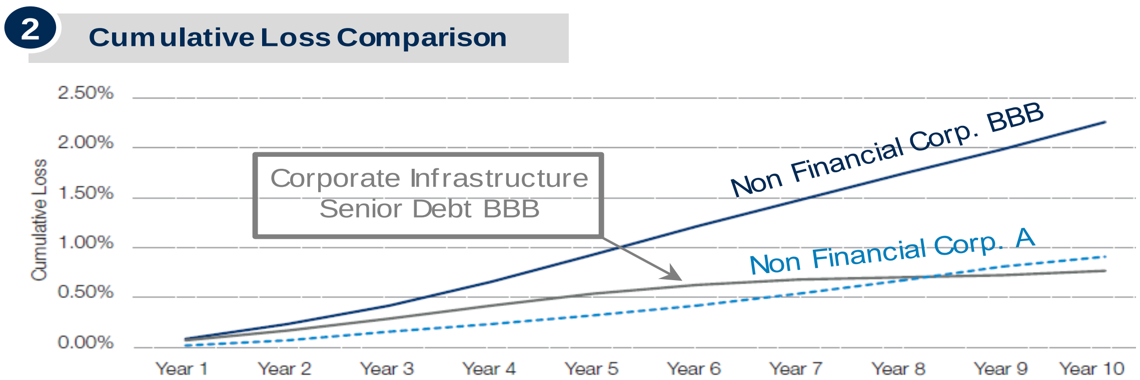
Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

INFRASTRUCTURE DEBT VS. CORPORATE DEBT

ILOWER DEFAULT RATE, STRONGER CASH FLOW PROFILE, STRONGER SECURITY PACKAGE

Infrastructure Senior Debt offers interesting characteristics:

- Limited cumulative loss levels vs Corporate Debt (2)



Source Schroders,
Moody's Infrastructure Default &Recovery rates 1983-2014

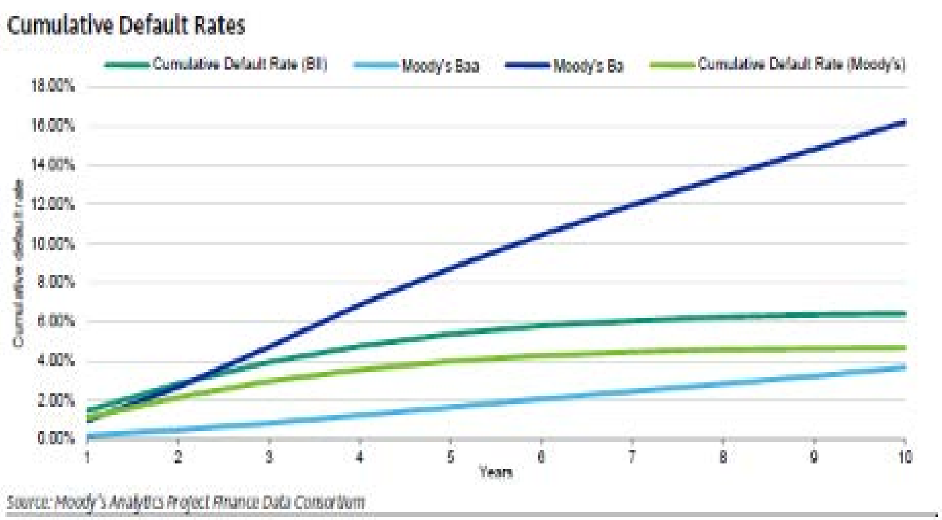
- Long-term projects and predictable cash flows with high visibility and predictability on yields with contractual repayment profiles
- Good protection against interest decreases and financial crises
- Inflation protection
- Large credit environment (sector, geography risk profile diversification)
- Socially responsible investments – ESG

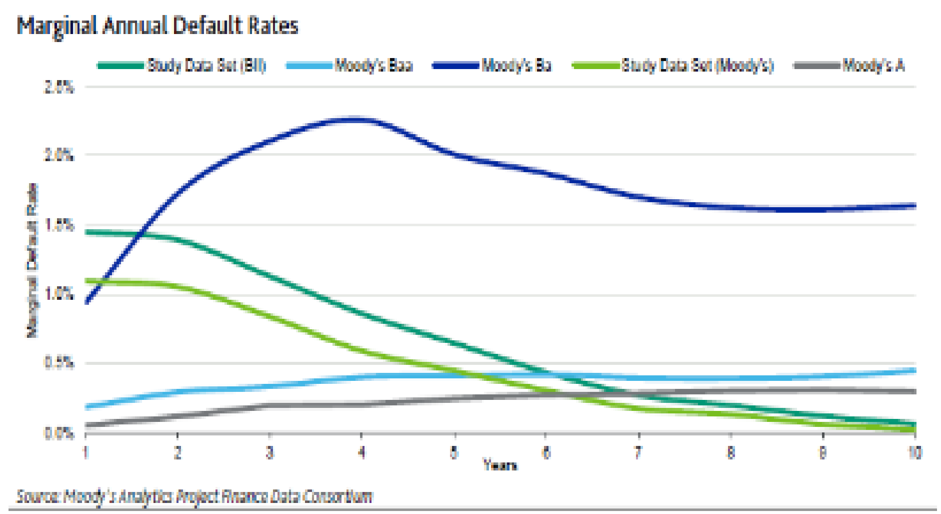
Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

INFRASTRUCTURE DEBT VS. CORPORATE DEBT

DEFAULT RATE

- The graphs show, over the duration of 8/9 years targeted by one of our infra debt senior sub-funds, a max 6% cumulative rate of default and a 0.5% annual default rate for BBB creditworthiness transactions.
- It is worth noting that that those data points below are an historic average and that our investment team, based on its experience and track-record always target to invest in deals where the default rate is as close to nil as feasible and recovery rate (via the security package) close or above 100%. Therefore our sub fund's portfolio portfolio might display even better numbers than below.





Source: Moody's Default and Recovery Rates for Project Finance Bank Loans, 1983-2015 – updated annually; Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance. The fund will be under no obligation to achieve the indicative targets or average lives and the actual drawdown and repayment profile of any fund may vary substantially from that indicated above.

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INFRASTRUCTURE DEBT IN EMERGING MARKETS

TYPICAL FUNDING SOURCES OF AN EM PROJECT FINANCING

Funding Options: an opportunity for Institutions

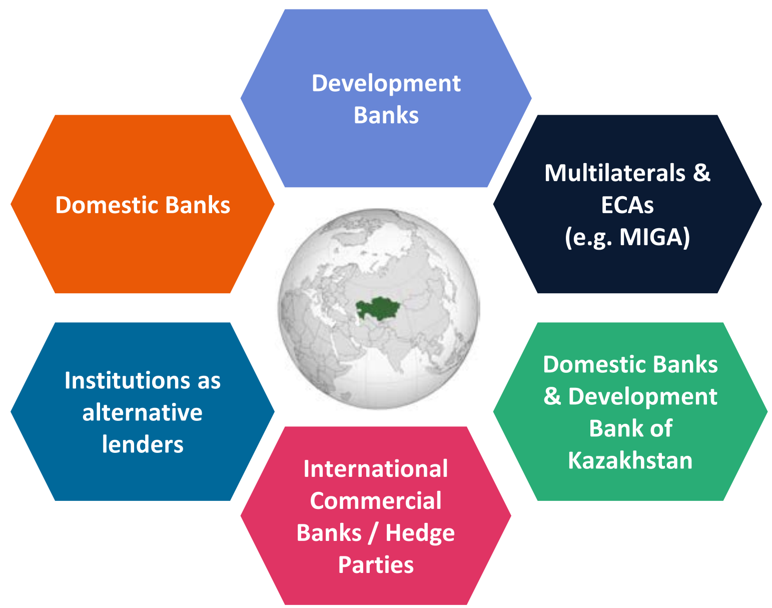
All funding solutions in EM are likely to **utilise a combination of multilaterals, development banks, ECAs, international commercial banks, domestic banks and institutions**

There is a real opportunity for institutions to **select asset managers with true expertise in emerging markets to structure well risk mitigated debt instruments** (loans or bonds) which can provide attractive spreads

Key Discussion Points

- Hedging
- Intercreditor Issues
- Environmental Assessments (ESMS, Equator Principles)
- Credit approval timings for Development Banks/Multilaterals

Market Environment		
	Senior Debt (Range of returns and defaults)	Subordinated Debt (Range of returns and defaults)
Investment Grade Asia	For USD financing, 200-400 bps	For USD financing, 500-600+ bps
Asia Pacific (Aus/NZ)	(not a region we look at)	(not a region we look at)
Investment Grade Latin America	For USD financing, 200-300 bps	For USD financing, 500-600+ bps



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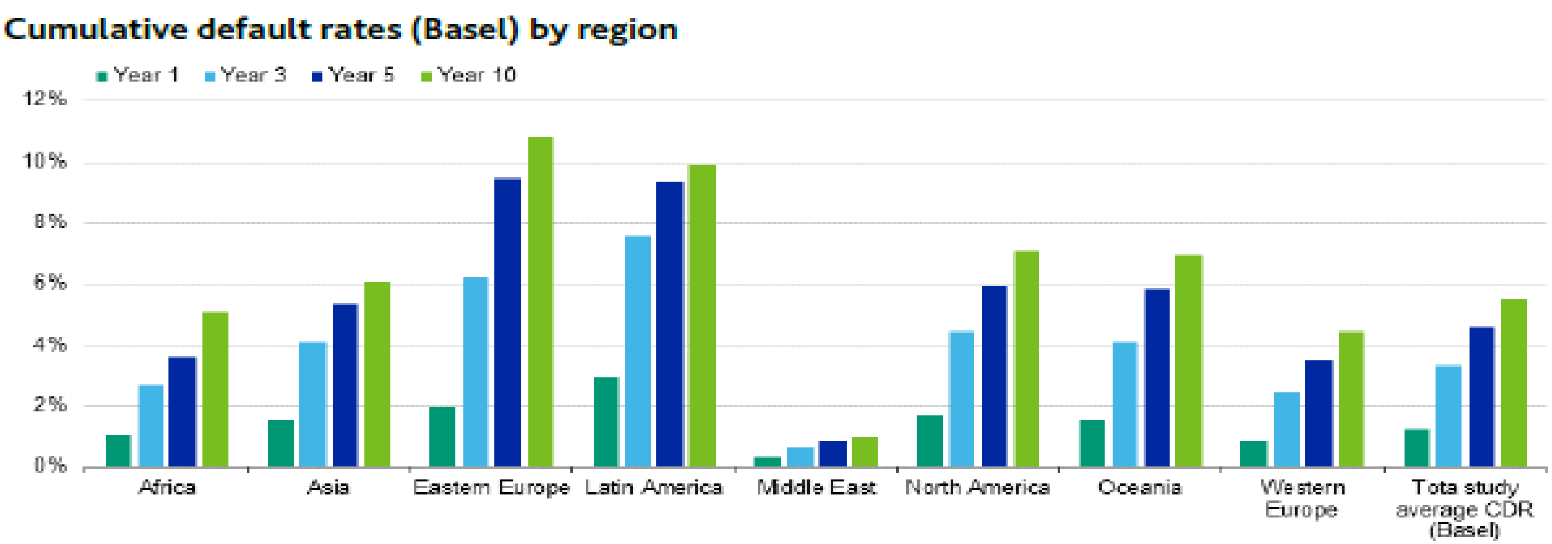
EMERGING MARKETS

DEFAULT AND RECOVERY RATES (1/2)

- According to Moody's recent study, credit performance in Emerging Markets and Developing Economies (EMDEs) has been resilient. The average 10-year Cumulative Default Rates (CDRs) for their EMDE subsets are in the 8.0%-8.4% range, and average ultimate recovery rates are close to the study average of 77.9%
- Jurisdiction tends to be a less critical driver of default risk once a project has started to build an operating record. However, the average time to emerge from default is shorter for projects in more advanced economies and Organization for Economic Cooperation and Development (OECD) countries.



Source: Data Alliance Project Finance Data Consortium

Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

EMERGING MARKETS

DEFAULT AND RECOVERY RATES (2/2)

Distribution of defaults and ultimate recoveries by region

	Basel Definition of Default					Moody's Definition of Default				
Region	Defaults	Average Years to Default (Note 1)	Ultimate Recoveries (Note 2)	Average Ultimate Recovery Rate (Note 2)	Average Years to Emergence (Note 2)	Defaults	Average Years to Default (Note 3)	Ultimate Recoveries (Note 4)	Average Ultimate Recovery Rate (Note 4)	Average Years to Emergence (Note 4)
Africa	20	4.7	7	67.1%	3.4	18	4.5	7	67.1%	3.0
Asia	59	3.6	40	78.1%	3.6	52	3.8	38	77.0%	3.5
Eastern Europe	18	4.5	4	97.9%	2.0	11	4.3	4	97.9%	2.1
Latin America	70	3.0	35	77.2%	2.4	60	3.3	32	77.9%	2.4
Middle East	7	3.2	5	82.2%	4.0	6	3.1	5	82.2%	4.0
North America	181	4.0	96	76.6%	2.1	138	4.0	87	74.6%	2.0
Oceania	29	3.8	16	79.3%	2.1	25	3.8	16	79.3%	2.2
Western Europe	203	5.0	86	78.8%	2.1	112	4.4	63	73.8%	2.3
Total	**587**	**4.2**	**289**	**77.9%**	**2.4**	**422**	**4.0**	**252**	**75.8%**	**2.4**

Notes:

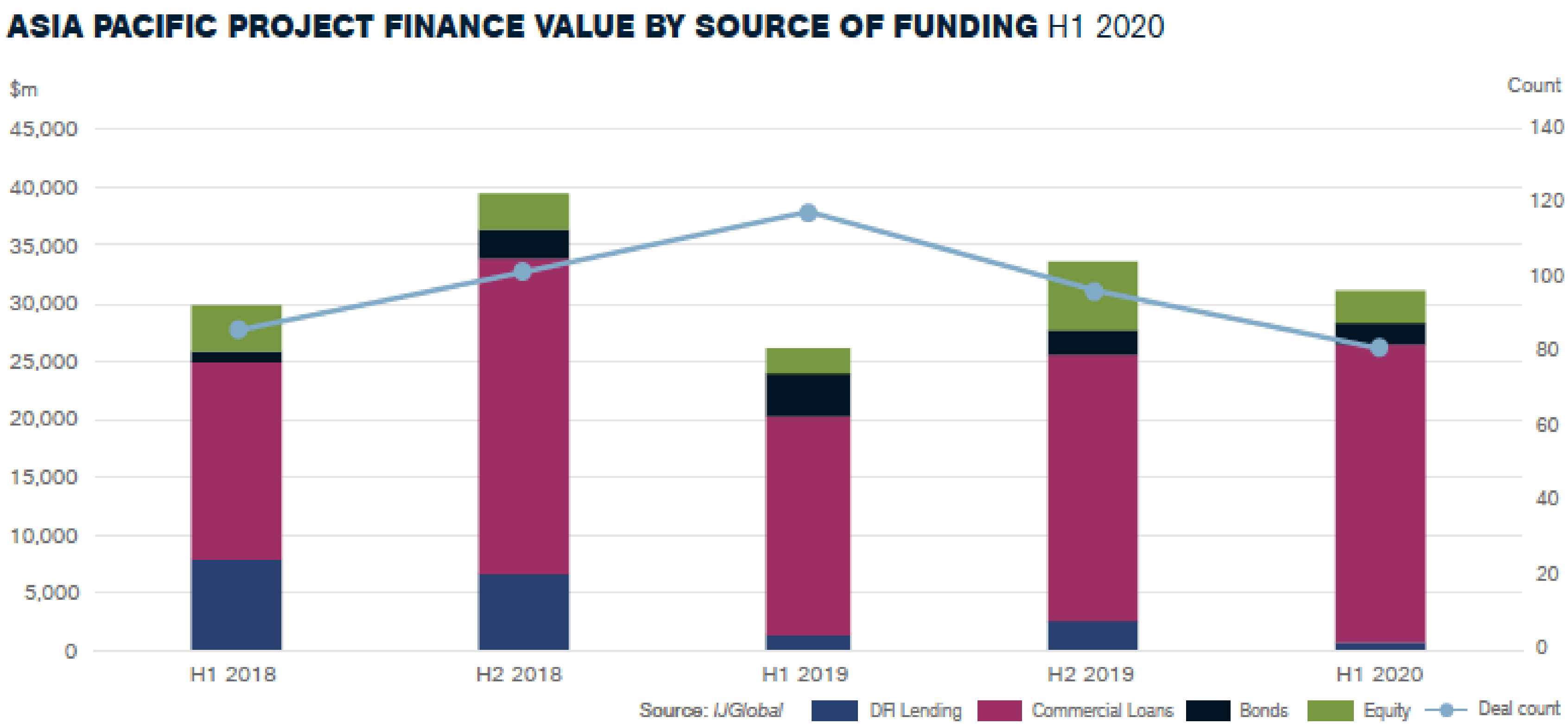
1) Based on 587 total defaults (Basel)
2) Based on 289 total ultimate recoveries (Basel)
3) Based on 422 total defaults (Moody's)
4) Based on 252 total ultimate recoveries (Moody's)

Source: Data Alliance Project Finance Data Consortium

Source: Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

EMERGING MARKETS

TRANSACTION VOLUME PER REGION: ASIA PACIFIC

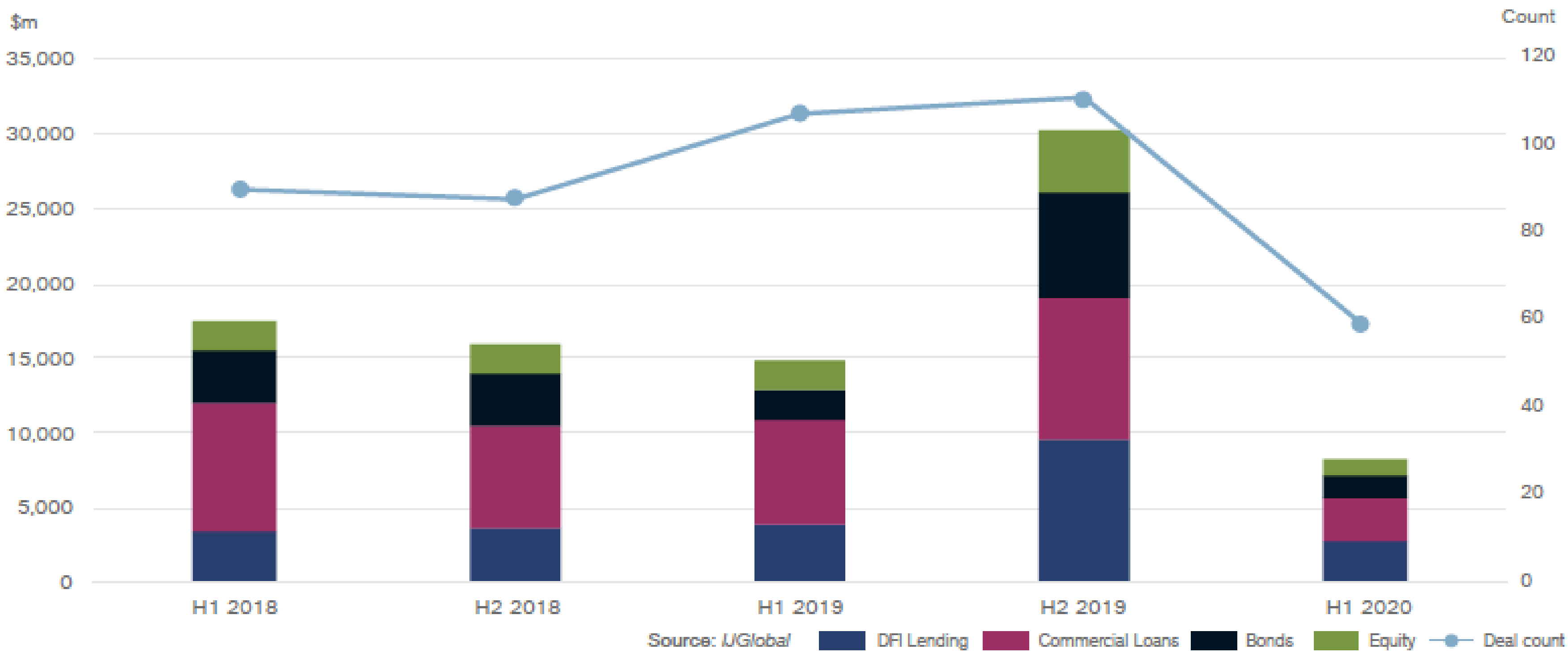


Source: IJGlobal; Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

EMERGING MARKETS

TRANSACTION VOLUME PER REGION: LATIN AMERICA

LATIN AMERICA PROJECT FINANCE VALUE BY SOURCE OF FUNDING H1 2020

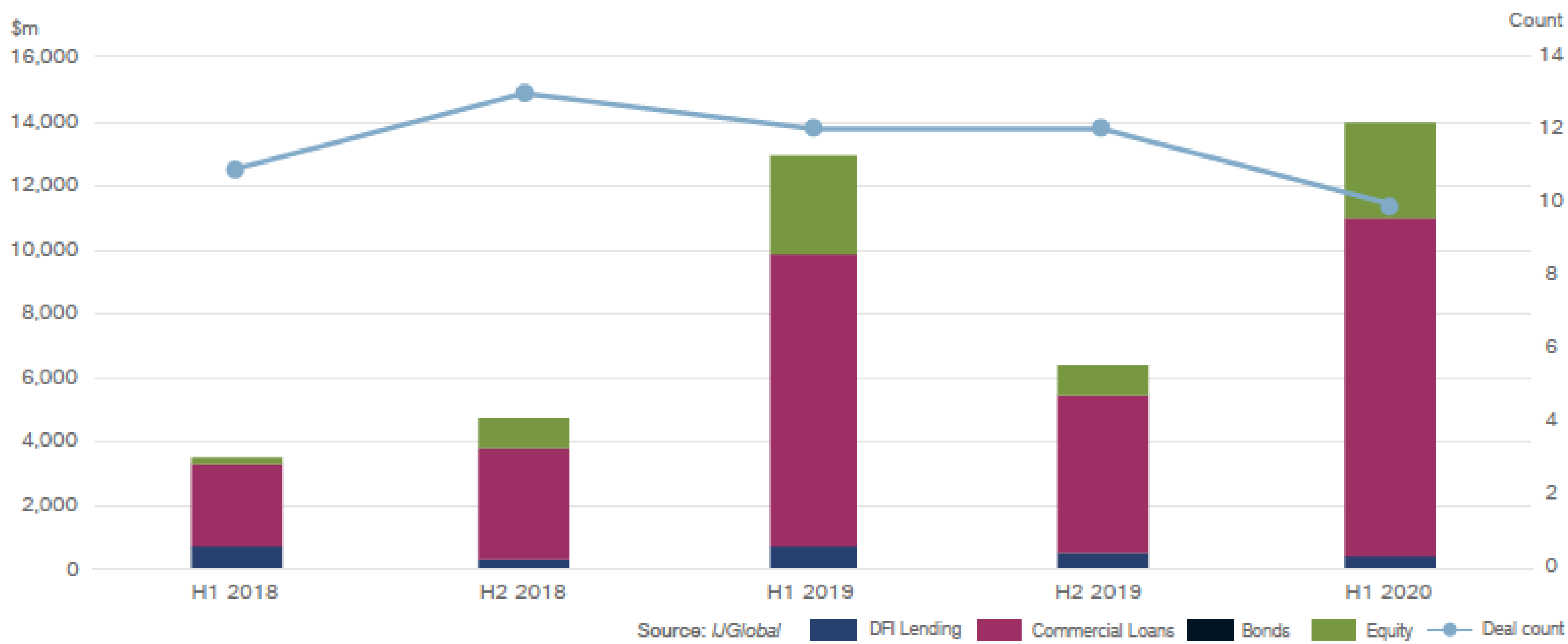


Source: IJGlobal; Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

EMERGING MARKETS

TRANSACTION VOLUME PER REGION: MIDDLE EAST NORTH AFRICA

MENA PROJECT FINANCE VALUE BY SOURCE OF FUNDING H1 2020

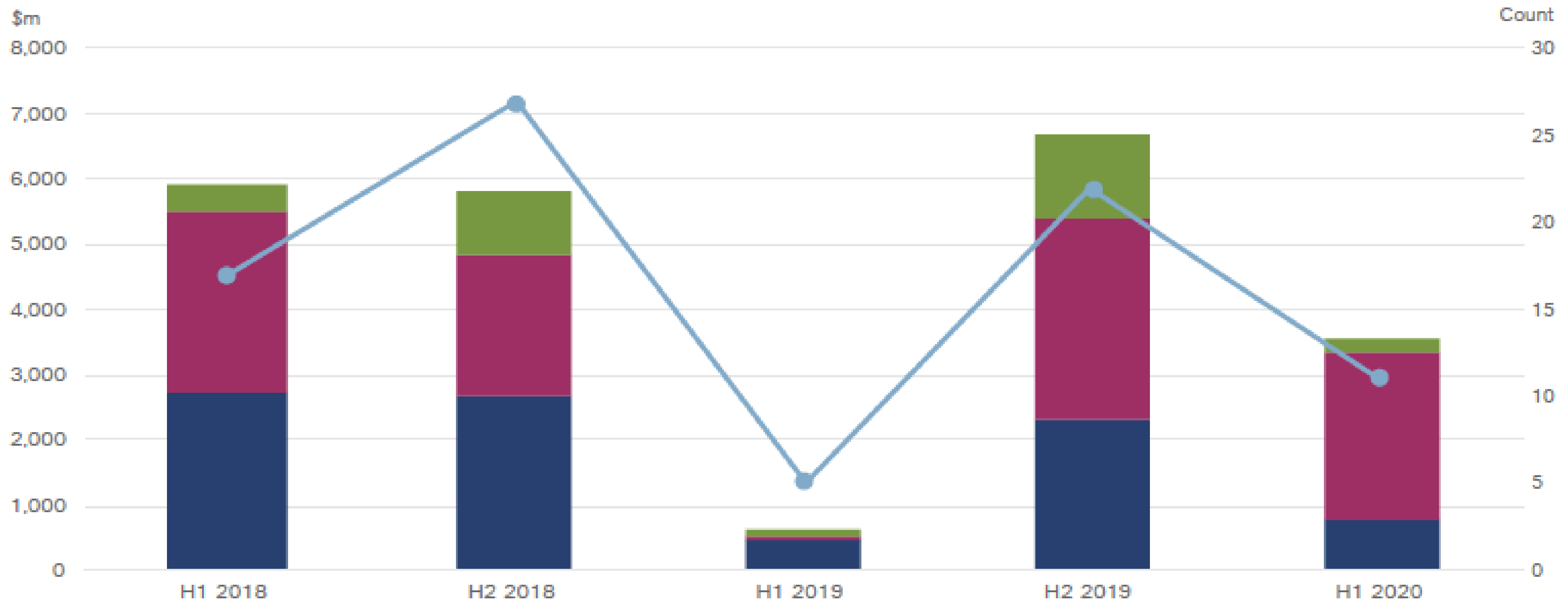


Source: IJGlobal; Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

EMERGING MARKETS

TRANSACTION VOLUME PER REGION: SUB SAHARIAN AFRICA

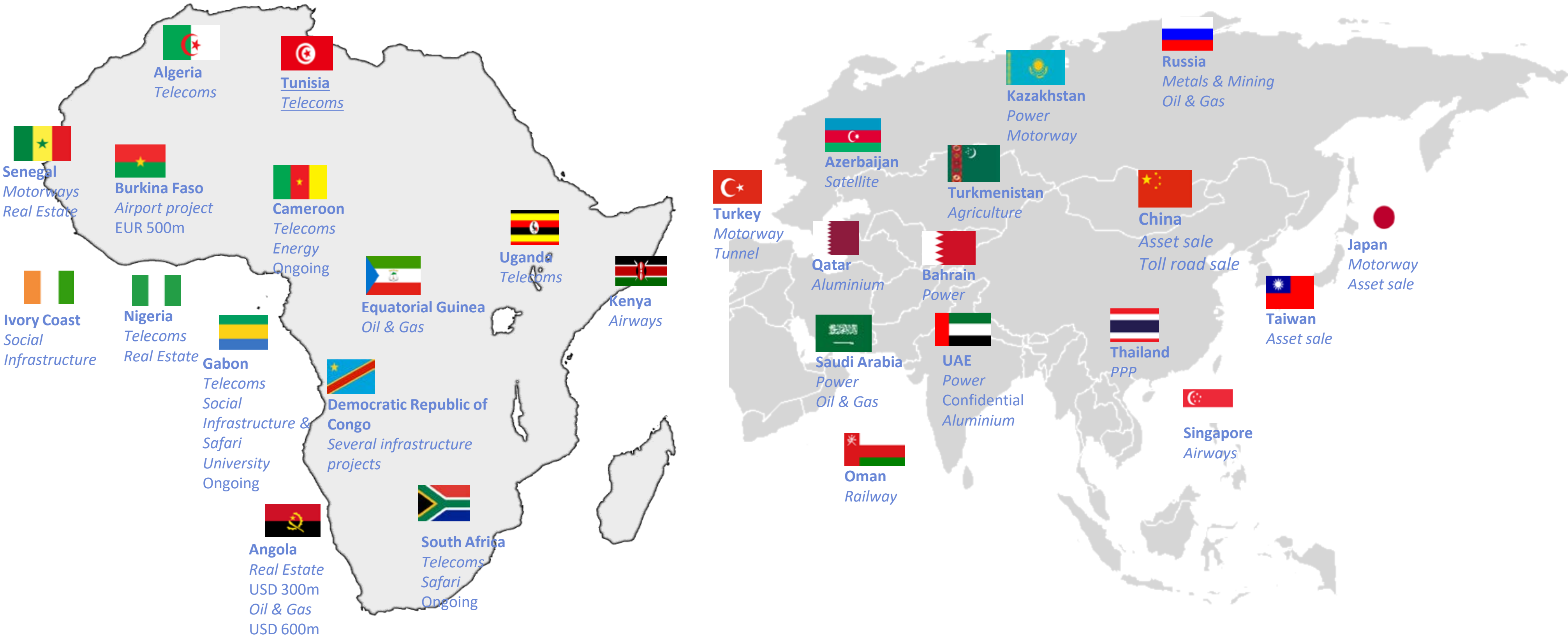
SUB-SAHARAN PROJECT FINANCE VALUE BY SOURCE OF FUNDING H1 2020



Source: IJGlobal

Source: IJGlobal; Edmond de Rothschild Asset Management, September 2020. The above allocations and cash flow profiles are subject to market conditions and provided on an indicative basis only and not a reliable indicator of future performance.

SELECTED INFRASTRUCTURE CREDENTIALS OF TEAM MEMBERS IN AFRICA AND ASIA



Source: Edmond de Rothschild Asset Management, September 2020

CASE STUDY:
"AUTOROUTE DE L'AVENIR" ROAD CONCESSION

GREENFIELD – EUR 225M TO FINANCE THE FIRST TOLL ROAD CONCESSION IN DAKAR (SENEGAL)

Opportunity

- The Project was tendered under an innovative 30-year concession contract with a concessionaire (the "Concessionaire") that is responsible for: (i) the operation and maintenance of the first 5km of the motorway which had already been built and (ii) the design, building, financing, operation and maintenance of the 20 remaining km.
- The Concessionaire is entitled to levy tolls directly from the users on the 25km.
- Main objectives: reducing congestion in downtown Dakar, pollution and driving time especially at peak times between Dakar, its suburbs and other cities such as Diamniadio and the touristic area south-east of Dakar.

Project Description

- Key infrastructure asset for the country with strong support from local government entities and international DFIs. The achievement of the Project was a top priority for the former President
- The D&C Contract and O&M Contract are structured under the "back-to-back" and "if-and-when" principles
- The Concession Contract (even if new at that time in Senegal) follows a well established international framework and legal structure for motorways.
- Even if it was the first toll road in Sub-Saharian area the Concessionaire supports the full traffic risk.
- The Government and DFI subsidized the Project at 60% of its total project cost.

Key Terms and Conditions

- **Ticket Size:** EUR60m
- **Debt tenor:** Confidential
- **Rating:** Confidential
- **Pricing:** Confidential
- **Upfront fee:** Confidential
- Standard security package including pledges over shares, relevant bank accounts and project receivables including indemnity proceedings.

Transaction Highlights

- Key infrastructure asset for the region with strong support from local government entities.
- The Project is innovative as it wast he first toll road in Senegal and the PPP contract /legal framework had never been tested at that time.
- A robust and conservative traffic forecast
- Involvement of strong, complementary and experienced (technically / operationally / financially) industrial and financial Sponsor, as well as DFIs such as AfDB and IFC.

Timing

- Financial close: November 2011

Source: Edmond de Rothschild Asset Management, September 2020

SUMMARY

INFRASTRUCTURE DEBT AND EMERGING MARKETS

SUMMARY

INFRASTRUCTURE DEBT AS INVESTMENT SOLUTION

- Investing in Infrastructure Debt allows to generate corporate type spreads with a strong documentation and security package (low default rate and high recovery rate)
- If the European market has proven to be and remains a strong recurrent investment universe worth tens of billions a year…
- Emerging Markets (in a broad definition of it) provide a very attractive universe where experienced asset managers can, among others, mitigate/remove the key political and key commercial risks involved to build solid senior and junior debt infrastructure portfolios with very attractive risk/returns
- This can be part of a global infrastructure debt mandate or diversification strategy
- Infrastructure has proven resilient to the COVID-19 to date with, for the best asset managers, no capital loss
- Financing the energy transition, clean mobility, digital infrastructure, key social infrastructure, the modernization of utilities,…
- Institutions can be instrumental in it for a better planet

APPENDIX
ESG & ENERGY TRANSITION INVOLVEMENT OF EDR INFRASTRUCTURE DEBT PLATFORM

BRIDGE PLATFORM ESG INVOLVEMENT

BRIDGE (Benjamin de Rothschild Infrastructure Debt Generation) platform continues its ESG involvement across all vintages

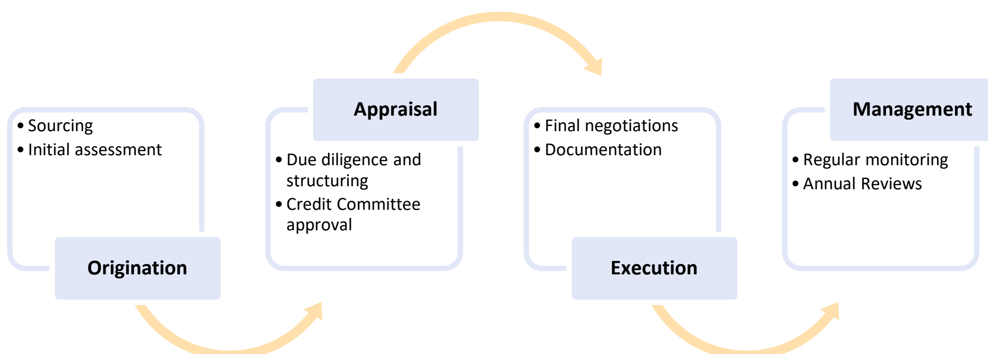
- **BRIDGE continues to invest in projects associated with positive environmental outcomes**, including renewable energy projects (wind, solar and biomass) as well as eco-friendly utilities projects such as district heating.A minimum of 75% of assets in the BRIDGE IV Senior portfolio will be invested in green assets
- The **BRIDGE sub-funds continue to support investments which deliver a strong social impact**, including care homes, public transport and education facilities. In line with our commitment to our investors, the **team's close relationship with best-in-class equity providers** (Borrowers and Sponsors) throughout Europe **ensures that high standards of governance** are applied to the projects we selectively support.

BRIDGE delivers on EDR Group sustainability functions

- In 2018 BRIDGE committed to the creation of a comprehensive ESG integration process that has been defined and applied to all existing investments across the entire platform, leading to BRIDGE's entire portfolio (as of 31.12.2018), being included in the Edmond De Rothschild Groups sustainability report.

ESG integration process

- **Proprietary ESG tool** - assess investments at each and every stage of investment cycle.
- Dedicated **ESG Officer and deputy officer**
- **31 Criteria** based on project sector, social utility, environmental impact and ESG commitments of shareholding companies



Source: Edmond de Rothschild Asset Management. September 2020

INFRA DEBT PLATFORM ESG COMMITMENT

Respecting KPIs for United Nations Sustainable Development Goals (SDGs)

► **ESG considerations have been long-standing drivers of our investment strategy**, due diligence analysis and portfolio monitoring over the life of an asset. In collaboration with the EdR Group Sustainability team, the sub-fund portfolios have been mapped against the United Nations' Sustainability Development Goals (SDGs) to ensure BRIDGE's reporting is compatible with that of the wider EdR Group.

SDG		Key Performance Indicators (KPIs) for year to 31 December 2018
7 AFFORDABLE AND CLEAN ENERGY	**Clean, affordable energy**	▪ 34% of invested portfolio relates to Renewable Energy (32%) and sustainable Utilities (2%) projects. ▪ Renewable Energy portfolio: 11 assets in 4 countries, with generation capacity of 1,434.3 MWh and production of 2,048.6 GWh.
8 DECENT WORK AND ECONOMIC GROWTH	**Decent work and economic growth**	▪ 20% of existing investments are in greenfield (new build) projects, creating jobs in both construction and operational phases. ▪ 118 jobs were created by new greenfield investments made in 2018.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Industry, innovation and infrastructure**	▪ Roll out of fibre optic broadband to rural areas, increasing connectivity of homes and businesses. ▪ 445,316 new premises passed at year end of which 225,150 were in 2018.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Sustainable cities and communities**	▪ 2,155 care homes beds available to elderly residents in the year.
13 CLIMATE ACTION	**Climate Action**	▪ "Greenfin" (Energy Transition) label for BRIDGE IV Senior debt fund awarded by the French Government in 2018. ▪ The sub-fund assesses and tracks its climate change impact through CO2 emissions avoided, with its initial 2018 investments (4 assets) demonstrating a Carbon Impact Ratio of 3.4 and 10,100 tCO2 avoided.
17 PARTNERSHIPS FOR THE GOALS	**Partnerships for the goals**	▪ 56% of the portfolio is invested in projects with payments from governments (22%) or through government-regulated support mechanisms such as Feed in Tariffs (34%).

Source: Edmond de Rothschild Asset Management. September 2020

ABOUT THE SPEAKER: JEAN-FRANCIS DUSCH

Jean-Francis Dusch, CEO Edmond de Rothschild Asset Management UK,
CIO BRIDGE, Infrastructure & Managing Director of Infrastructure, Real Assets and Structured Finance

Jean-Francis Dusch brings over 26 years of international project and structured finance experience to the team. He joined the Edmond de Rothschild Group in 2004, as co-head of the Project Finance department before taking charge of the group's structuring advisory services. He contributed to the successful development of the Project Finance advisory (EdR led the 2011 IJ league tables as global financial advisor in transport and PPP) and Private Equity structuring activities.

In 2013, as part of the group's globalisation, Jean-Francis Dusch headed the group's Infrastructure, Real Assets and Structured Finance department. This led to the closing of Benjamin de Rothschild Infrastructure Debt Generation in 2014, a EUR 2,7+ billion platform comprising of BRIDGE I (EUR 595m), BRIDGE II (EUR 310m), BRIDGE III (EUR 145m), BRIDGE IV Senior (EUR 261m), BRIDGE Higher Yield (EUR 350m), BRIDGE SK1 (EUR146m) and three BRIDGE managed accounts (EUR 500m, 250m and EUR 80m) for three leading institutions.

FURTHER QUESTIONS?
OUR LOCAL TEAM IN FRANKURT IS PLEASED TO HELP YOU

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