Infrastructure and the investment supercycle

Brought to you by **New York Life Investments** and **CBRE**

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New York Life Investments and CBRE present key information about Infrastructure and the supercycle opportunity

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Fast facts on the latest investment opportunity

The time for investment is now

According to the McKinsey Global Institute, the world needs to spend $3.7 trillion annually through 2035 on transportation, power, water, and telecommunication systems to support current economic growth projections. It is estimated that the world needs to spend $100 trillion on infrastructure by 2040. Investment is required across all economic sectors. The greatest spending is necessary to enhance our power grids, roads and bridges, and communications infrastructure.

Infrastructure supercycle

Increased infrastructure spending, particularly for sustainability and economic prosperity, is a multi-decade investment opportunity —creating an edge for global listed infrastructure companies.

Developed market

Global listed infrastructure companies in the developed markets own an estimated $6.1 trillion[1] in infrastructure assets. We estimate that these companies will spend $200 billion annually to upgrade, replace, and expand their existing assets.

Utilities lead the way

With $1.6 trillion of annual investment required per year in renewable and electrification infrastructure to meet climate goals,[1] utilities will lead the way in investing across their platforms, developing renewable power assets and modernizing electrical networks.

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Three key megatrends

We believe three megatrends will lead the way for infrastructure investment: **Decarbonization, Asset Modernization, and Digital Transformation:**

- **Megatrend #1: Decarbonization** - Increased clean energy infrastructure is required to meet climate goals. The International Renewable Energy Agency (IRENA) said $110 trillion in investments are required by 2035 to reshape global energy markets and meet climate goals. Additionally, net-zero targets as a percentage of GDP are accelerating at a rapid pace – from 16% in 2019 to almost 70% in 2021.
- **Megatrend #2: Asset Modernization** The American Society of Civil Engineers (ASCE) gives U.S. infrastructure an overall grade of C-minus, indicating the need for significant infrastructure investment. We estimate that the required annual investment to modernize aging assets has the potential to generate cash flow growth of 3-4% per year for listed companies.
- **Megatrend #3: Digital Transformation** The amount of data created over the next three years will be more than was created over the past 30 years combined.[2] This increased usage, expected to quadruple by 2025, is driven by innovation in fields like cloud computing and cyber security.

Essential assets

Infrastructure companies own the physical assets that provide essential services that underpin society's function and economic growth.

Inflation-linked cash flows

Infrastructure companies tend to produce stable and resilient cash flows that have historically grown well in excess of inflation. 91% of listed infrastructure companies have an effective means to pass through the impact of inflation.[3]

Income-driven business models

Listed Infrastructure companies generate cash flows from the ownership and operation of essential infrastructure assets. Ongoing investment to modernize or develop these assets have historically earned relatively predictable rates of return. These returns from ongoing investment provide the opportunity for attractive income growth.

FOR MORE INFORMATION

At New York Life Investments, we know infrastructure. For additional information on the potential supercycle opportunity in infrastructure today, please visit www.newyorklifeinvestments.com/infrastructure

1. Source: International Renewable Energy Agency (IRENA) and CBRE Clarion, June 2021.

2. Source: The IDC report, "Worldwide Global DataSphere Forecast, 2020–2024: The COVID-19 Data Bump and the Future of Data Growth," April 2020.

3. Sources: Global infrastructure universe is represented by CBRE Clarion Infrastructure investable universe, Global Equities: MSCI AWCI Index and U.S. Inflation: U.S. Consumer Price Index data, 12/31/20. 2020 is preliminary. This information is subject to change and should not be construed as investment advice.

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