The top of the slide features a dark purple header. On the left, the word "GUGGENHEIM" is written in a white, bold, sans-serif font. To the right of the text is a decorative graphic consisting of a grid of thin, light purple lines that curve and warp, creating a sense of depth and movement.

GUGGENHEIM

Guggenheim Partners

Presentation to Arctic Energy Summit:

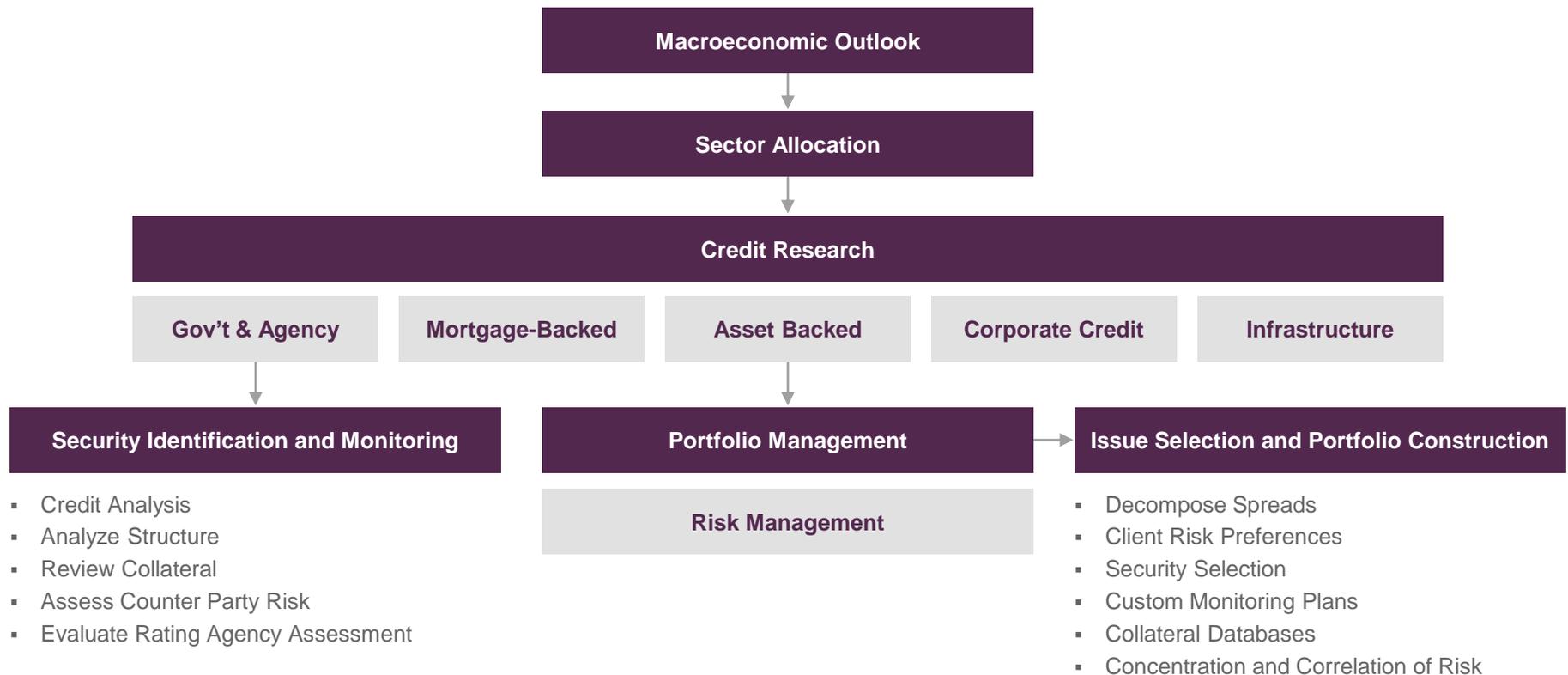
Investment Decisions in the Arctic –
The Nexus of Energy, Climate and Business

September 18, 2017

Please see disclosures and legal notice

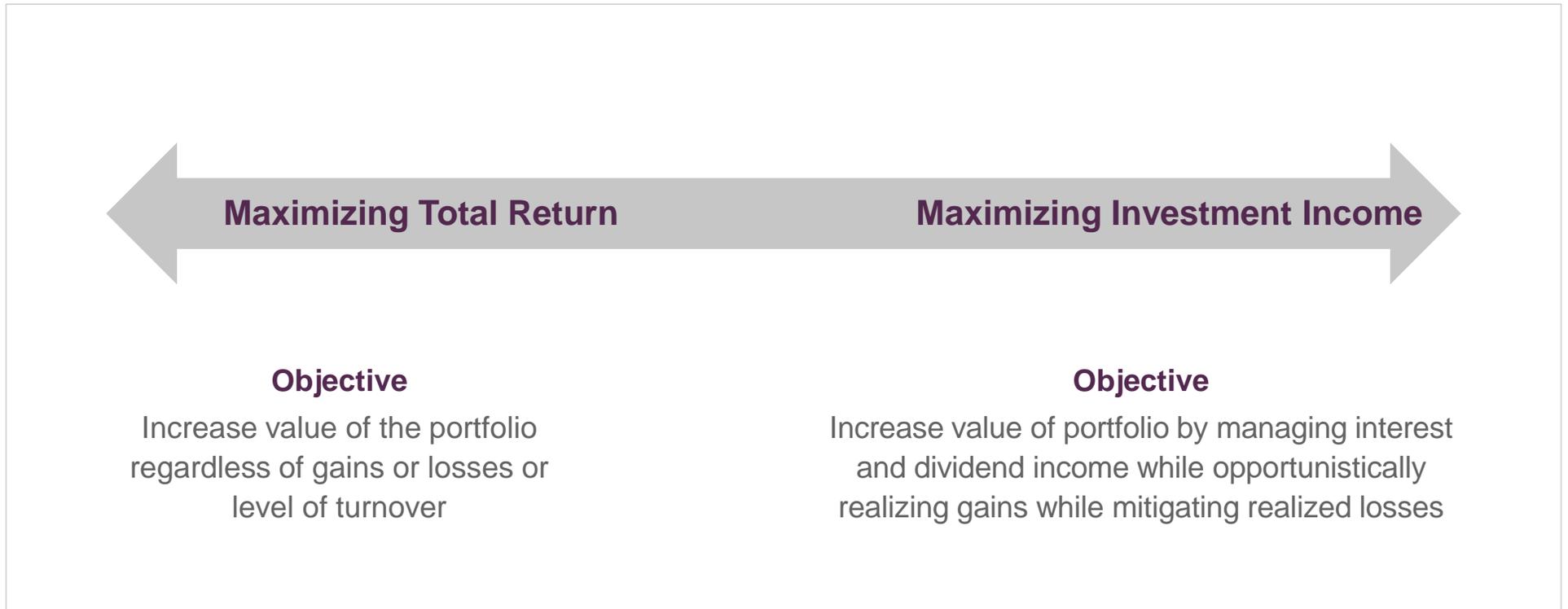
Investment Process

- **Macroeconomic Research:** Provided by Scott Miner and his team of economists, and includes more than 70 variables including growth, consumption, economic activity, employment levels, and inflation.
- **Sector Allocation:** Decisions are determined by the Portfolio Construction Group (“PCG”) and have constituted a significant driver of return. Sector allocations are dynamic and change as relative value, economic drivers, and emerging opportunities are recognized.
- **Credit Research:** Screening for investment opportunities is done by the research analysts and sector specialists who specialize in different market sectors.
- **Portfolio Management:** The primary task and responsibility of the portfolio manager is maintaining the portfolio’s strict adherence to the guidelines and portfolio risk evaluation.



Investment Management Styles

Philosophically and strategically, income-oriented and benchmark strategies are very different



Source: Guggenheim Investments

Definition of Infrastructure

Facilities and structures that are essential for the orderly operation of the global economy.



Energy & Utility

- Water treatment
- Water distribution
- Oil and gas distribution
- Oil and gas storage
- Oil and gas pipelines
- Electricity generation
- Electricity transmission
- Electricity distribution
- Renewable energy



Transport

- Toll roads
- Bridges and tunnels
- Parking
- Ports
- Ferries
- Airports
- Rail



Communications

- Telecom towers
- Cable networks
- Fiber optic networks
- TV and radio broadcasting towers
- Data centers



Social Infrastructure/ Public Private Partnerships

- Healthcare facilities
- Educational facilities
- Social housing
- Administrative buildings
- Public transportation

Source: UBS Asset Management, Guggenheim Investments

Opportunities Exist Throughout the Project Lifecycle

Project Lifecycle	Development	Construction	Operations
Characteristics	Generally the Potential for High Returns with Unforeseeable Risks	Construction and Operational Risks Managed with Exit Possible via Secondary Market	Lower Operational Risks with Generally Lower Returns
Key Considerations	<ul style="list-style-type: none"> ▪ Land Concerns ▪ Right of Way Acquisition ▪ Permitting 	<ul style="list-style-type: none"> ▪ Financial Close ▪ Construction ▪ Execution ▪ Monitoring ▪ Investment Thesis Validation ▪ Enter into Long Term O&M Contract 	<ul style="list-style-type: none"> ▪ Operations and Management ▪ Potential for redevelopment ▪ Lifecycle Restarts
Expected Equity Return	20-30%	Contracted: 13-15% Merchant: 15-17%	Contracted: 9-11% Merchant: 11-15%
Capital Requirement	\$2.5-\$20 million	\$50-\$400 million	\$100-\$500 million

Source: McKinsey Institute, Guggenheim Investments

Infrastructure Investment Risk Management

While infrastructure projects often benefit from structural and regulatory protections, prudent risk management remains crucial. Investment risks are often idiosyncratic given the breadth and diversity of the sector.

Common risks across asset types include:

Risk	Mitigating Response
Political, regulatory and environmental challenges	<ul style="list-style-type: none">▪ Focus on sustainability as a key factor for investment selection▪ Disciplined deployment of capital to avoid sector concentration▪ Develop network with trusted, local decision-makers and influencers
Multiple counterparties at each stage of project life cycle	<ul style="list-style-type: none">▪ Extensive due diligence on both credit and operational capability▪ Identify specific investment stages, including exit opportunities▪ Create appropriate goal alignment with key relationships
Project and operating risk	<ul style="list-style-type: none">▪ Select projects with high social benefits to reduce demand elasticity▪ Innovative transaction structuring▪ Work with experienced tier 1 partners▪ Seek contracts and hedges when appropriate to reduce market exposure
Technology risk	<ul style="list-style-type: none">▪ Avoid being a first mover in untested technology▪ Identify opportunities with low risks of creative destruction

Source: Guggenheim Investments

Investment Thesis

Infrastructure in the Global Landscape

The demand for infrastructure investment, a supply of investable capital and a global consensus for sustainability makes private investment in sustainable infrastructure a compelling opportunity

Demand for Infrastructure Investment

US\$ 4.5 trillion annual global infrastructure investment need and US\$ 2.5 trillion annual shortfall in infrastructure investment

Supply of Investable Capital

Global Capital Markets estimated US\$ 218 trillion
Persistent low yields cause capital to seek better returns with a measure of inflation protection

Global Consensus for Sustainability

The UN Sustainable Development Goals embody a new social and political consensus

Source: UN, WEF

The Business Case for Sustainable Infrastructure

We believe infrastructure investment can help institutional investors reach their goals by:

- Attractive risk-adjusted returns
- Low correlation to other asset classes
- Stable cash yield
- Long-lived physical assets
- Provision of essential services
- Barriers to entry for competitors
- A measure of inflation protection

Value and Sustainability converge in the long-run. These factors may improve investment performance by:

- License to Operate – cooperative relationship with host nation government and population
- Risk Mitigation – reduced likelihood of environmental remediation and excessive decommissioning costs

Potential Models for Sustainable Development Finance

- Permanent Capital Vehicles (PCVs)
- Strategic Partnerships
- Innovative Financial Tools
- Flexible Investment Opportunities

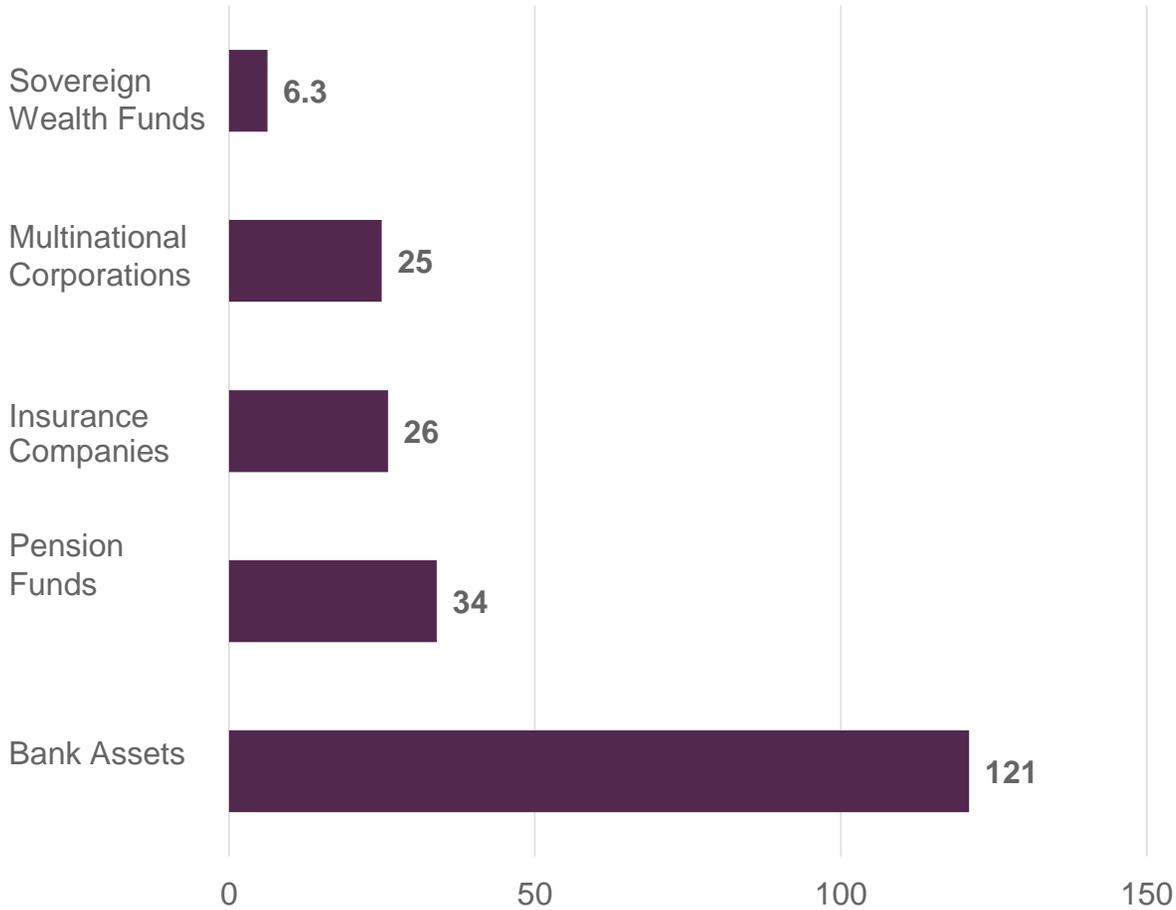


Supply of Investable Capital



Institutional assets can help cover the infrastructure gap

Private Capital Sources in Trillions USD



Source: WEF

Global Consensus for Sustainability



Infrastructure is key for every UN SDG
Today's decisions will chart our course for decades

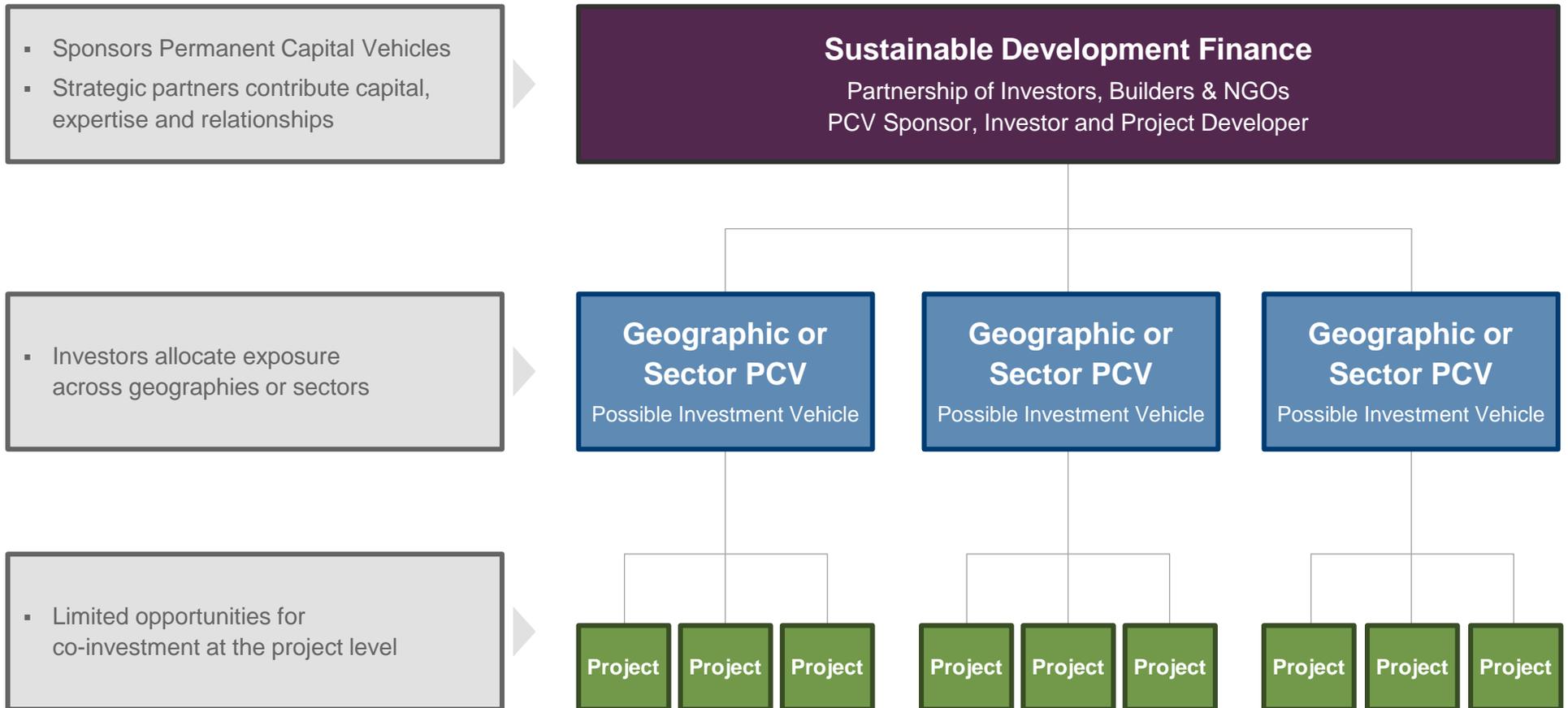
Infrastructure supports every one of the UN Sustainable Development Goals (SDGs)

Efficient investment can improve the sustainability of infrastructure. Historically, 60% of global greenhouse gases can be attributed to the development and use of conventional infrastructure

Investment decisions will determine a path towards a sustainable future or lock-in wasteful and polluting structures

Potential Model for Sustainable Development Finance

An enduring partnership backed by permanent capital which may create a repeatable project development process.



Guggenheim in the Arctic

Arctic Investment Protocol 2016



- Build resilient societies through economic development
- Respect and include local communities and indigenous peoples
- Pursue measures to protect the environment of the Arctic
- Practice responsible and transparent business methods
- Consult and integrate science and traditional ecological knowledge
- Strengthen pan-Arctic collaboration and sharing of best practices

Arctic Project Inventory



- Comprehensive database of every current and proposed project in the Arctic Region
- Total investment need of \$1 trillion over the next 15 years
- Proposed projects include:
 - Renewable energy (\$50 billion), rail (\$23 billion), maritime (\$16 billion), road (\$13 billion), aviation (\$3 billion), social infrastructure (\$2 billion) and many others

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