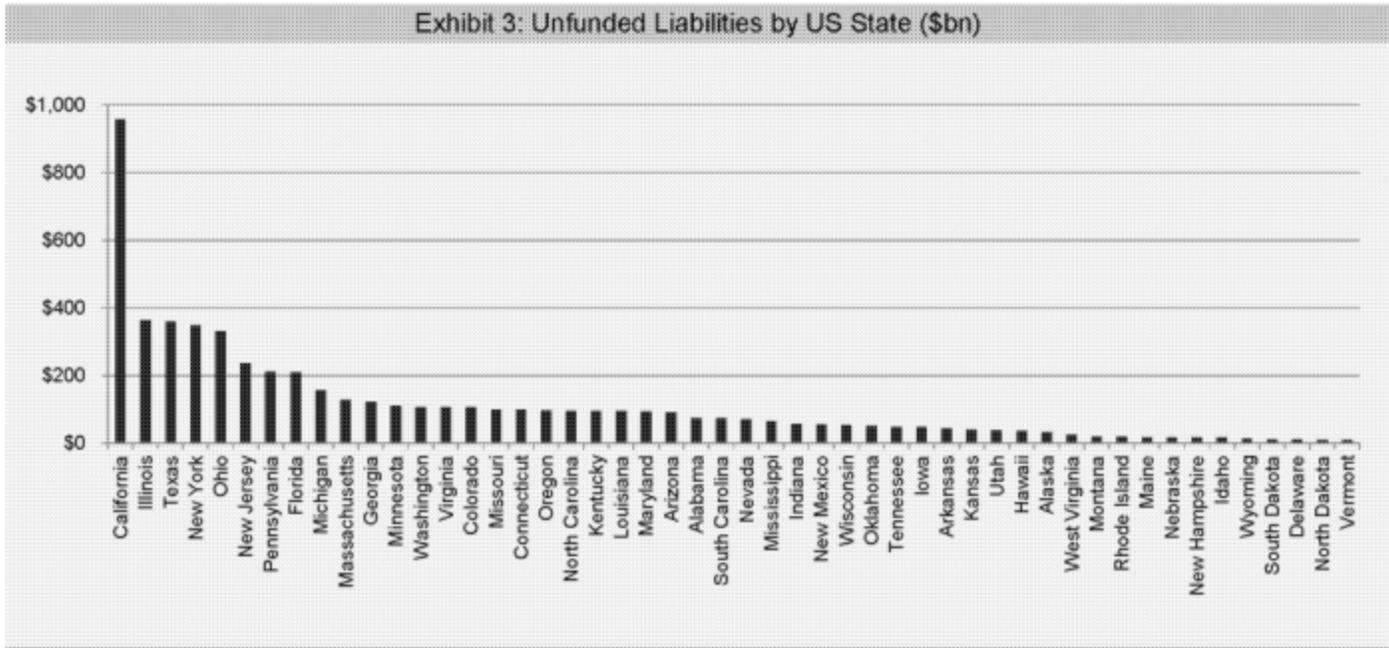


Financially strained public sector increasingly turning to the private sector

The Portfolio Advisor intends to capitalize on increasing private sector equity investment through Sponsors in infrastructure as they seek to acquire private and public sector infrastructure assets. Public finances are strained and are expected to remain under pressure over the coming decade in most U.S. states due to demographics, declining tax revenues, and increasing demand for social expenditures. As of October 2016, state governments faced a combined \$5.6 trillion in unfunded liabilities¹¹, as illustrated in Exhibit 3 below.

Consequently, the public sector is increasingly seeking to transfer the costs and benefits of infrastructure ownership to the private sector. Privatization is a means of monetizing the value of an asset, thereby generating proceeds that can be used to finance ongoing spending needs and reduce budget deficits. Privatization is gaining momentum in the United States, with 37 U.S. states passing or pursuing some form of privatization-enabling legislation in the past few years.¹²



Source: American Legislative Exchange Council, October 2016. Data is based on State Budget Solutions' calculations.

¹¹ Source: American Legislative Exchange Council, October 2016. Data is based on State Budget Solutions' calculations.

¹² Source: "The Trump Agenda: Dawn of a New Infrastructure Era?" by Goldman Sachs, 2017.