



# Infrastructure and its Wider Benefits to a Portfolio

*January 2025* | *For professional investors only*



# Infrastructure: Transforming our Present; Securing our Future



# Why Infrastructure?

**Critical Nature of  
Infrastructure**

**Essential Efforts for  
Continuity**

**Developmental  
Benefits**

**Uniting for  
Sustainable Progress**

# The Evolution of Infrastructure

*1950s-1960s*

**Public  
dominance**

*1990s*

**Globalization and  
market liberalization**

*2010s*

**Focus on  
sustainability & ESG**

*1970s-1980s*

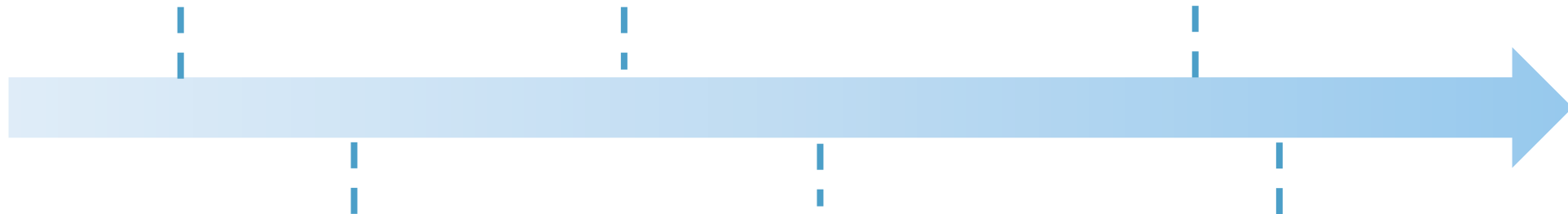
**Beginning of  
private sector  
involvement**

*2000s*

**Technological  
advancements &  
diversification**

*2020s*

**Resilience,  
adaptation, and  
innovation**





# What is Infrastructure?

**Essential services**

**High barriers to entry**

**Stable, predictable cash flows**

**Underlying cash flows linked to inflation**

**Low demand elasticity**

**Low correlation with other asset classes**

**Long operational life**

**Regulated environment**



# Key Concepts



# Core Economic Infrastructure

## Transport

- Airports
- Toll roads
- Bridges / tunnels
- Rail networks

## Utilities

- Electricity generation
- Renewables
- Oil and gas transmission

## Communications

- Fixed networks (national grids and rural carriers)
- Mobile networks
- Satellite networks



# Core Social Infrastructure

## Administration

- Social housing
- Local authorities
- Administrative buildings

## Education & health

- Schools & universities
- Student housing
- Hospitals
- Secondary care

## Security

- Police & fire stations
- Prisons
- Defense housing



# Infrastructure Characteristics Today

**Infrastructure**

**Global infrastructure funds**

**Partnership with governments**

**Broadening scope**

**International reach of investments**

**Sustainability and energy transition**


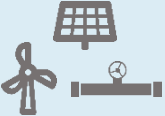



# Infrastructure Risk Vs Return

Risk profile	Characteristics	Target IRR	Target Yield
<b>Core</b>	Regulated; PPPs	6-9%	5-7%
<b>Core plus</b>	Contracted Price; Concession Contract	9-12%	4-6%
<b>Value-add</b>	Sig. Development; Greenfield	12-15%	2-3%
<b>Opportunistic</b>	Special Situations; Emerging Markets	15%+	0%



# Characteristics of Infrastructure Investments

# Characteristics by Sector

Asset Class	Contract Lifespan	Risk
<b>Utilities</b> 	10-20+ years	<b>Low</b>
<b>Energy</b> 	10+ years	<b>Medium to High</b>
<b>Transport</b> 	75- to 99-year leases	<b>Low to Medium</b>
<b>Digital</b> 	10+ years	<b>Medium to High</b>
<b>Social</b> 	30+ years	<b>Low</b>

# Demand Sensitivity

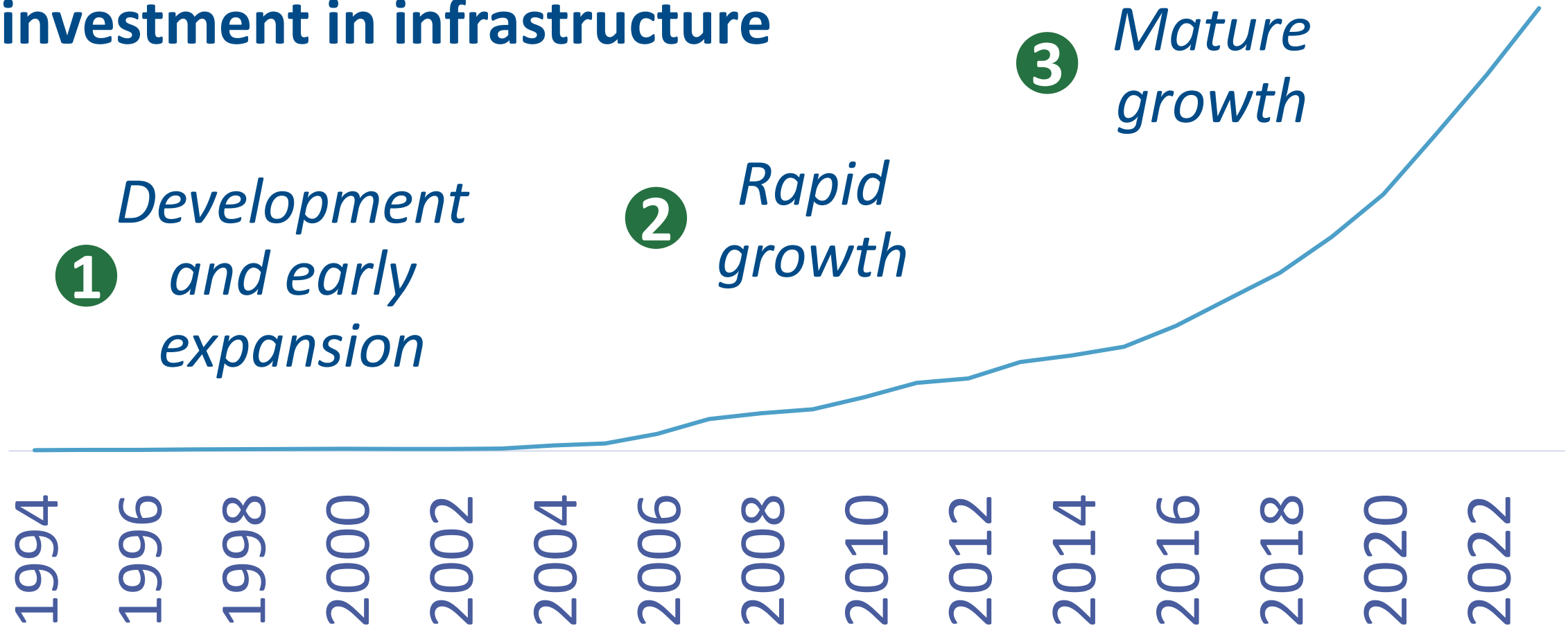
Risk profile	Examples	Typical profile
<b>Merchant</b>	Airports	<ul style="list-style-type: none"><li>• Sensitivity to market pressures</li><li>• Less stable cash flows</li></ul>
<b>Regulated</b>	Utilities	<ul style="list-style-type: none"><li>• More stable demand, price increases typically passed on</li><li>• Regulatory framework dependent</li></ul>
<b>Contracted</b>	Toll roads; PPAs	<ul style="list-style-type: none"><li>• Long-term contracts containing direct inflation pass-through</li></ul>



# The Private Infrastructure Landscape

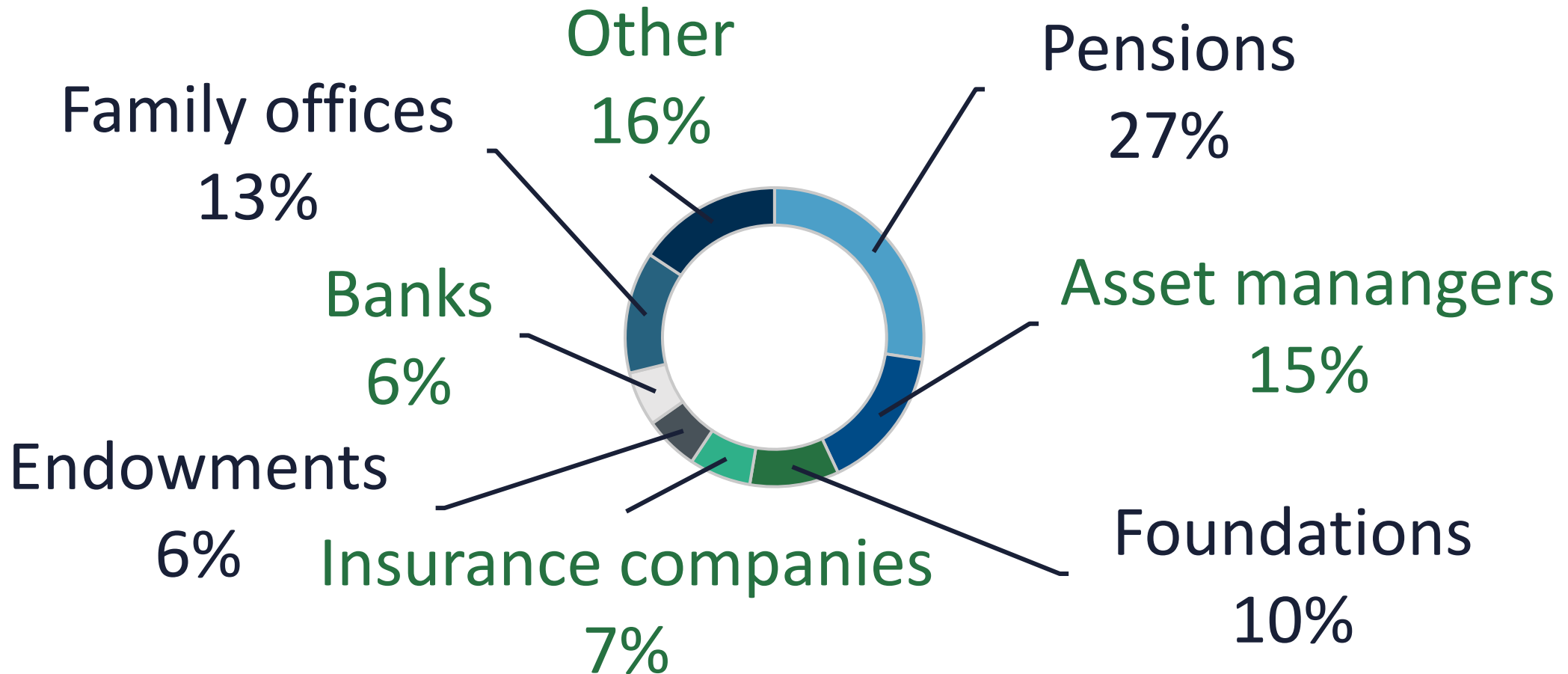
# Growth of Private Infrastructure

## Cumulative global investment in infrastructure



# Infrastructure Investors

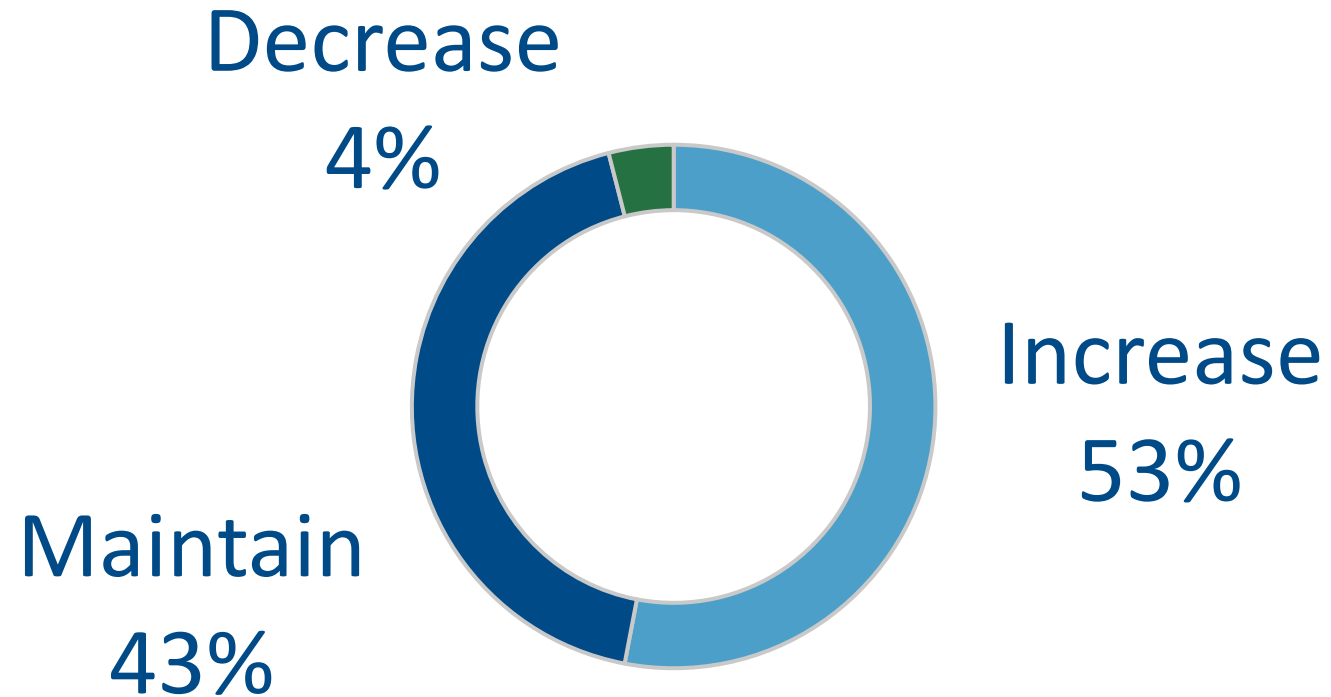
## Investor Breakdown





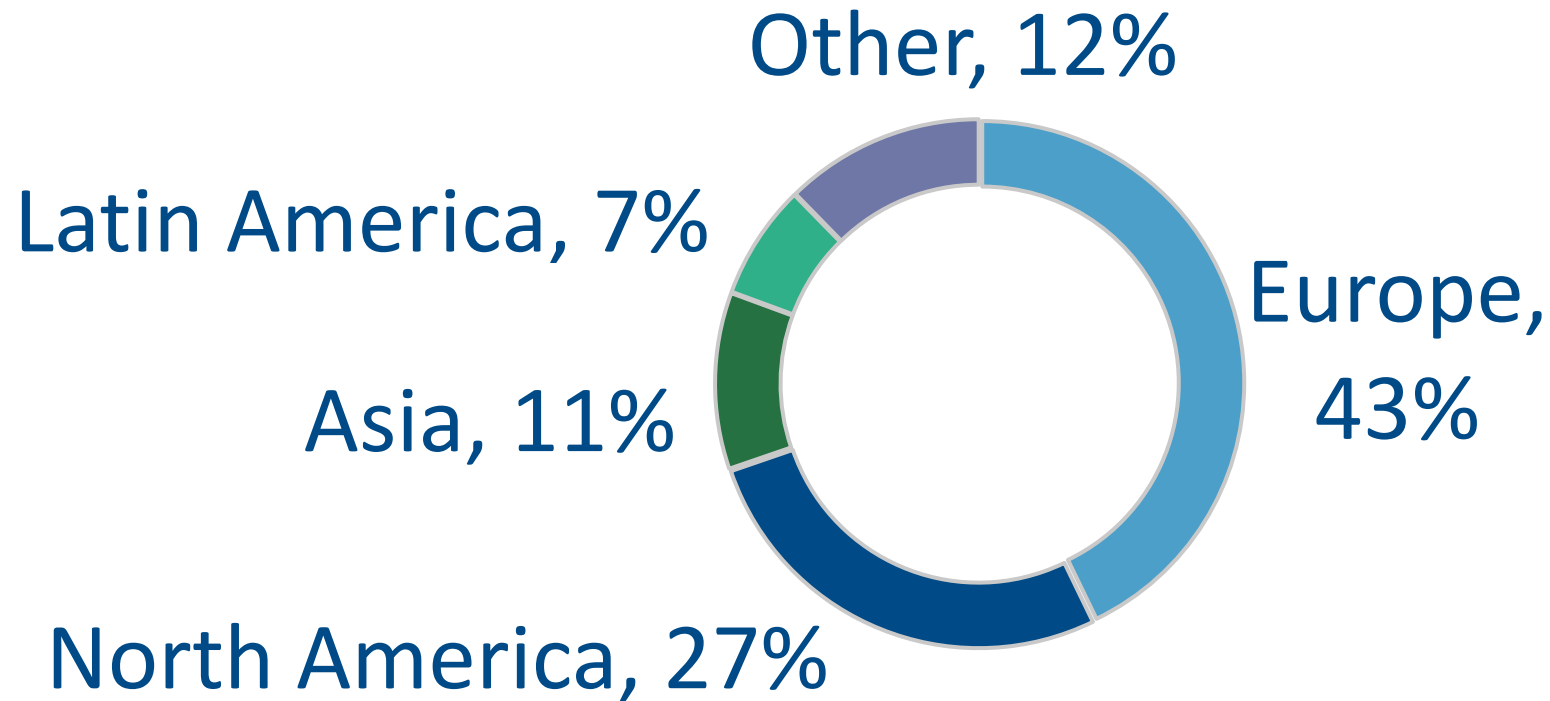
# Infrastructure Investors

## Intended Allocations



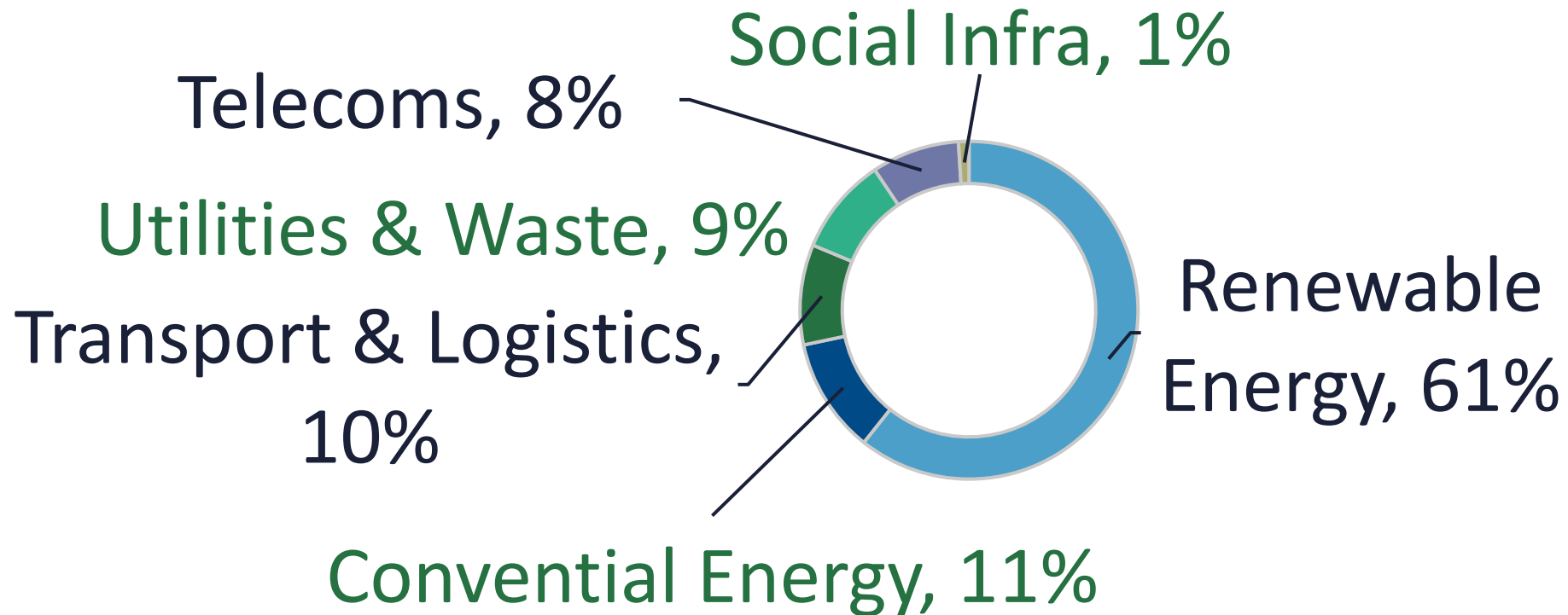
# Infrastructure Transactions

## By Region



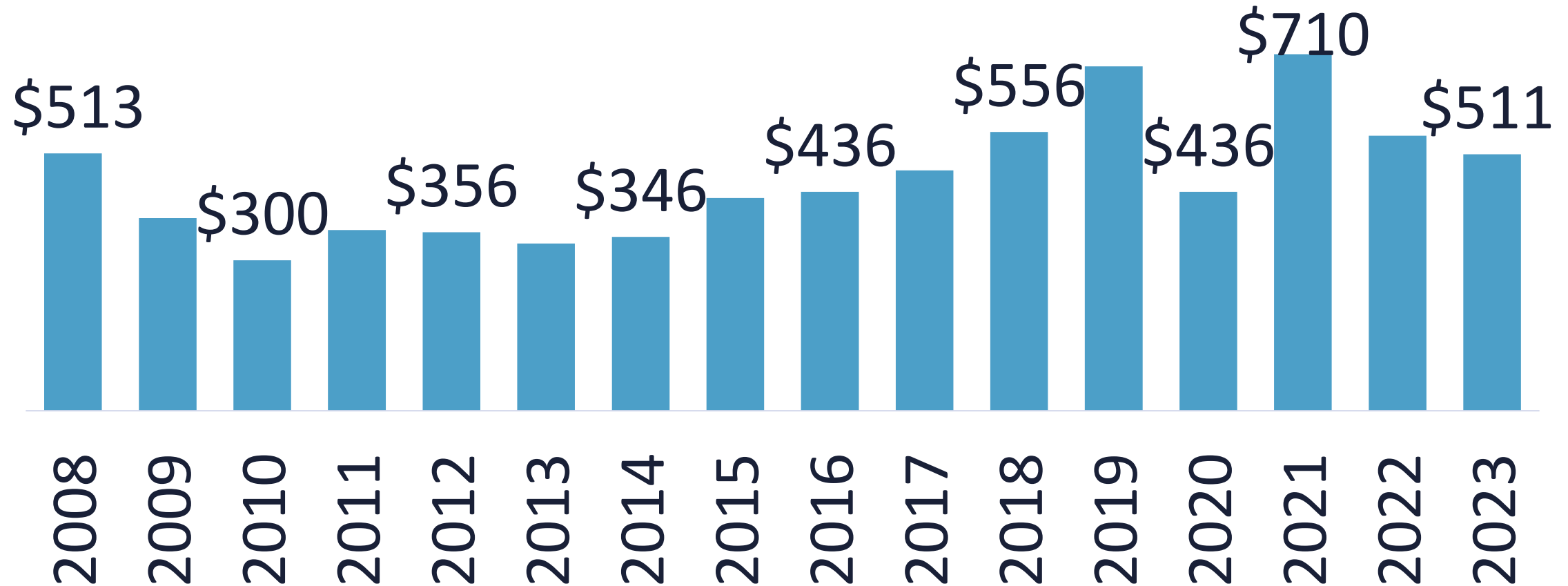
# Infrastructure Transactions

## By Sector

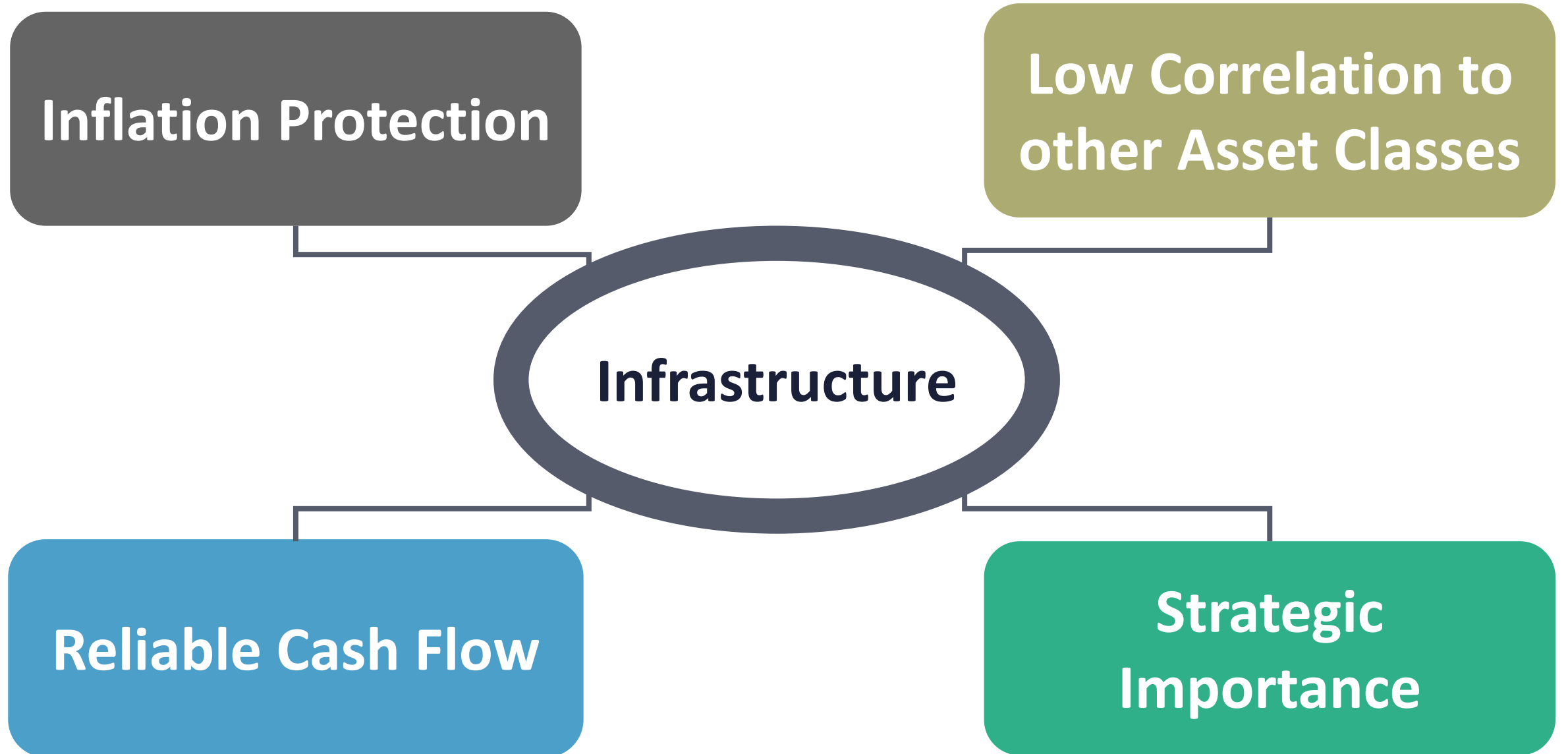


# Typical Deal Size

Average deal size (millions)

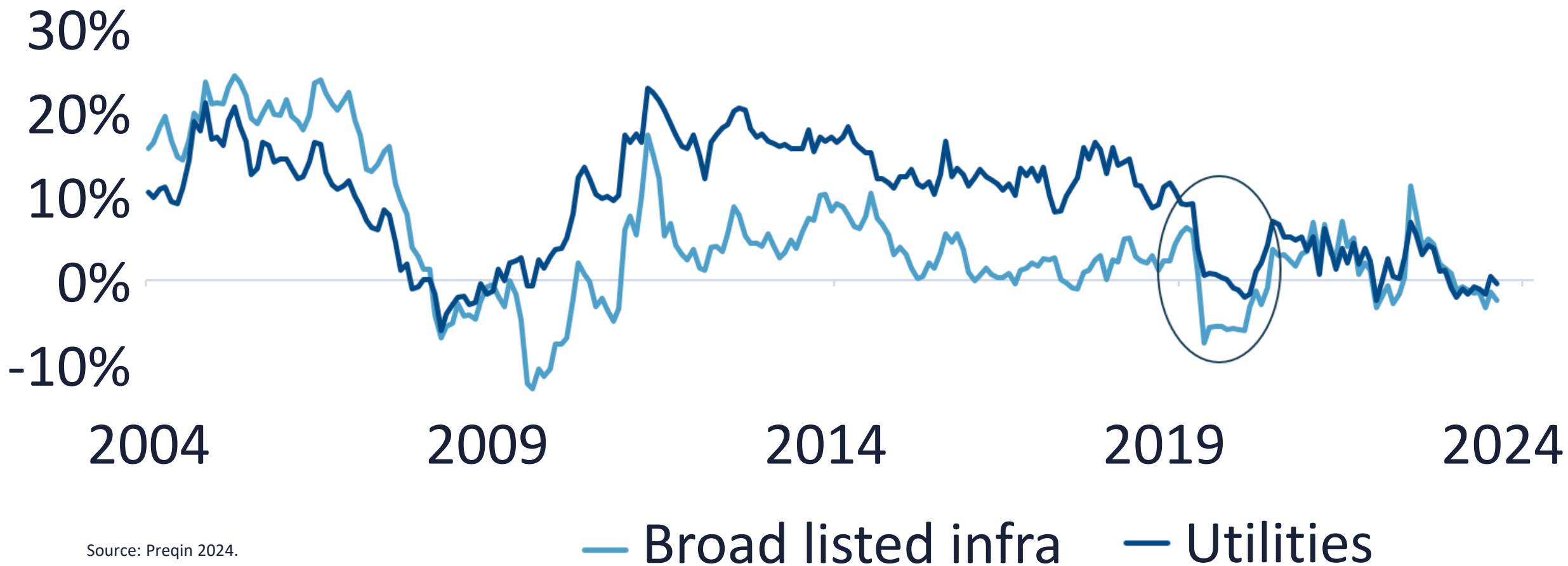


# Benefits of Infrastructure



# Inflation Protection

## Rolling 3-year excess returns



Source: Preqin 2024.

# Low Correlation to Other Assets

<b>Asset Class</b>	<b>15-Yr Standard Deviation</b>	<b>15-Yr Beta to S&amp;P500</b>	<b>Correlation to Infra</b>
<b>Private Infrastructure</b>	9.0%	0.03	1.00
<b>Private Real Estate</b>	14.2%	0.21	0.43
<b>Fixed Income</b>	2.08%	0.01	-0.17
<b>U.S. Equities</b>	17.1%	1.00	0.12

Source: Preqin, Preqin 2024 Global Report: Infrastructure; US Equities represented by S&P 500 Total Return Index, Fixed Income represented by Bloomberg Barclays US Aggregate Bond Index, Private Real Estate represented by Preqin Real Estate Index, Private Infrastructure represented by Preqin Infrastructure Index, December 2007 to June 2023. .

# Downside Protection

<b>Asset Class</b>	<b>5 Year CAGR</b>	<b>10 Year CAGR</b>	<b>15 Year CAGR</b>	<b>Max Quarterly Drawdown (15 Years)</b>
<b>Private Infrastructure</b>	11.9%	11.3%	8.7%	-15.24%
<b>Private Real Estate</b>	8.6%	10.1%	4.9%	-23.05%
<b>U.S. Equities</b>	12.3%	12.8%	10.9%	-21.9%

Source: Preqin, Preqin 2024 Global Report: Infrastructure; US Equities represented by S&P 500 Total Return Index, Private Real Estate Represented by Preqin Real Estate Index, Private Infrastructure represented by Preqin Infrastructure Index, December 2007 to June 2023. .





# Implementation Options

# Methods to Invest in Infra

## Methods

**Direct  
investments**

**Public  
equity and  
debt**

**Municipal  
and green  
bonds**

**Funds and  
trusts**

## Considerations

- Portfolio strategy
- Risk appetite
- Geography
- Asset development
- Diversification

# Fund Structure Comparison (1/2)

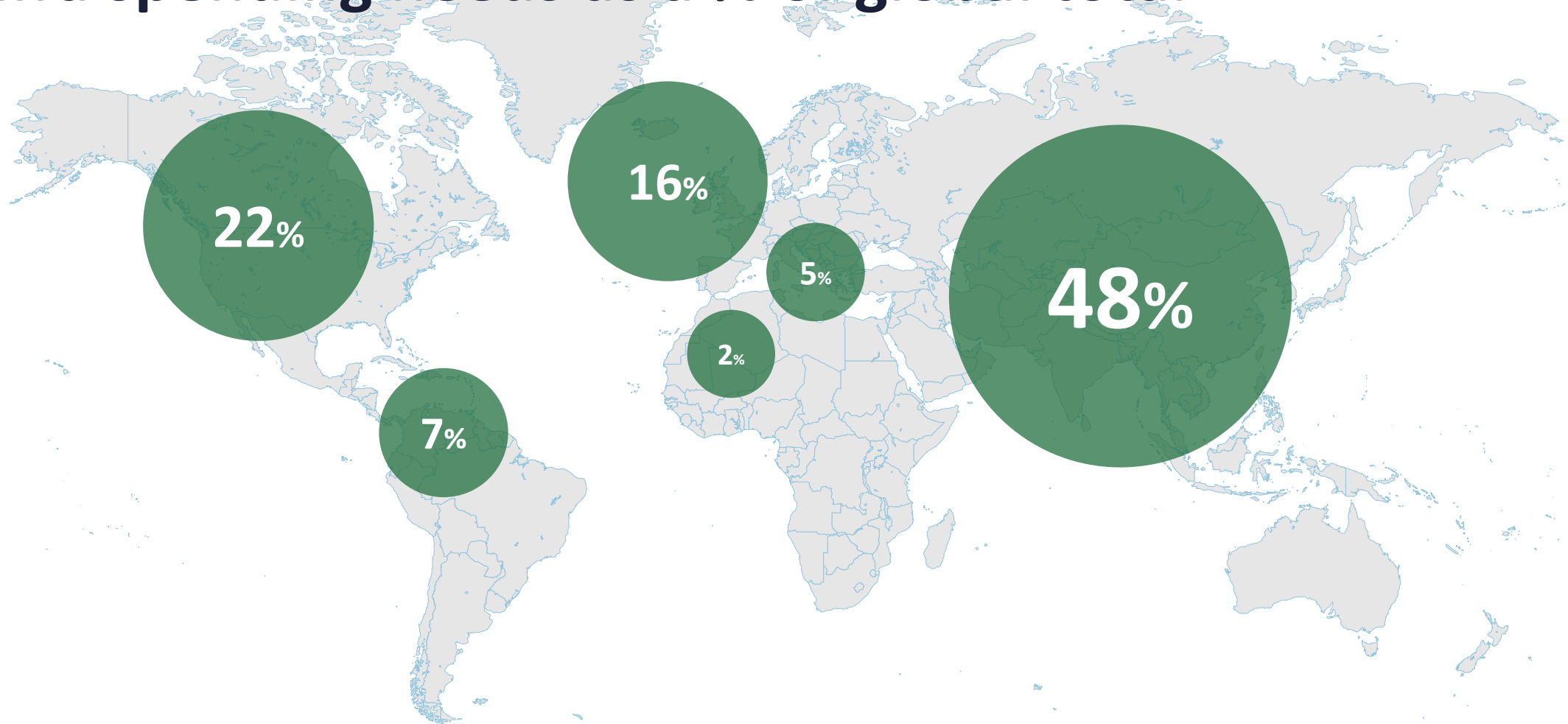
	<b>Public Infra</b>	<b>Core Open-End Private Infra</b>	<b>Non-Core Private Infra</b>
<b>Return Target</b>	7% to 10%	7% to 10%	8% to 12%+
<b>Correlation to Public Equities</b>	High	Low	Moderate to Low
<b>Yield</b>	2% to 3%	4% to 6%	Varies

# Fund Structure Comparison (2/2)

	<b>Public Infra</b>	<b>Core Open-End Private Infra</b>	<b>Non-Core Private Infra</b>
<b>Manager Universe</b>	Large	Small	Large
<b>Liquidity Term</b>	Daily	Quarterly / multi-year	10-15 year fund life
<b>Intra-Fund Diversification</b>	High	High	Varies; often moderate

# Global Infra Spending Needs

Infra spending needs as a % of global total





# Conclusion

# Benefits and Challenges

## Benefits

**Inflation Hedge**

**Stability**

**Portfolio  
diversification**

## Challenges

**Regulatory  
challenges**

**Capital intensity &  
timeframe**

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Past, projected or targeted performance described in these case studies is not indicative of future results, and there can be no assurance that any Fund or any investment will achieve comparable results to those presented herein. Gross return information reflected herein does not reflect the deduction of management fees, carried interest, taxes or other expenses that will substantially reduce returns to investors. Net return information is calculated based on the actual dates and amounts of capital contributions and distribution to limited partners and the limited partners’ capital account balances as of the current quarter (which is based on the valuations of investments and hedges used to determine the gross IRRs and MOICs, as described above). Further, Net returns are presented net of carried interest, management fees (net of any applicable management fee offsets as of the current quarter) and other partnership expenses, excluding blocker taxes. Net IRRs are calculated for the Limited Partners as a whole, and exclude the General Partner, ISQ Carry Partner, and the waiver partner. Individual Net IRRs may differ materially due to the dates individual limited partners subscribed for interests in the Fund, the Management Fee and Carried Interest terms applicable to the individual limited partner, and investment vehicle such limited partner invests through and investment exclusions application to certain limited partners investment allocations resulting from investment exclusions.

# Disclosure

The management fees and carried interest taken into account for calculating “net” returns are based on blended rates paid across all investors in the applicable fund and do not represent the fees and carry paid by any particular investor. In certain circumstances, the Fund utilizes subscription credit facilities or other lending facilities to provide funding in anticipation of capital calls for investments or for partnership expenses. Interest expense incurred due to the use of such facilities causes Net IRR to be lower than it would have otherwise been but use of such facilities also increases Net IRR (but not Gross IRR) due to the shorter period during which capital contributions are outstanding. Nothing contained herein should be deemed to be a prediction or projection of future performance of the Fund.

In order to assess the impact that the use of such facilities has on the Net IRR of the Fund, an Unlevered Net IRR has been calculated. Unlevered Net IRR is calculated on the basis that all amounts paid or received by the Fund relating to investments, management fees, partnership expenses, carried interest and other fund items, are deemed to have occurred between the Fund and the limited partners on the actual historical cashflow date, or a quarterly approximation thereof, to eliminate any timing differences arising as a result of the use of a subscription facility. Any costs associated with the facility are excluded under this approach and a corresponding adjustment is made to the Net Asset Value of the Fund as of the reporting date, due to the absence of such costs flowing through the Fund waterfall. The impact of facility costs on the Net MOIC is considered to be immaterial.

Past performance is not indicative of future results.

The investment rationale and criteria described herein reflect the beliefs of I Squared Capital that were considered to be true at the time I Squared Capital made an investment decision. Such rationale and criteria are based on a variety of assumptions and estimates employed by I Squared Capital and are subject to various risks. There can be no assurances that the investments made by a Fund will meet these criteria or that any such Fund will be able to successfully implement its investment strategy with respect to those investments it pursues. Further, there can be no assurance that any projections or estimates will be attained within the proposed timing set forth herein or at all, and actual results may be significantly different from expectations described in this Document.

Any value creation analyses described in the case studies presented herein have been developed and employed internally by I Squared Capital. I Squared Capital believes such analyses could be used to analyse the gain associated with realized and partially realized investments, as applicable. Through these analyses, I Squared Capital seeks to identify the components of that gain representing value added through the efforts of I Squared Capital, as well as value added through industry, sector or other developments or factors. Such determination by I Squared Capital as to the apportionment of such gain among each of these components is inherently subjective, and there can be no assurance that other third-party analyses of this data would reach the same conclusions as those provided herein.

The metrics regarding select aspects of the company’s operations were selected by I Squared Capital on a subjective basis. Such metrics are provided solely for illustrative purposes to demonstrate elements of the company’s business, are incomplete, and are not indicative of the company’s performance or overall operations. There can be no assurance that historical trends will continue throughout the life of the fund.

## Important information regarding cash yields

Any data on annual yield from operations presented in this Document is unaudited and represents (i) historical LTM EBITDA as of the current quarter at the asset level (unaudited), less debt service and maintenance capex, divided by (ii) cash funded into the assets as of current quarter, net of financings, bridged investments and cash extractions. For any assets acquired during the last twelve months, yield from operations has been weighted to account for the pro-rated holding period. Disposed assets have been excluded from the calculation. The calculation excludes greenfield assets, assets under development, assets acquired in the current quarter and yields generated from investments in public securities. Further, certain other items, including one-time major capex, have been excluded from the calculation. Yield from operations is a measure of portfolio company economic income and is not indicative of actual or potential distributions of current income or other returns to investors in a Fund. Yield from operations may be retained by a portfolio company in accordance with debt distribution covenants or to fund growth (by way of acquisitions or to fund the costs of running a growth platform) or other portfolio company needs rather than being distributed to a Fund. Any such amounts actually received by a Fund are not distributed to investors, and prior to any such distribution, such amounts will be reduced by management fees, carried interests and fund-level expenses, which in the aggregate are expected to be substantial. Therefore, the yields depicted herein do not reflect the reduction of such fees and expenses associated with an investment.

## Important information regarding risk scores

In order to calculate any risk scores discussed in this Document, I Squared Capital considers ten categories of risks and assigned a score of 0 to 10 to each category for each investment (with higher numbers indicating higher levels of perceived risk). The scores assigned to all categories for each investment were then added together to reach I Squared Capital’s overall risk score for such investment. As such, any risk scores discussed in this Document with respect to a specific investment or potential investment represent I Squared Capital’s internal ratings of certain potential risks identified by I Squared Capital. Risk scores for an investment at the time such investment is made are reflective of the analysis of certain potential risks identified by I Squared Capital at the time and are not an indication of the actual risks associated with such investment. Any reference herein to risk reduction or “de-risking” is intended to denote an effort by I Squared Capital to reduce the risk scores associated with the relevant investment or project, but no program can be expected to fully identify or ameliorate all such risks, and no representation is made that the risks identified by I Squared Capital are comprehensive. Any changes in an investment’s risk score represent I Squared Capital’s views on the effects of its post-acquisition efforts to reduce the risks relating to such investment. There can be no assurance that the

relevant risks for such investment have actually been identified or mitigated or that they will not result in significant losses in the future.

## Portfolio company sales and EBITDA figures

Portfolio company sales and EBITDA figures, including historical figures presented in this Document may be reflected on a pro forma basis for material add-on acquisitions and divestitures, and other significant transactions (e.g., material sale-leaseback transactions, etc.), if applicable. Additionally, amounts contained in these materials are generally unaudited and may be flash or preliminary amounts reported by portfolio company management. Portfolio company EBITDA reported to I Squared Capital may be adjusted for purposes of determining the estimated fair value of such portfolio company in accordance with I Squared Capital’s valuation policy, or for other purposes. Sales and EBITDA figures discussed in these materials with respect to companies, whether pre- or post-acquisition, are believed to be from reliable sources, but I Squared Capital does not attest to their accuracy.