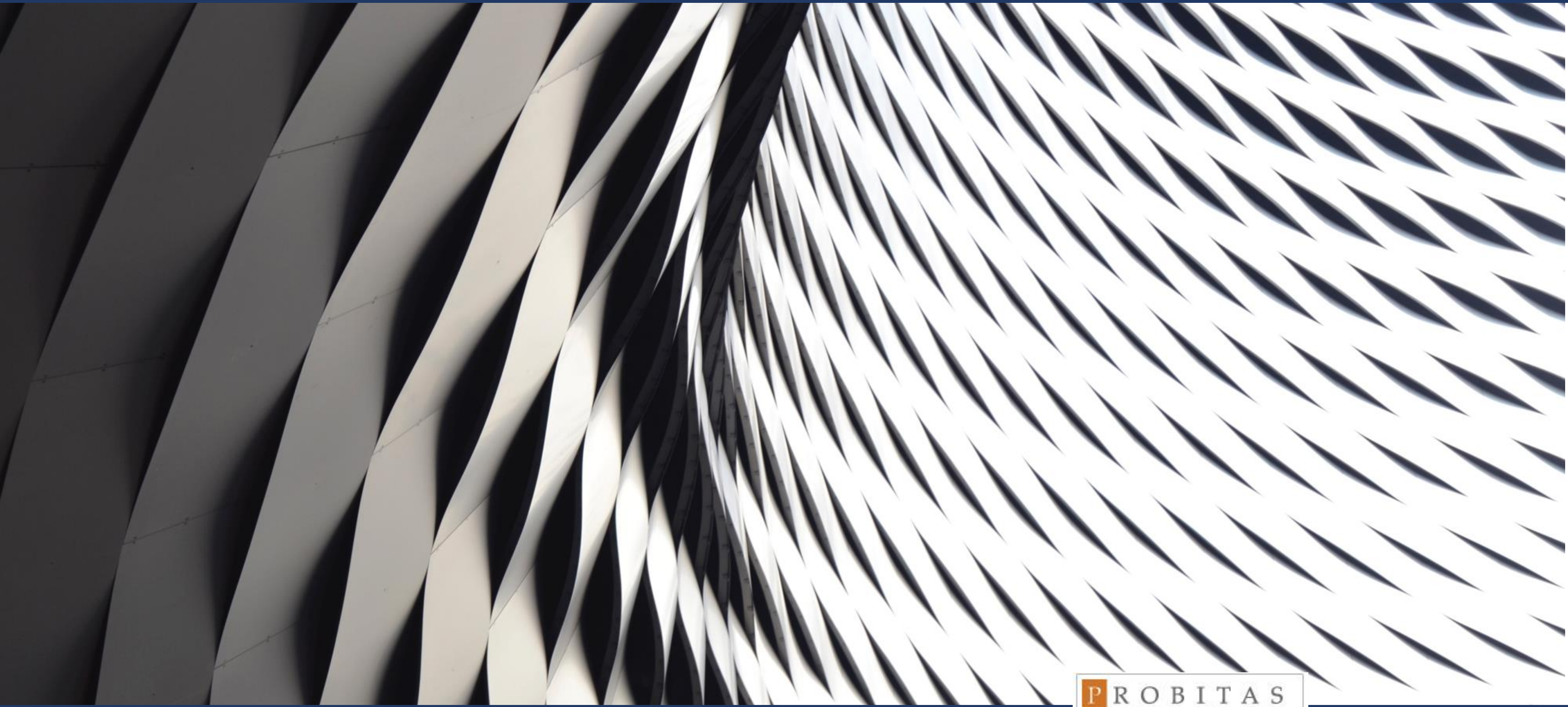
Probitas Partners Institutional Investors' Infrastructure Survey 2022

August 2022



PROBITAS RESEARCH™

Table of Contents

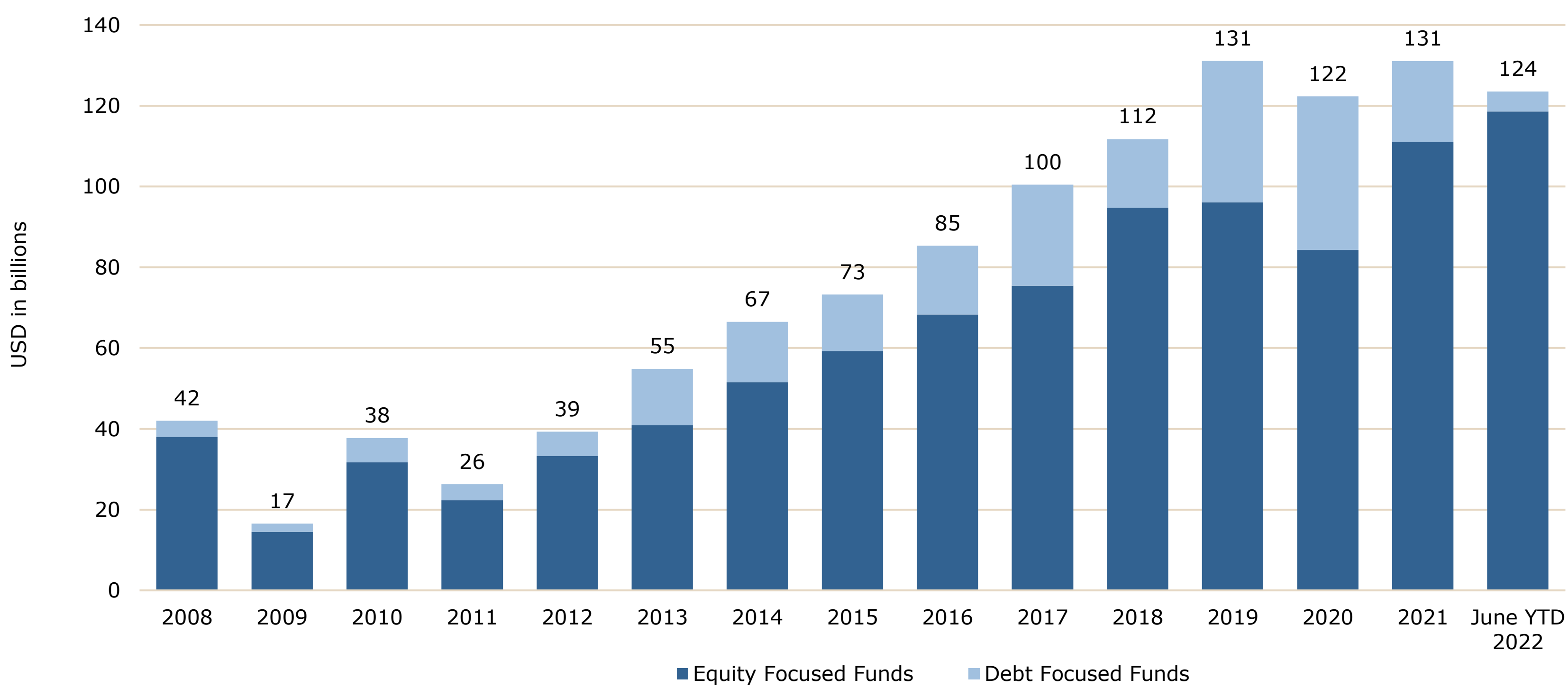
Survey Background and Highlights

- Probitas' last infrastructure survey was before the Pandemic in 2019, disrupting our next two planned surveys; many of the charts in this survey compare investors' pre-Pandemic intentions to the current market to see the impact of the crisis as well that of the current regulatory environment.
- This latest survey was taken over the last week of June and the first three weeks of July, and looked to investors' appetites and concerns for the next 12 months.
- Probitas received 36 formal responses to the survey; our analysis of the results was also informed by our conversations with a broad group of investors with whom we often talk.
- Investor appetite for industry sectors have changed significantly since 2019, with the focus on Transportation falling while interest in new sectors such as Energy Efficiency/Energy Transition and Digital Infrastructure led the market.
- There was a significant increase in commitments targeted by Real Asset allocations instead of from Infrastructure allocations, in keeping with the expansion of the definition of infrastructure.
- As far as investors' focus on key terms in fund structures, there was a surge in interest in carried interest waterfalls and the level of general partner's financial commitments to their funds.
- Though the largest fear of investors is still that too much money is coming into the market, this summer the second ranked fear is the potential impact of rising interest rates on their current portfolios – a new survey option this year.

Closed-End Vehicle Infrastructure Fundraising

- On its face, fundraising for equity-focused infrastructure funds had a tremendous first half in 2022, exceeding the previous fundraising total for any previous full year.
- However, since market fundraising totals are credited to the final close date of a fund, this can be deceiving in a rapidly changing market.
- Infrastructure debt funds, however, had a more challenging first half.

Chart I Closed-End Infrastructure Fundraising, USD in Billions



Source: PREQIN

Ten Largest Closed-End Fundraisings of the 1st Half

- The four funds with the largest final closings dominated the market, credited with $61 billion or over half of the total raised for equity-focused funds.
- However, over $46 billion – or roughly 75% of that amount – had closes in 2021 or 2020 that were not affected by the market turbulence of 2022.

Ten Largest Closed-End Infrastructure Funds with Final Close in 1st Half 2022

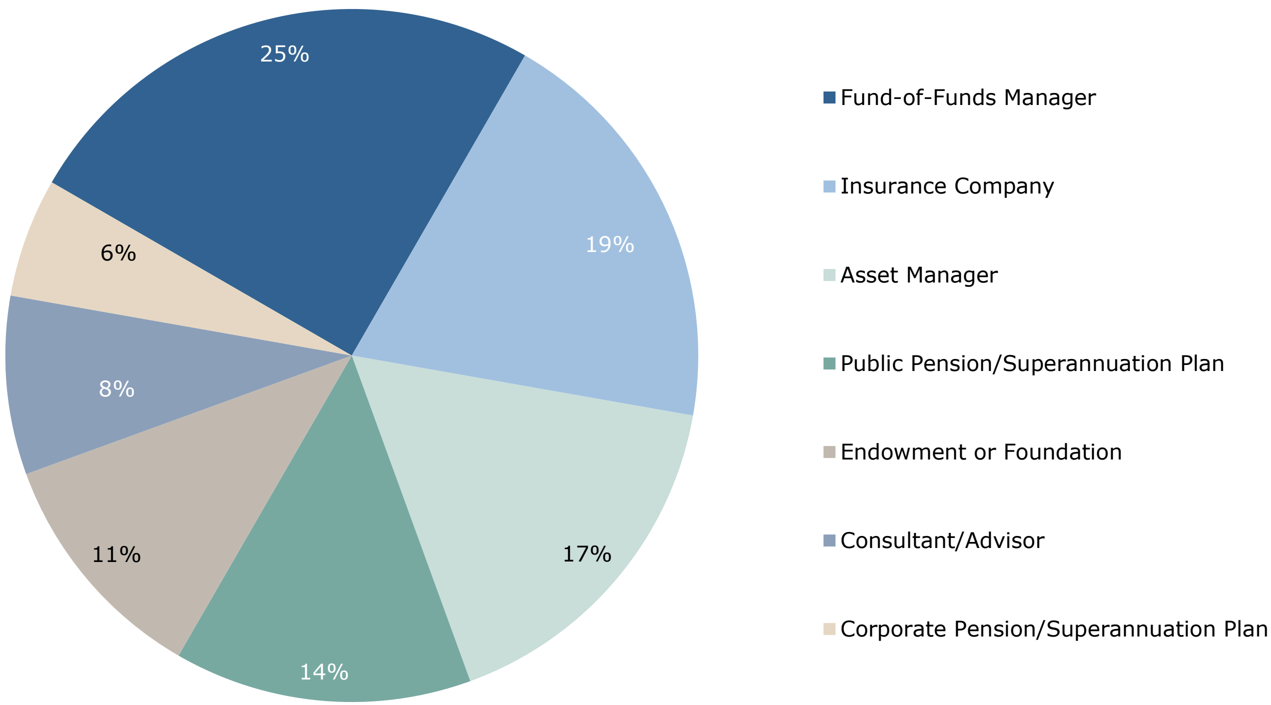
Rank	Fund Name	Geographic Focus	Industry Focus	Headquarters	Vintage Year	Amount (MM)
1	KKR Global Infrastructure Investors IV	Global	Divesified	New York	2021	USD 17,000
2	ISQ Global Infrastructure Fund III	Global	Diversified	Miami	2021	USD 15,300
3	Brookfield Global Transition Fund	Global	Renewable Energy/ Energy Transition	Toronto	2021	USD 15,000
4	Stonepeak Infrastructure Partners IV	Global	Diversified	New York	2020	USD 14,000
5	Partners Group Direct Infrastructure 2020	Global	Diversified	Zug	2020	USD 8,500
6	DigitalBridge Partners II	Global	Digital Infrastructure	Boca Raton	2020	USD 8,300
7	InfraVia European Fund V	Europe	Diversified	Paris	2021	EUR 5,000
8	Macquarie Asia Infrastructure Fund III	Asia Pafifc	Diversified	London	2022	USD 4,200
9	iCON Infrastructure Partners VI	Transatlantic	Diversified	London	2022	USD 3,600
10	Apollo Infrastructure Opportunities Fund II	Global	Diversified	New York	2021	USD 2,540

Source: PREQIN, Probitas Partners

Background of Respondents: Investor Type

- Various types of institutional investors responded to the survey, with Funds-of-Funds, Insurance Companies, Asset Managers and Public Pension Plans well represented.

Chart II Respondents Categorized by Investor Type
I represent a:



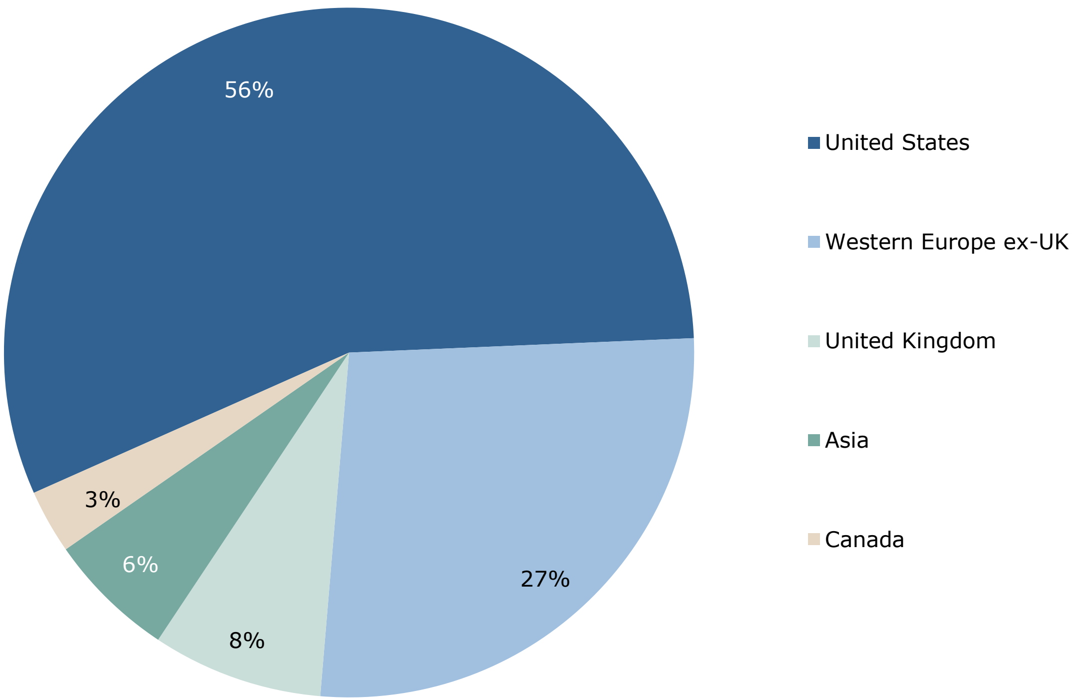
Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Background of Respondents: Geography

- 59% of the respondents were from North America while 35% were from Western Europe – the two largest investor markets.

- The remaining 6% were from Asia.

Chart IV Respondents Categorized by Firm Headquarters
My firm is headquartered in:

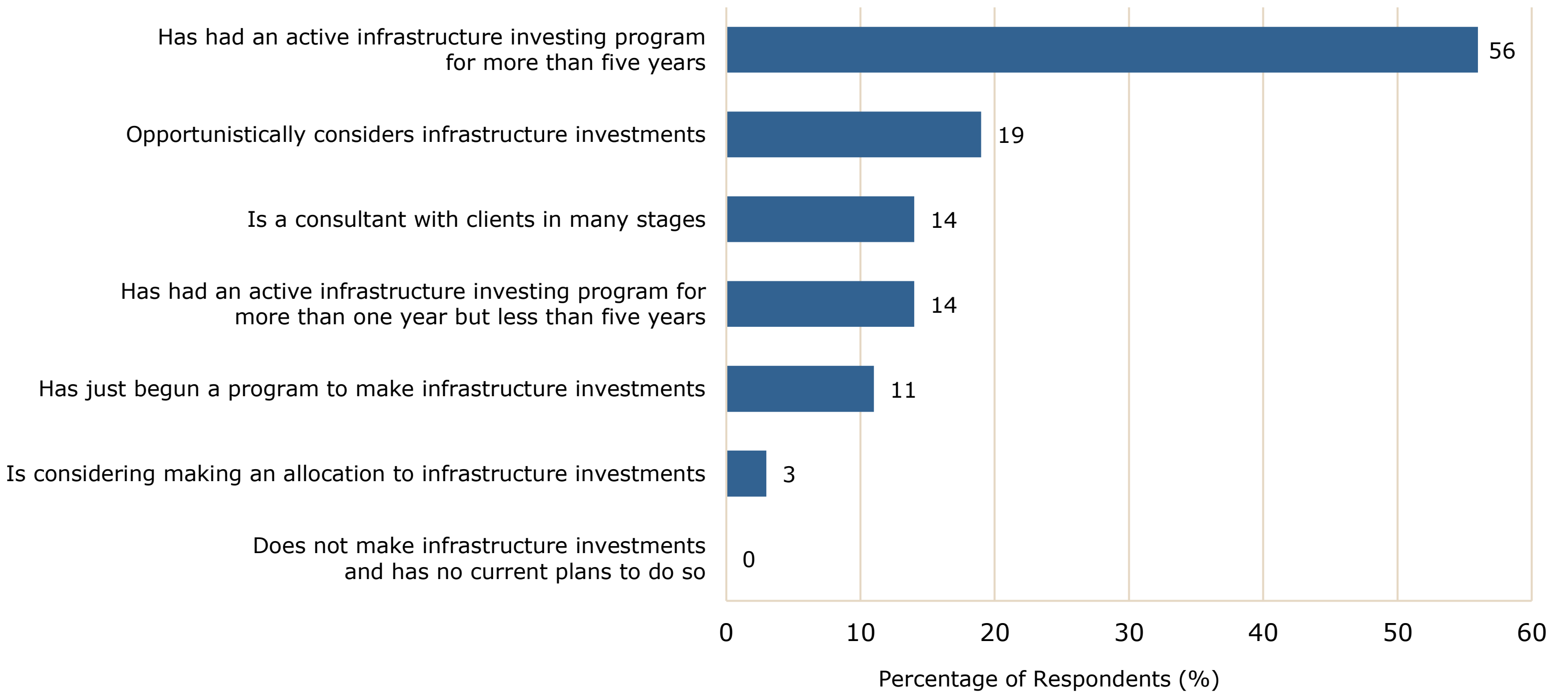


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Background of Respondents: Experience

- 70% of respondents have had an active infrastructure program for at least a year while 19% opportunistically consider infrastructure investments.
- 11% have just begun a program with another 3% considering making an allocation.

Chart IV Experience Level of Respondents
As far as infrastructure investing is concerned, my firm (choose all that apply):

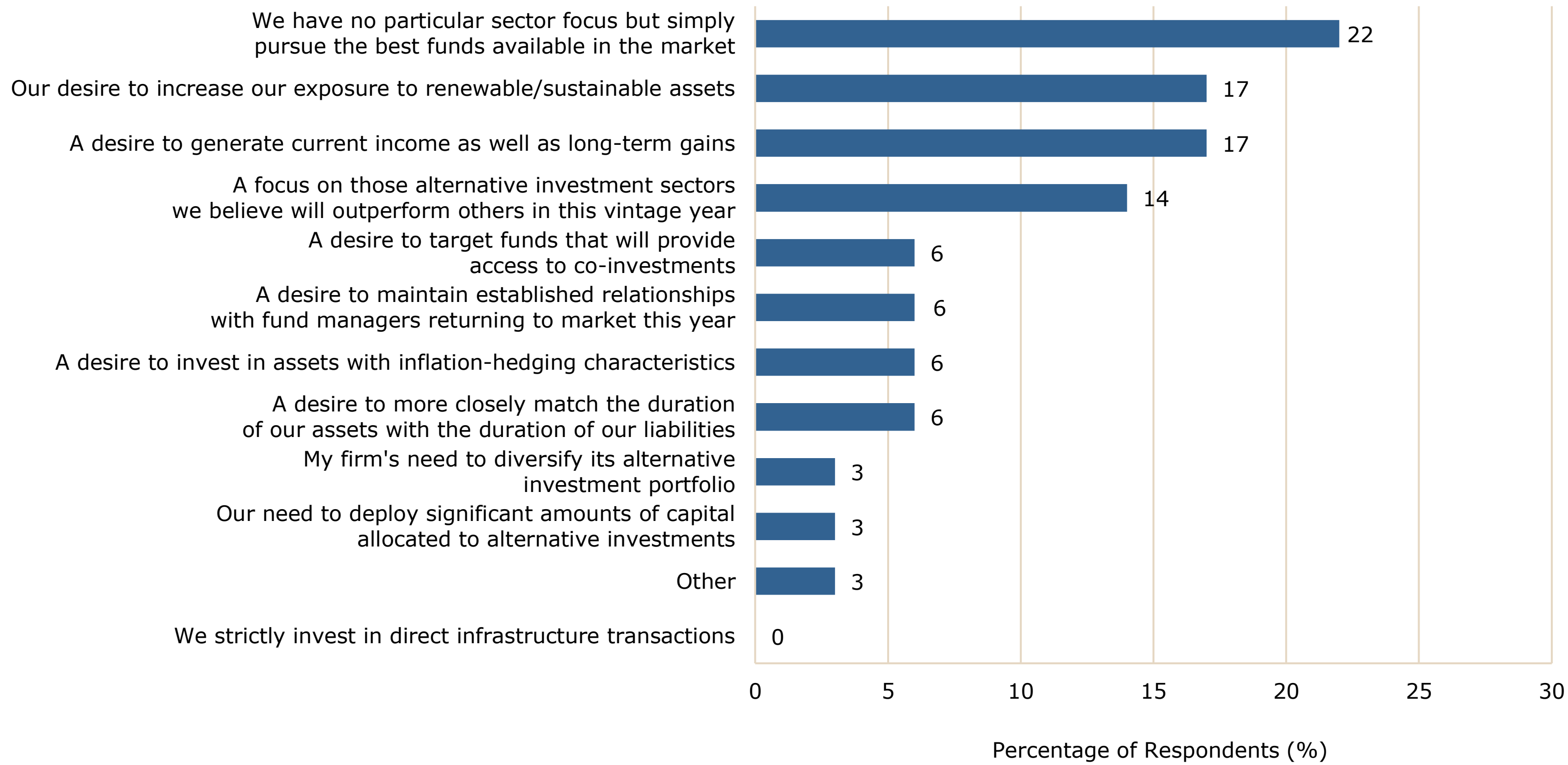


Source: Probitas Partners' Infrastructure Investor Trends: 2022 Survey Results

Background of Respondents: Drivers of Focus

- Drivers of investment focus were diverse, with no option attracting more than a quarter of respondents.
- However, it is interesting that the second most popular response was a desire to increase exposure to renewable/sustainable assets.

Chart V Drivers for Sector Target Focus
My firm's sector investment focus over the next twelve months is driven by:



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Drivers of Interest (continued)

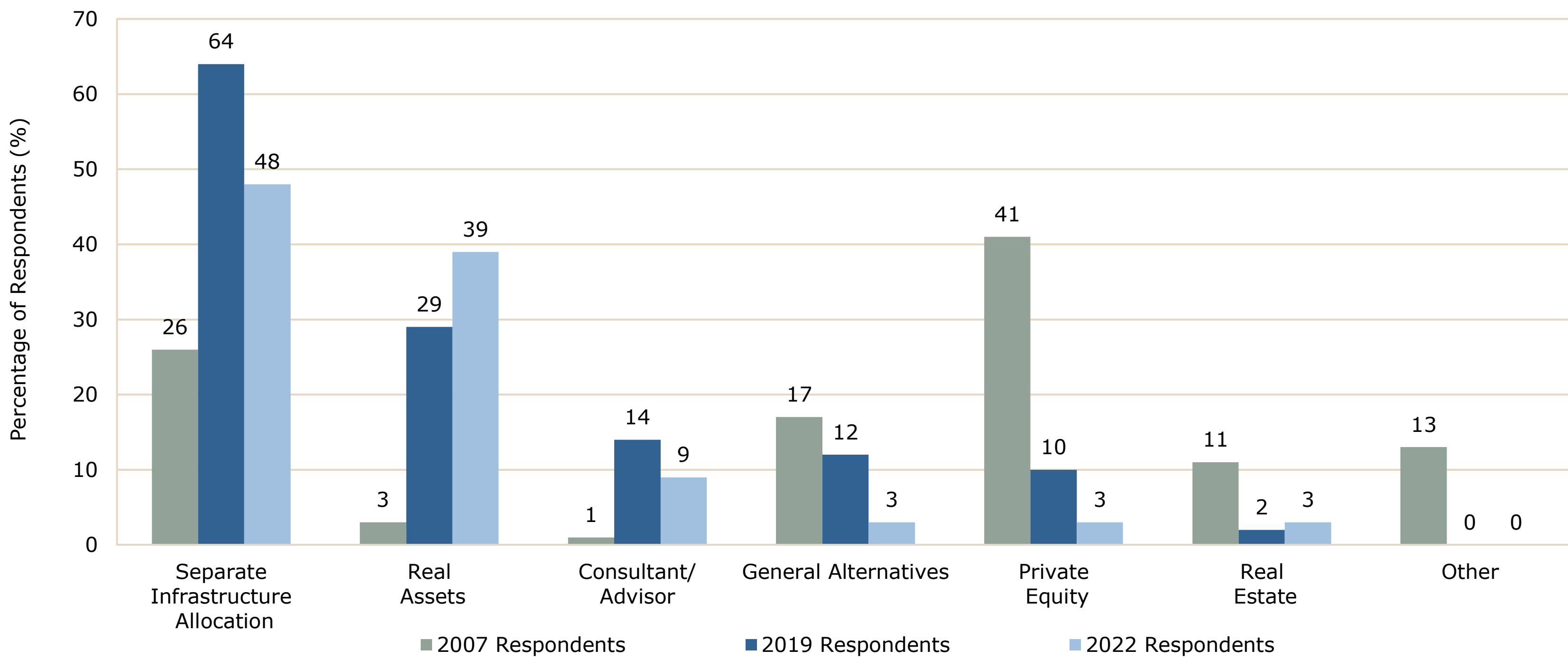
- There was one detailed Other response to this question which was especially interesting:
  - *Unlikely to invest in infrastructure over the next 12 months due to concerns about increasing dry powder, scarcity of assets, and the broadening definition of infrastructure*

U.S. Headquartered Insurance Company

Background of Respondents: Investment Allocation

- In the early days of infrastructure as a recognized asset class, investors' portfolio allocations were diverse but steadily began to evolve and concentrate.
- The chart below tracks the allocation categories used by investors as recorded by Probitas' first survey in 2007, our 2019 survey before the Pandemic, and our current 2022 survey.

Chart VII Categorizing Infrastructure
Within our portfolio, infrastructure investments are or will be placed in (choose all that apply):



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2007 , 2019 and 2022 Survey Results

Investment Allocation (continued)

- Our 2007 survey was taken just as closed-end infrastructure funds became of increasing interest to institutional investors.
  - At this point, 41% of infrastructure funds were being placed in Private Equity allocations with another 11% going into Real Estate.
  - Only 26% of respondents had dedicated infrastructure allocations.
  - Most of the respondents who checked Other were uncertain where infrastructure should go in their portfolio.

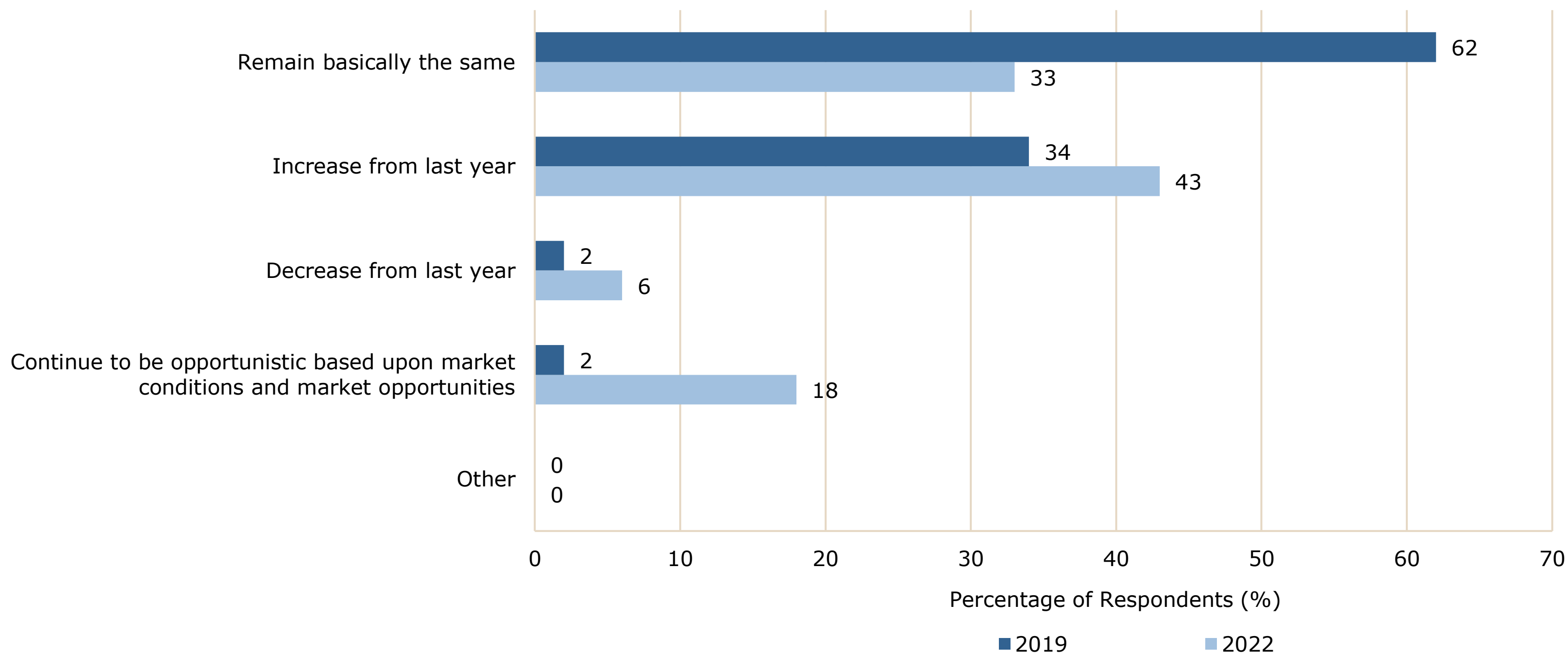
- The 2019 survey, taken just before the Pandemic, shows how much the market had changed during the intervening decade, with 64% of respondents having dedicated infrastructure allocations.
  - Only 10% of respondents invested through private equity allocations that year.

- In 2022 there was a distinct shift towards placing infrastructure funds in real asset allocations – sometimes directly, sometimes as a sub-asset allocation within real assets.
  - This is likely a reaction to the shift of interest in the market away from classic assets such as Transportation to areas such as Energy Transition and Digital Infrastructure.
  - Even with this trend, 48% of respondents had separate infrastructure allocations.
  - European respondents were very different, with 91% of them having Separate Infrastructure allocations

Investor Appetite Compared To The Past

- A distinct shift occurred in investor appetite between 2019 and 2022, with the leading response in 2019 – that their appetite would remain basically the same – falling from 62% to 32%.
- In 2022 the leading response, at 43%, was the expectation that investing appetite would increase while another 18% said they would be opportunistic.

Chart VII Appetite for Infrastructure
Compared to last year, I believe that my firm's appetite for infrastructure investments for the next twelve months will:

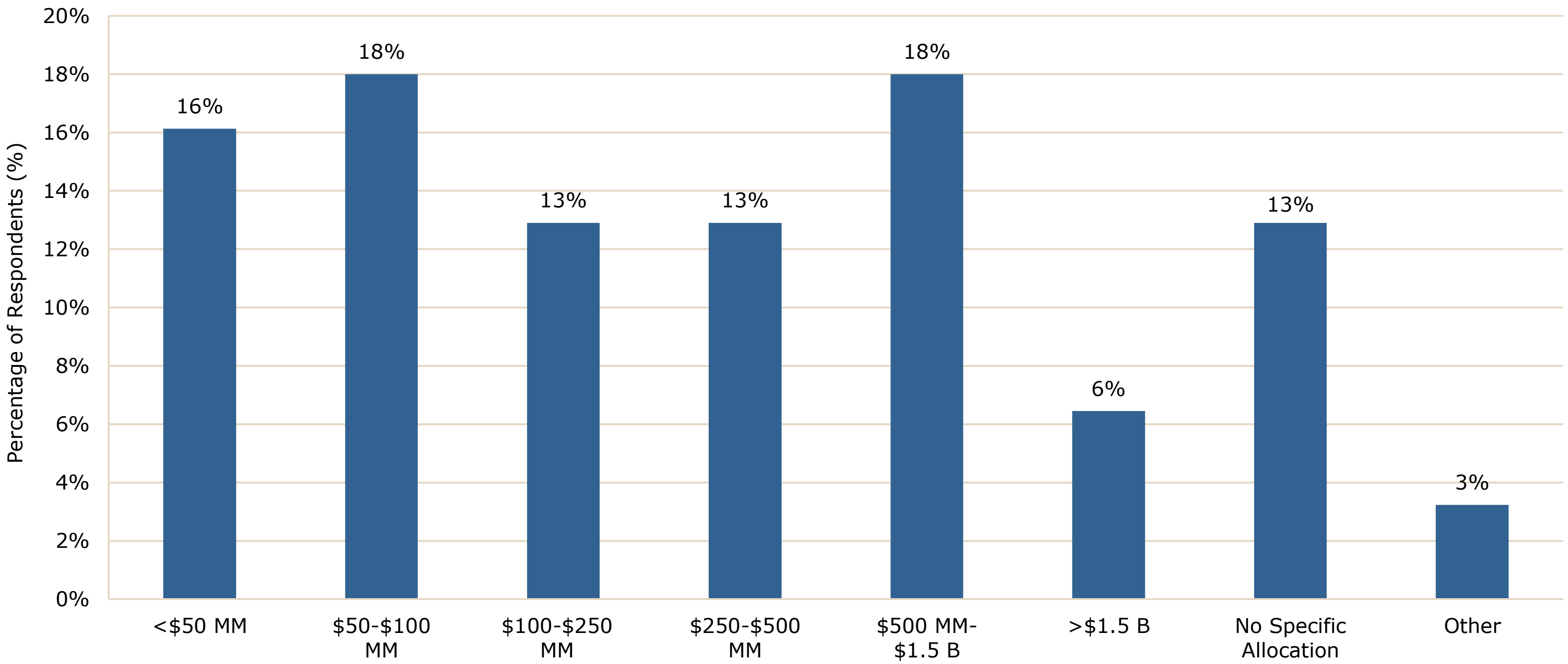


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2019 and 2022 Survey Results

Investor Appetite: Forecast Commitments For The Next Year

- We received responses from investors with programs of varying sizes, from less than $50 million of expected commitments to more than $1.5 billion.
- Most of those who had no specific allocation were consultants or advisors.

Chart VIII Infrastructure Allocations
Over the next year, our allocation to infrastructure commitments will be (in USD):

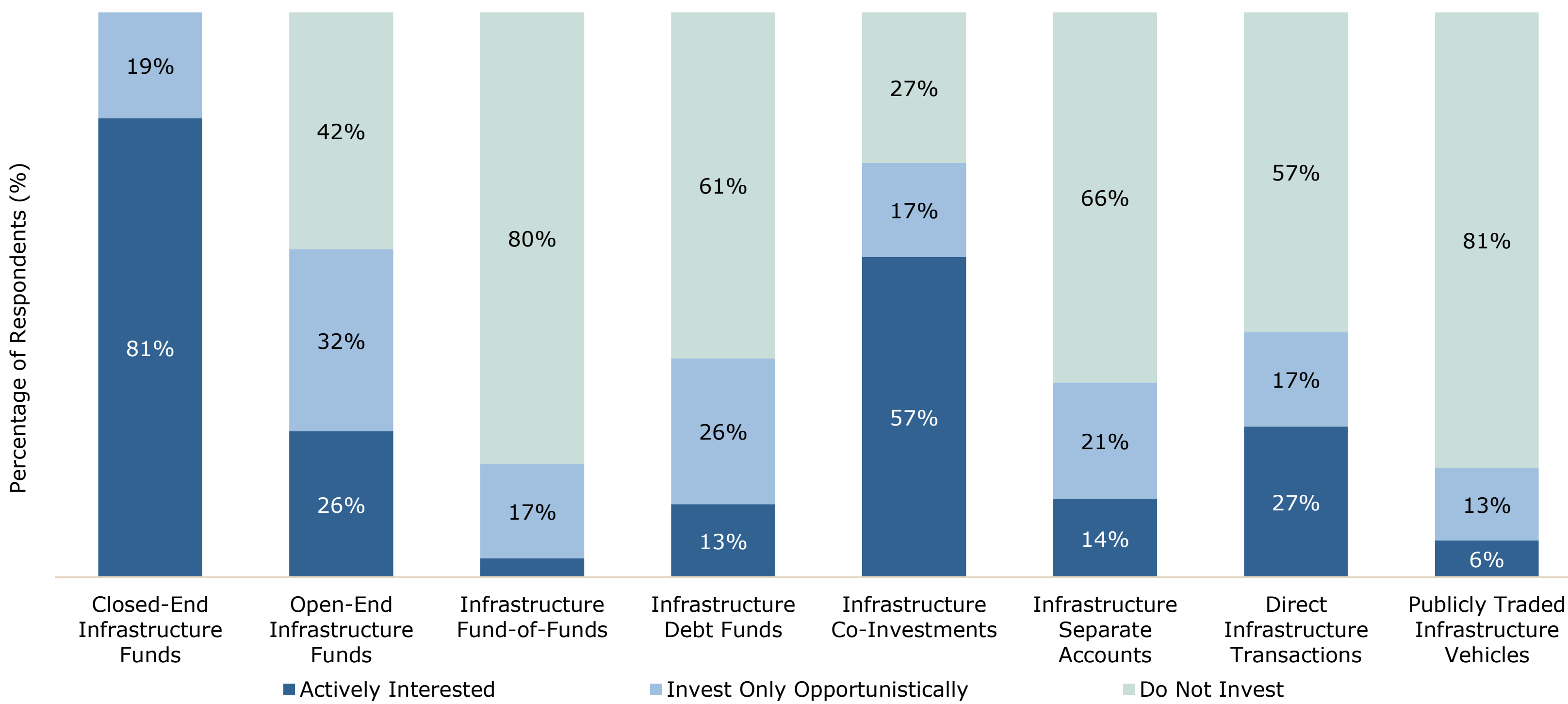


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Investor Appetite: Targeted Structures

- The two most popular structures for respondents were closed-end funds and co-investments, while funds-of-funds and publicly traded vehicles were of the least interest.
- 27% of respondents actively targeted direct investments.

Chart X Interest in Investment Structures
My firm's interest in various investment structures is:

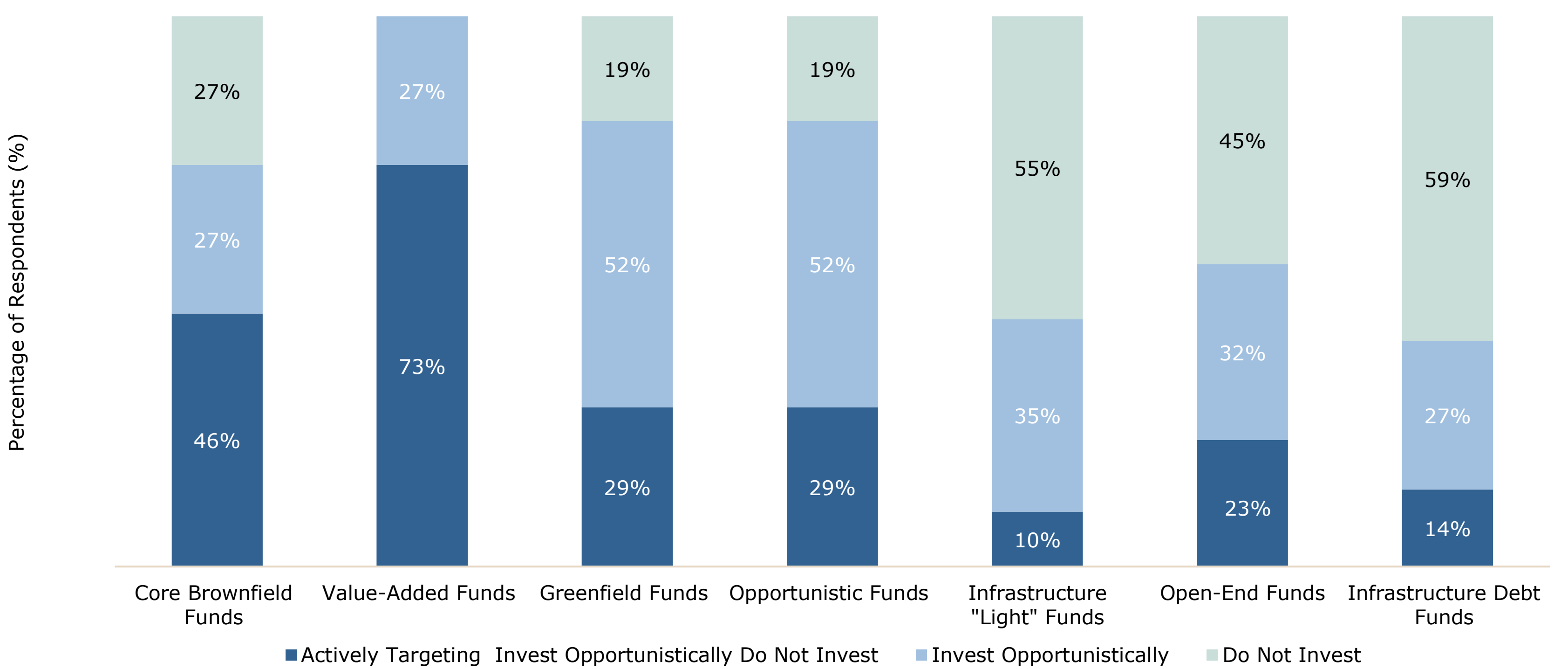


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Investor Appetite: Fund Strategies

- Fifteen years ago, most respondents focused on Core Brownfield funds; the low interest rate/lower return environment of the last decade has shifted interest towards higher return Value-Added strategies.
- Interest has also shifted away from Infrastructure Debt, though that has always been deemed a more niche strategy.

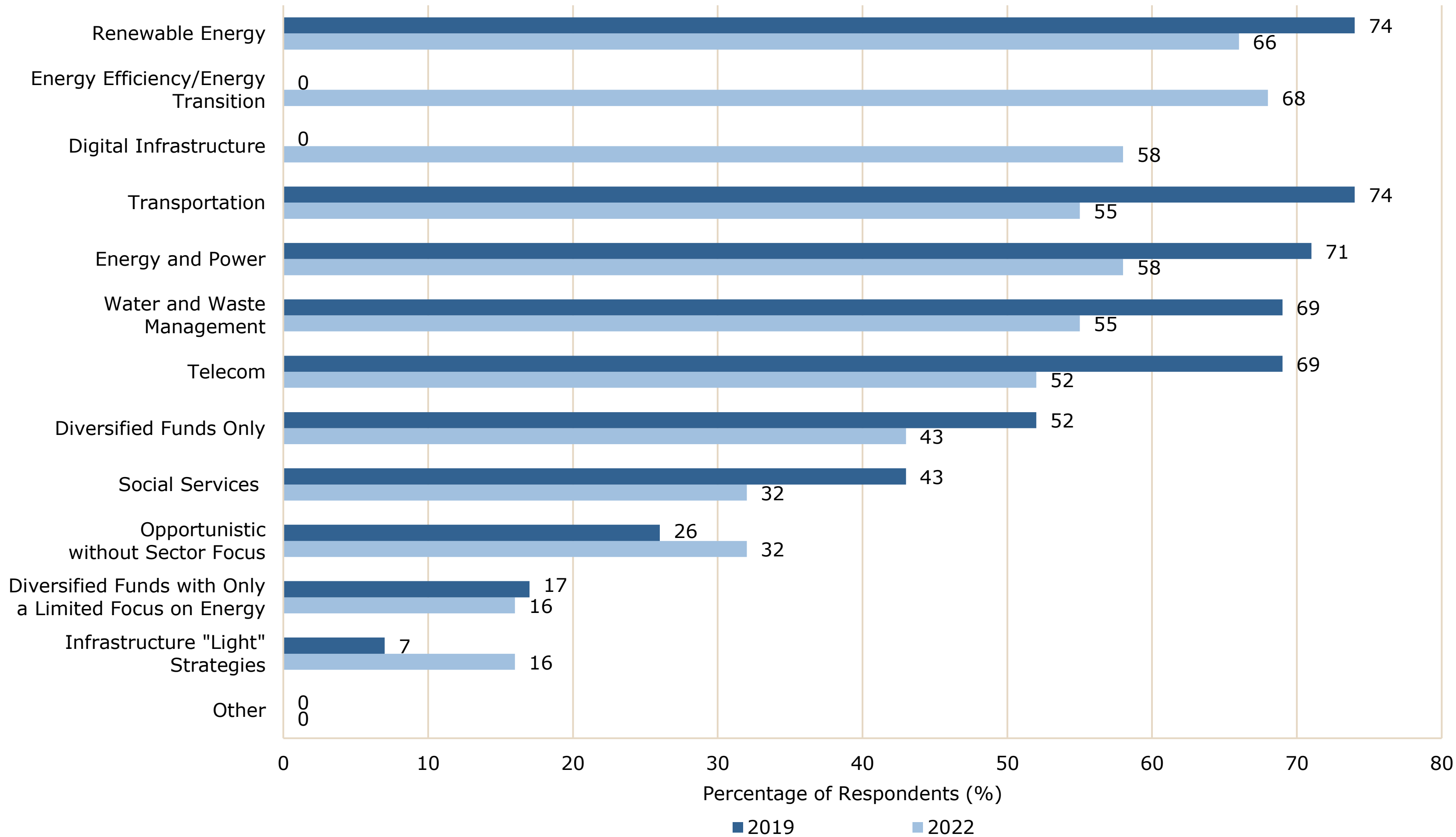
Chart XI Interest in Fund Strategies
My firm's interest in various fund strategies is in:



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Investor Appetite: Industry Sectors

Chart XII Infrastructure Industry Sectors of Interest
My firm seeks to invest in the following sectors (choose all that apply):



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2019 & 2022 Survey Results
Note: Energy Transition and Digital Infrastructure were not included in the 2019 Survey

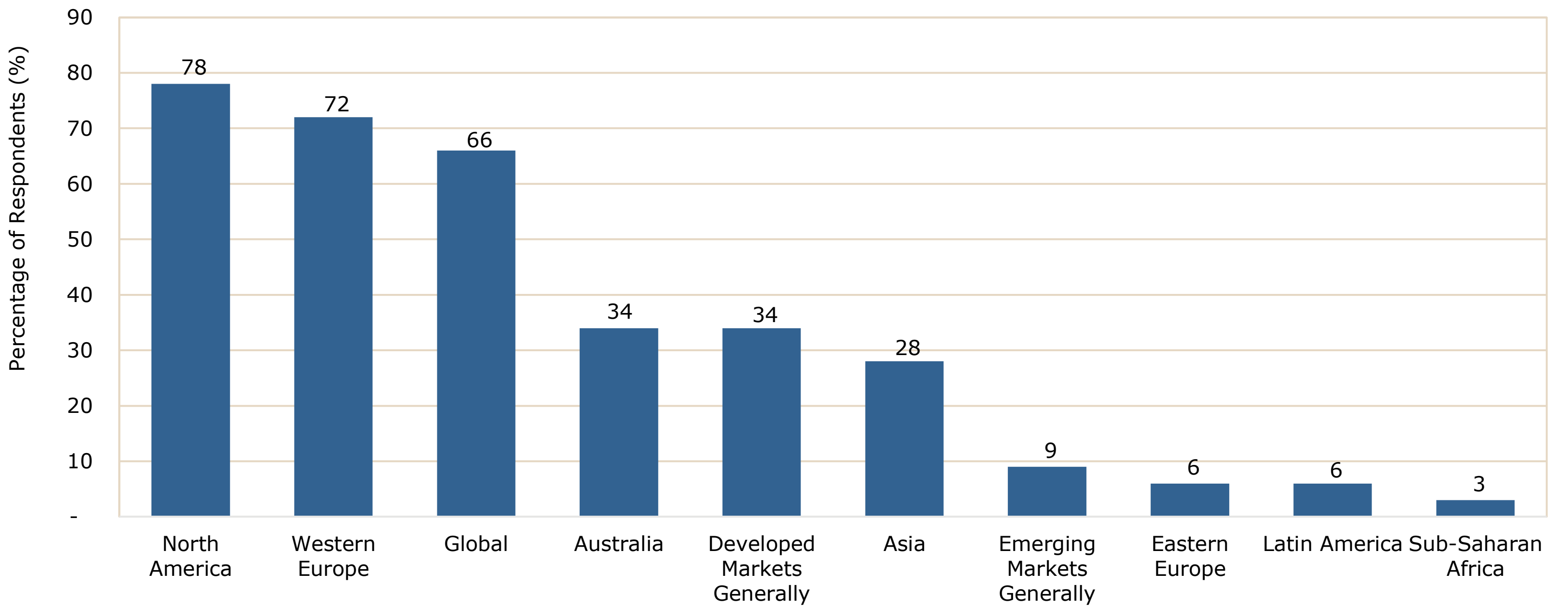
Industry Sectors (continued)

- As detailed on the previous slide, there have been significant changes in respondent industry sector appetite since the pandemic hit.
- The 2019 and 2022 surveys are not directly comparable as Probitas added two major options to the 2022 version -- Energy Efficiency/Energy Transition and Digital Infrastructure – based upon what we saw playing out in the market.
  - These two options took the number one and three rankings in 2022, with Energy Efficiency narrowly nosing out Renewable Energy which had been ranked number one in 2019.
- More significantly, interest in many other industry sectors fell – most notably transportation from 74% to 55%, and energy and power from 71% to 58%.
- Though it still placed last in both years, infrastructure “light” increased from 7% to 16%.
- Among European respondents, Renewable Energy and Energy Efficiency/Energy Transition were tied for the top ranked sector, both receiving 80% interest.
- Only 10% of Europeans were interested in the Infrastructure “Light” sector.

Investor Appetite: Geographic Focus

- As far as geographic focus, North America, Western Europe and Global funds dominated investor interest globally.
- Emerging markets remained of little interest.
- Note: 'Developed Markets Generally' funds limit their investments to OECD countries.

Chart XIII Geographic Focus
My firm invests in infrastructure funds with investment mandates focused on (choose all that apply):



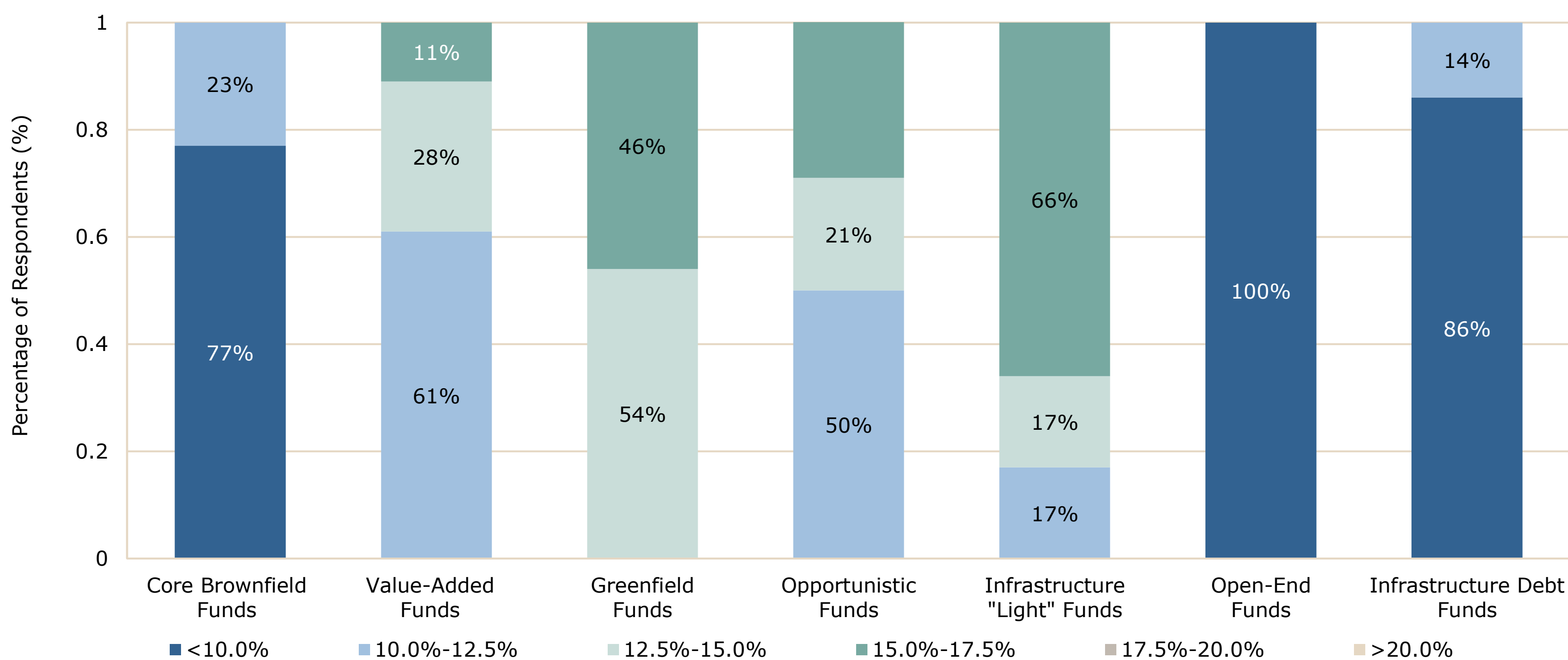
Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Returns and Terms Targets: Net IRR

- Investor's IRR expectations by infrastructure strategy have not changed dramatically since 2019 with one exception – in 2019 only 53% of respondents expected Open-End fund returns to be less than 10% compared to 100% in 2022.
- The relative attractiveness of Value-Added strategies strictly in terms of IRR expectations compared to Core strategies is very evident.

Chart XV Target Net IRRs

For the major sectors of closed-end infrastructure funds operating in developed markets, my firm's target Net IRRs are as

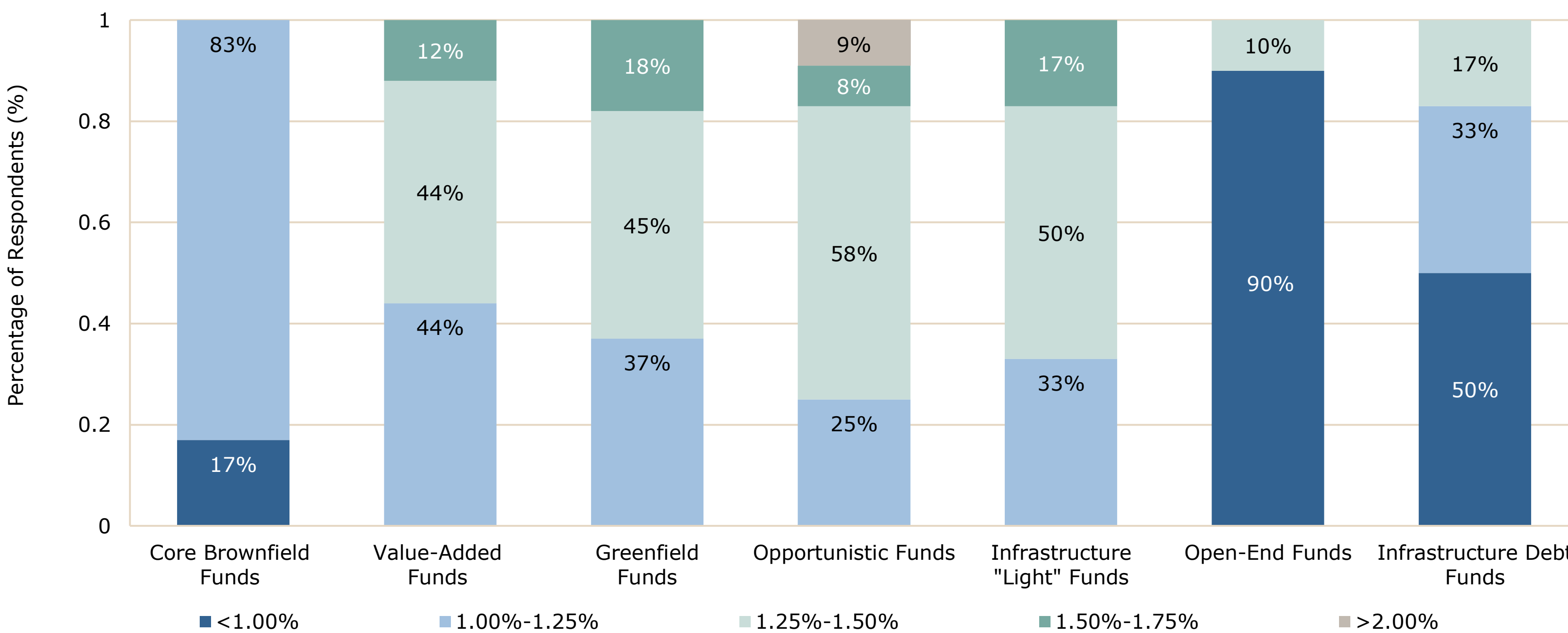


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Returns and Terms Targets: Management Fees

- Unsurprisingly, the management fees respondents are willing to pay reflect the IRRs they expect to receive on the fund's strategy.
- The only strategy that even a small percentage of respondents feels deserves a management fee of 2% is Opportunistic.

Chart XVI Target Annual Management Fees
For the major sectors of closed-end infrastructure funds operating in developed markets, our firm's targeted management fees are:

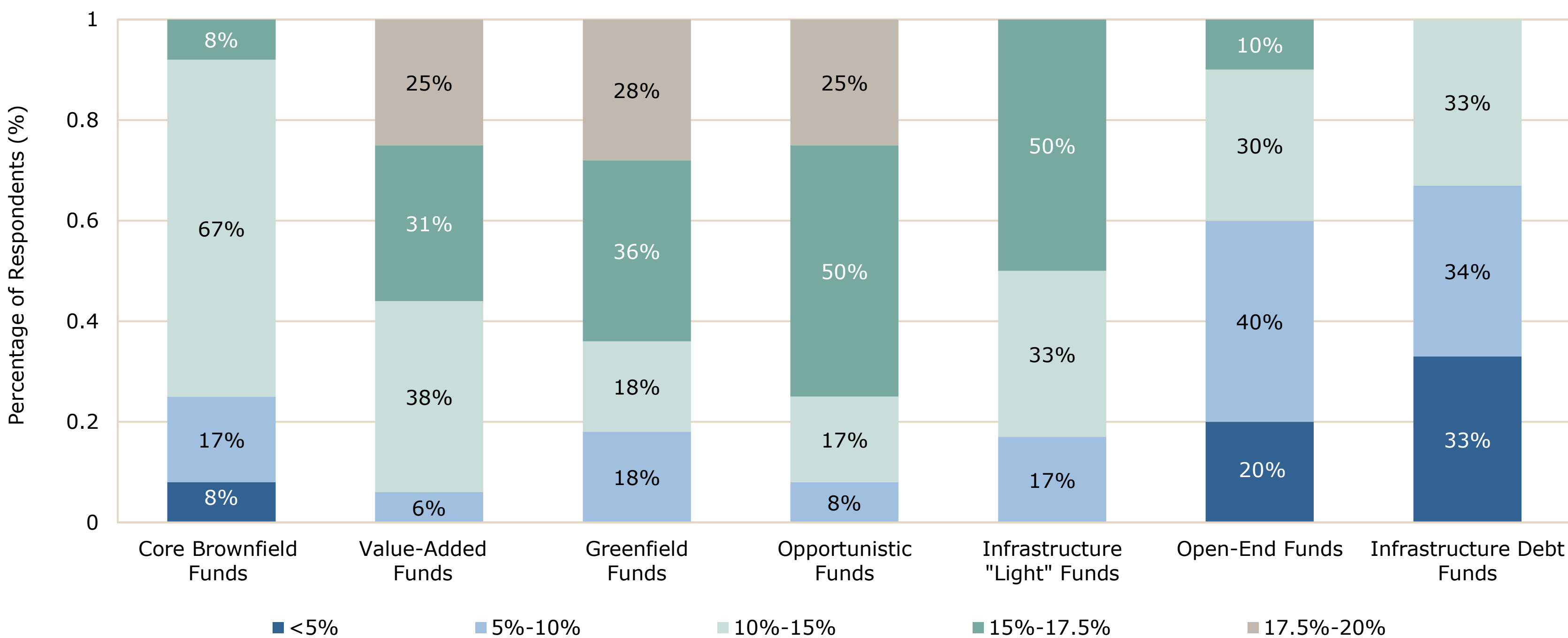


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Returns and Terms Targets: Carried Interest

- Carried interest targets follow the same trend as management fees, with higher return strategies attracting higher targeted carry.
- The lowest carry expectations by far are for Infrastructure Debt.

Chart XVII Targeted Carried Interest
For the major sectors of closed-end infrastructure funds operating in developed markets, my firm's targets for carried interest are:

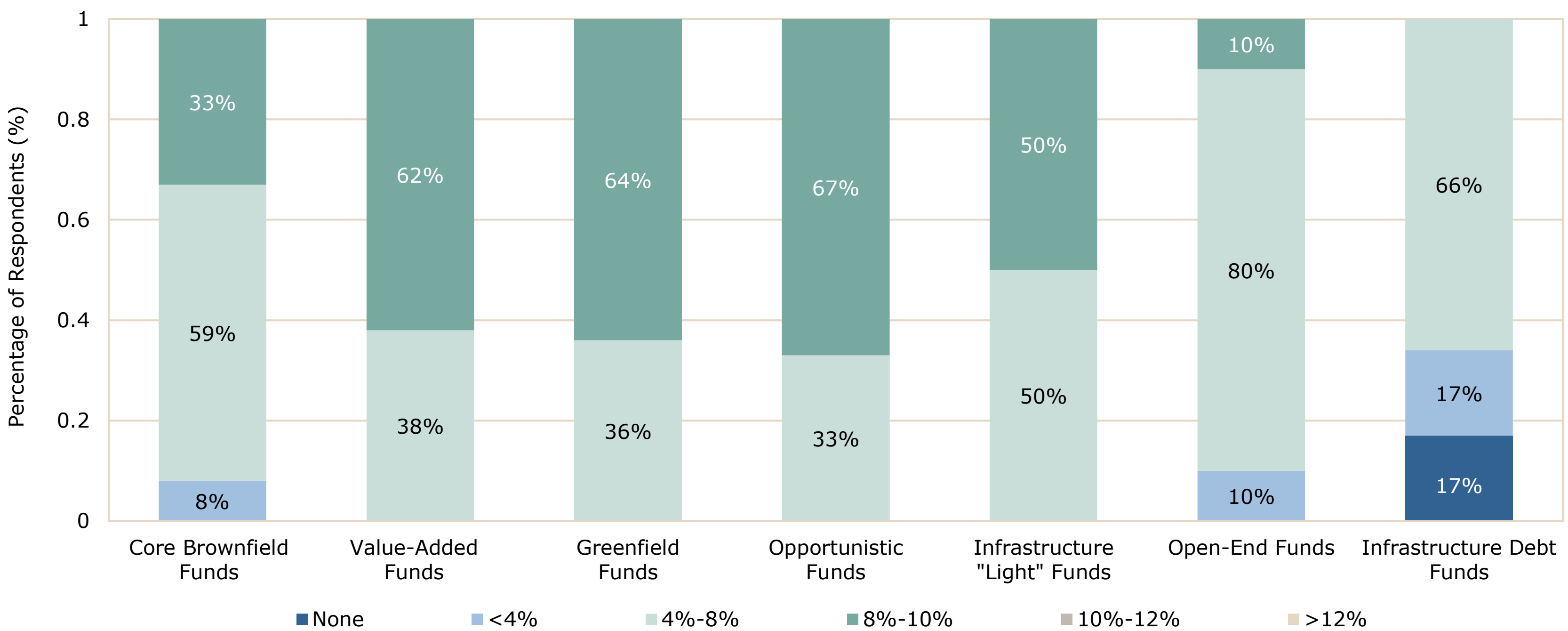


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Returns and Term Targets: Carried Interest Hurdles

- Interestingly, hurdle targets for Value-Added, Greenfield and Opportunistic strategies are nearly the same.
- The least favored strategy as far as allowable hurdles is Infrastructure Debt, with 17% of respondents saying there should be no hurdle.

Chart XVIII Carried Interest Hurdle
For the major sectors of closed-end infrastructure funds operating in developed markets, my firm's targets for carry hurdles

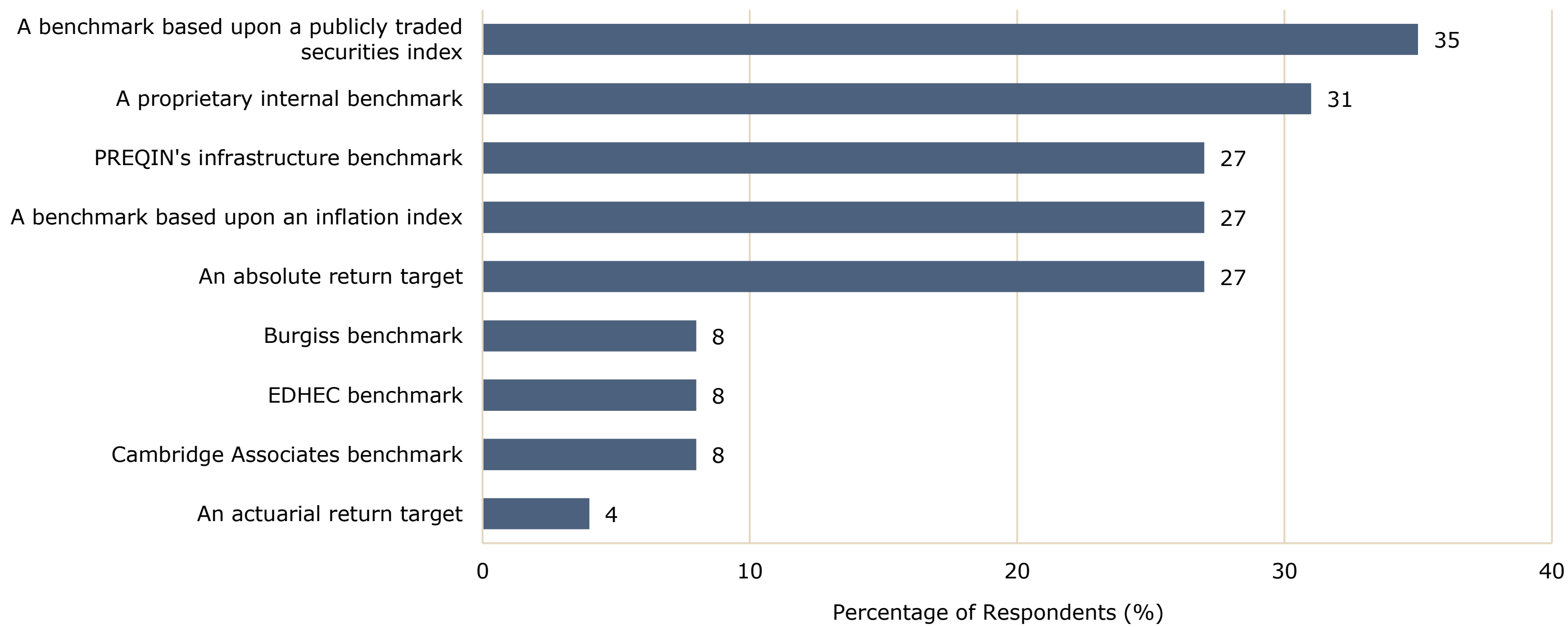


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Benchmarks

- No benchmark dominated responses and it is evident in totaling the percentages that a number of respondents use two or three benchmarks.
- Among the benchmarks provided by database vendors, PREQIN was the most used.

Chart XIX Portfolio Benchmarks
Regarding portfolio benchmarks for infrastructure, my firm uses (choose all that apply):

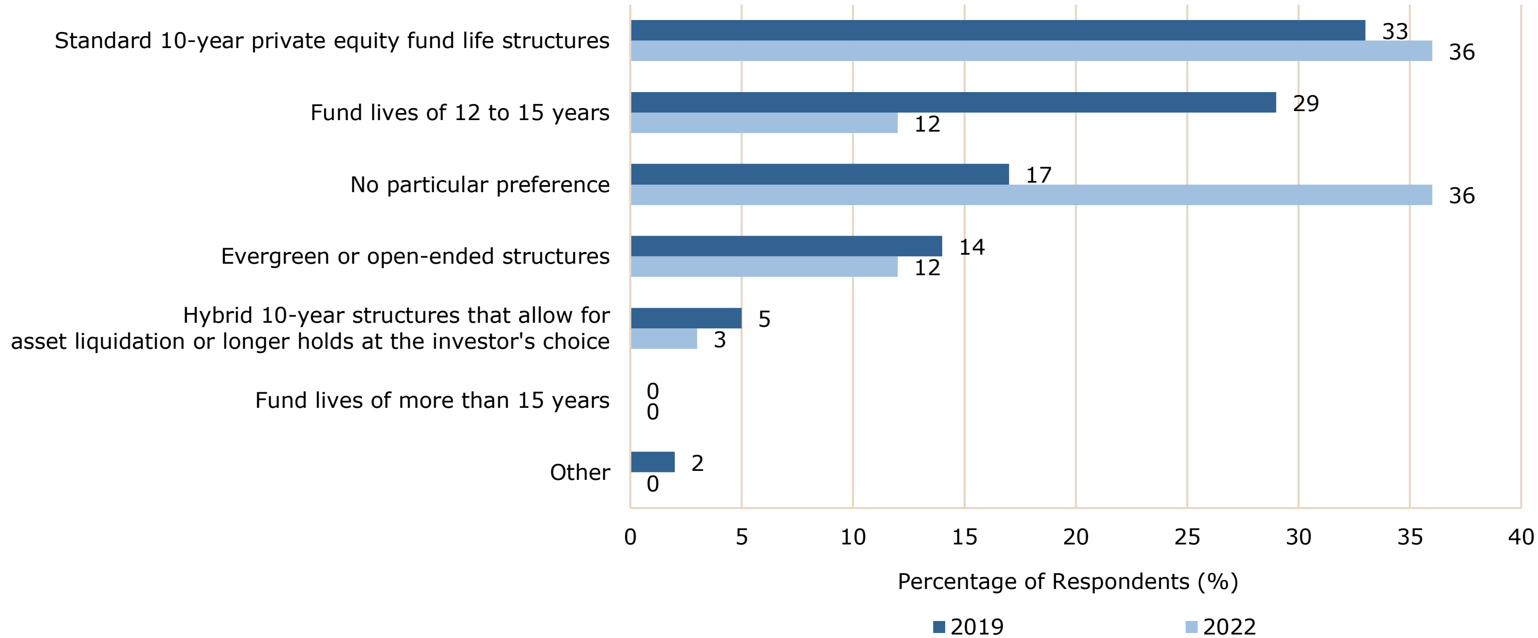


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Other Issues: Term Structures

- Early in the development of the market, closed-end fund lives of 10-years matching private equity standards dominated, though the lives of underlying assets – especially in transportation – were often under 30-year contracts.
- Available term structures over the last 15 years have multiplied, but the biggest change from our 2019 survey was the large increase in respondents with no preference.

Chart XX Preferred Terms Structures
My firm prefers to invest in vehicles with the following duration:

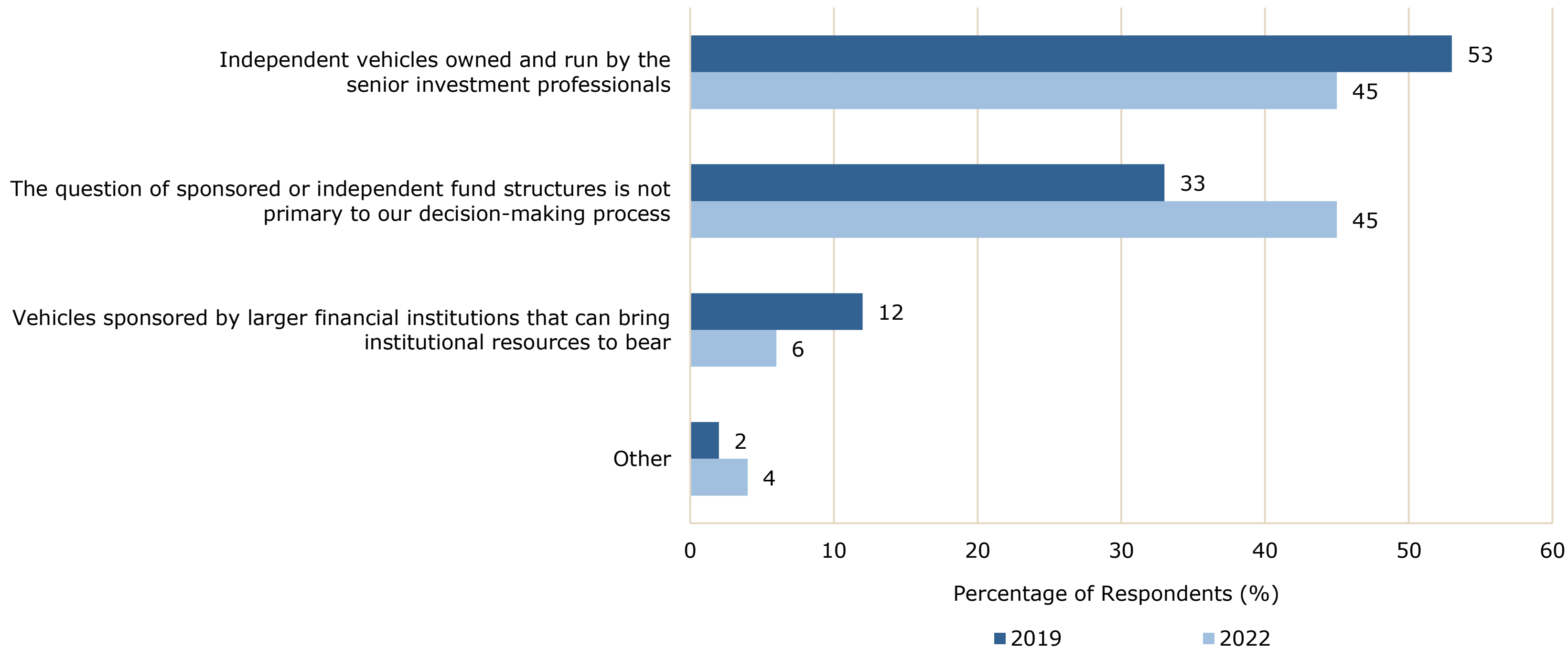


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2019 & 2022 Survey Results

Other Issues: Independence vs. Sponsorship

- Historically, investors have preferred independent to sponsored funds, as was the case in 2019.
- There was a significant change in 2022 – not towards a preference for sponsored funds but rather towards the position that the question of independence vs. sponsorship is not key to their investment decision-making process.

Chart XXI Independent vs. Sponsored Fund Structures
As far as terms and conditions are concerned, we would prefer to invest in funds that are (choose only one):

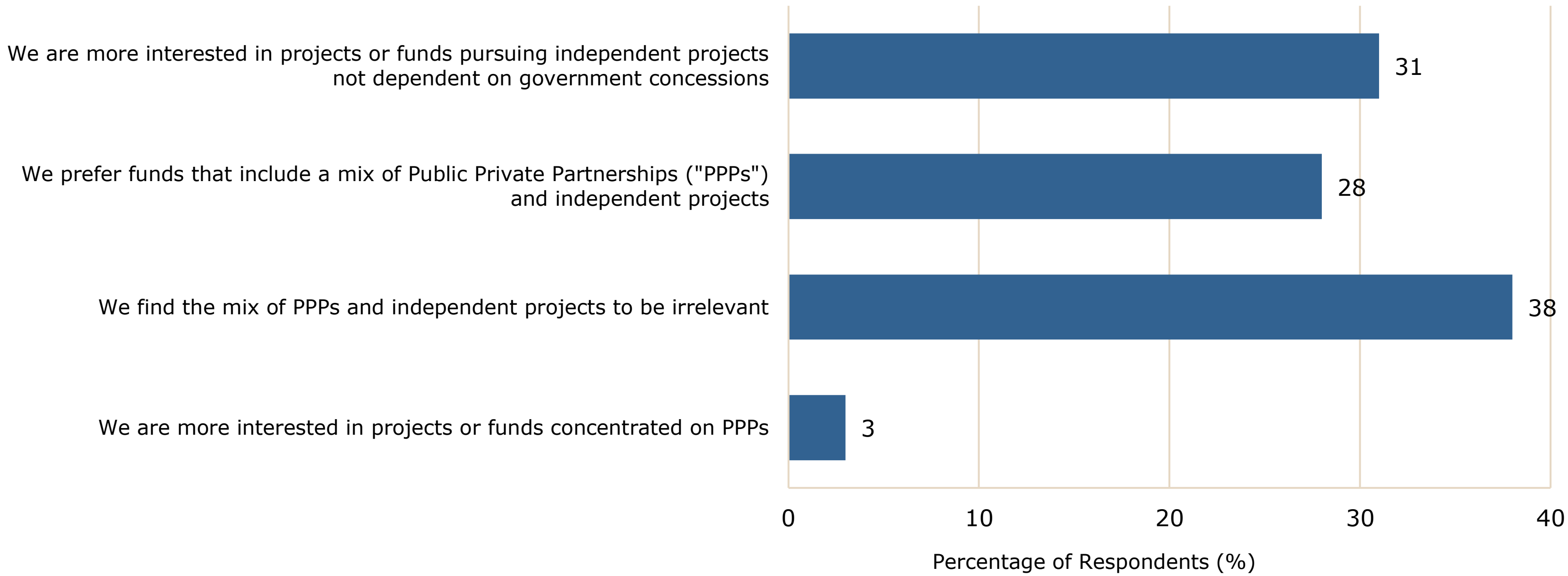


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2019 & 2022 Survey Results

Other Issues: Public Private Partnerships

- Public Private Partnerships were an essential part of private infrastructure investing from its start; however, in certain jurisdictions they have become controversial and more difficult to execute.
- Only 3% of respondents were most interested in projects or funds concentrated on PPPs while 31% focused on independent structures not dependent on government concessions; 38% found the mix of PPPs and independent projects irrelevant.

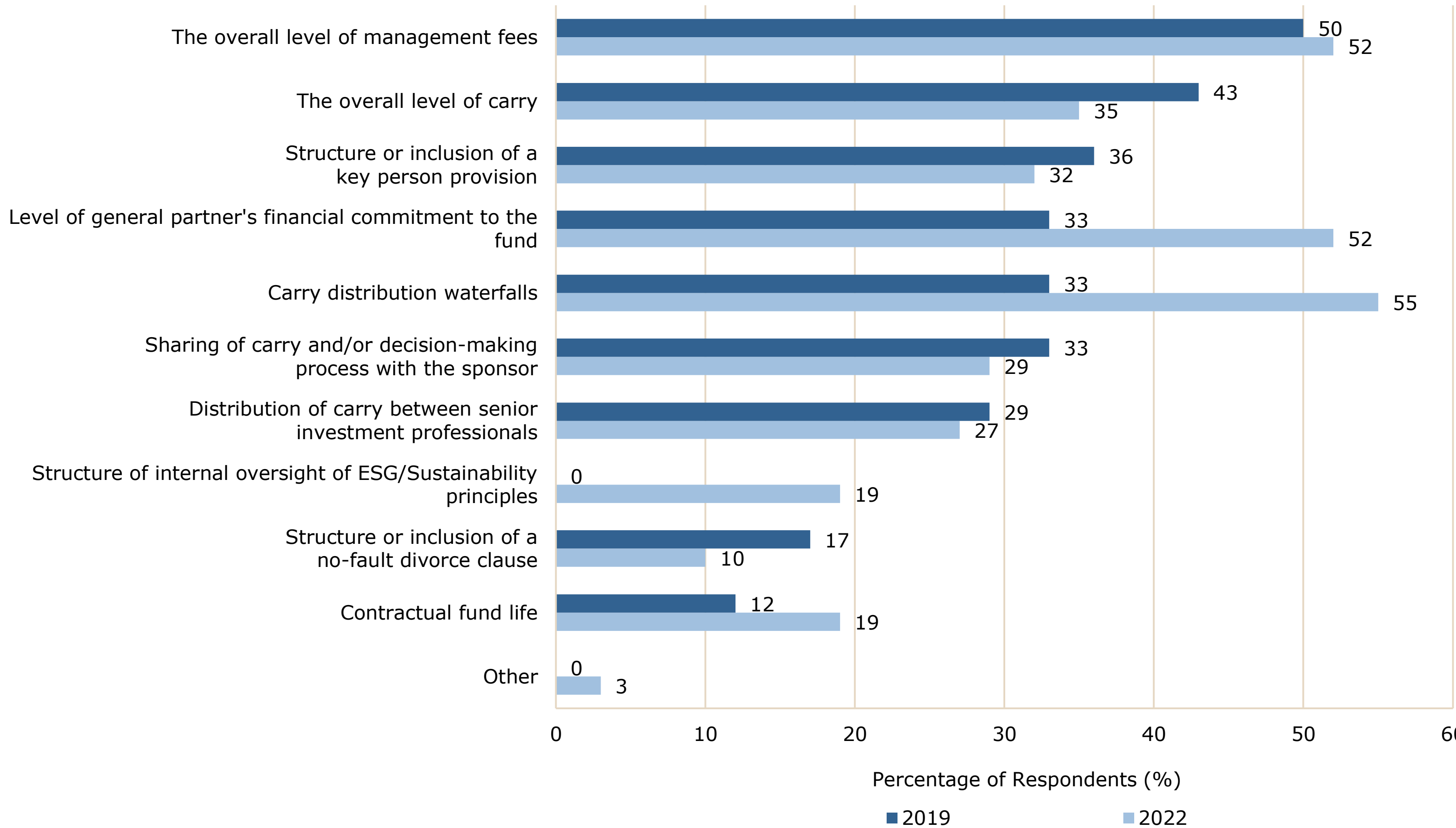
Chart XXII Public Private Partnerships
As far as project structures are concerned:



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

Other Issues: Terms and Conditions

Chart XXIII Terms and Conditions Focus
As far as terms and conditions are concerned, separate from due diligence issues, my firm is most focused on (choose no more than three):



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2019 & 2022 Survey Results
Note: The question on ESG was an addition in 2022

Terms and Conditions (continued)

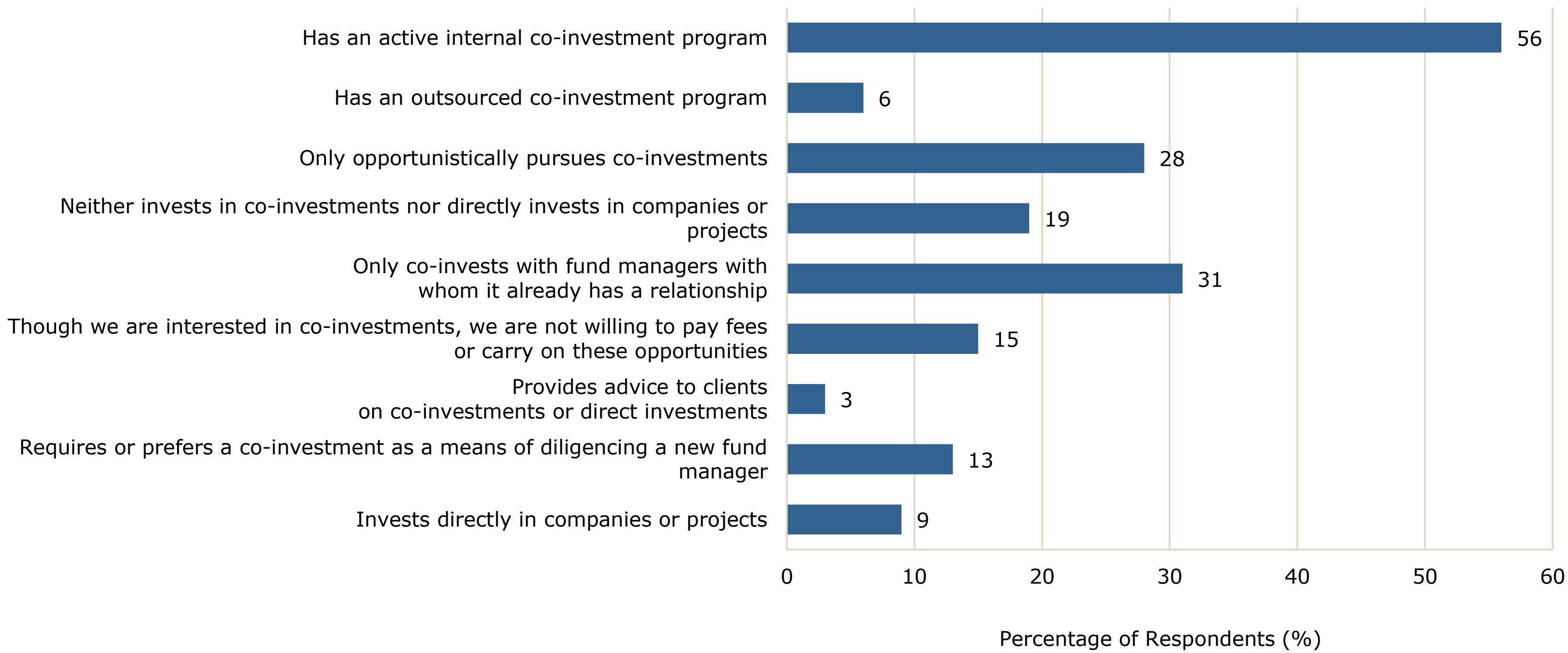
- There was a distinct shift in focus on key terms between our pre-Pandemic survey and this year's survey.
- The largest shifts occurred in two categories:
  - The focus on carried interest waterfalls increased from 33% in 2019 to 55% in 2022, moving up to the top ranked concern.
  - The level of general partner financial commitment to the fund rose from 33% to 52%, becoming the second ranked concern – tied with the overall level of management fees.
- European respondents' top concern was different – 80% of them were focused on the overall level of fees.
- This year for the first time we asked investors whether the structure of internal oversight of ESG/Sustainability principles was one of their top three concerns.
  - Overall, 19% of respondents selected this as important.
  - However, 40% of European respondents were focused on ESG/Sustainability as a top-three term of focus.
- There was one Other response to this question:
  - *All of these points together.*

United States Fund-of-Funds Manager

Interest in Directs and Co-Investments

- Interest in directs and co-investments did not differ dramatically from 2019.
- 62% of respondents had active co-investment programs while another 28% opportunistically invested.
- Only 9% of respondents said they invest directly in projects or companies.

Chart XXIV Directs and Co-Investments
Regarding directs and co-investments, my firm (choose all that apply):

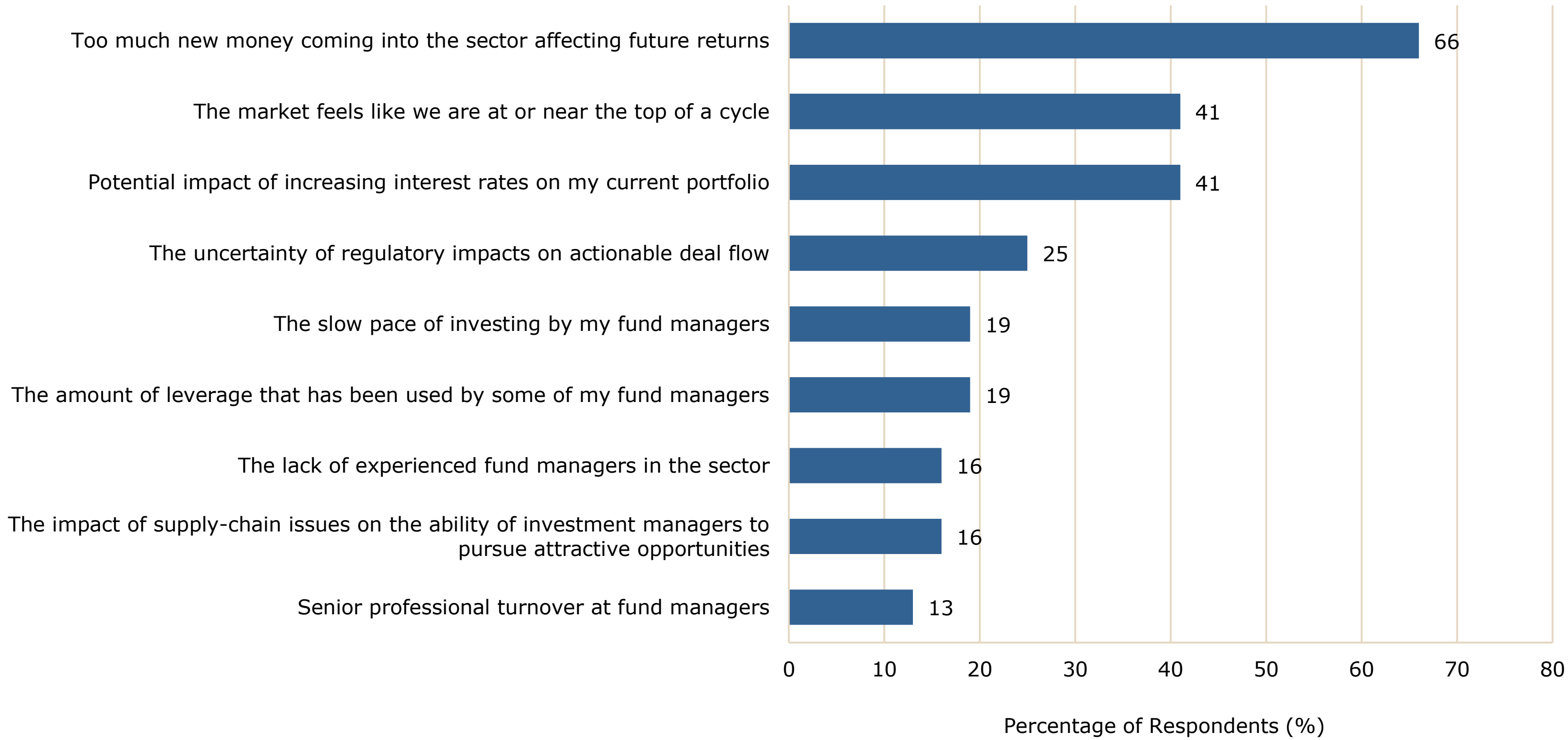


Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results

What Keeps You Up At Night?

- The chart below highlights market or portfolio issues of concern that more than 10% of respondents felt were among their top three worries.
- European investors were more concerned with the slow pace of investment by their fund managers, with 40% choosing that concern.

Chart XXVI Infrastructure Investing Concerns
As an infrastructure investor, what keeps you up at night? (choose no more than three):



Source: Probitas Partners' Infrastructure Institutional Investor Trends: 2022 Survey Results
Note: The option regarding the impact of interest rates was just added this year

What Keeps You Up At Night?
2022 vs. 2019

- Investor concerns were much more concentrated in the top two responses in 2019 than they were in 2022.
- This year we added the option regarding the potential impact of increasing interest rates on investors' current portfolio given the rise of inflation in the first half of 2022; 41% of respondents selected that, tying for the second ranked concern.

Table II

What Keeps You Up at Night?

Top Four Responses:

2022		2019	
Issue	**%**	**Issue**	**%**
Too much new money coming into the sector affecting future returns	66%	Too much new money coming into the sector affecting future returns	74%
Potential impact of increasing interest rates on my current portfolio	41%	The market feels like we are at or near the top of the cycle	55%
The market feels like we are at or near the top of the cycle	41%	Government agencies seem to be dragging their feet in approving PPP plans	19%
The uncertainty of regulatory impacts on actionable deal flow	25%	The lack of operational capabilities on many fund manager teams	17%

Source: Probitas Partners' Infrastructure Institutional Investor Trends 2019 & 2022 Survey

Summary - Market Conditions

- Though closed-end infrastructure fundraising set a new six-month record in the first half of 2022, that is not likely to set a trend; the record was driven by the final closing of only four mega-funds all of whom had first closings in 2021 or 2020.
  - Investors’ ability to make new commitments in the second half of 2022 is being stressed by the “denominator effect” driven by falling values in the publicly traded securities markets.
  - Only a single fund had a close in July and that was only on $340 million.
- As far as deal flow is concerned, legislative changes in the United States are likely to boost infrastructure investing in general and also reduce supply issues regarding solar infrastructure – a positive for the industry.
- Increasing concerns about climate change are driving interest in the Renewable Energy, Energy Efficiency/Energy Transition and Digital Infrastructure sectors – overwhelming falling interest in more traditional sectors such as Transportation – and those concerns are unlikely to fall significantly.
- Market changes driven by sustainability concerns are increasing interest in such real asset areas as Agriculture and Timber, blurring the lines between “pure” infrastructure and “pure” real assets, changing asset-class definitions for certain investors.

Contact Us

San Francisco

425 California Street
Suite 550
San Francisco, CA 94104
USA

+1.415.402.0700

New York

One Grand Central Place
Suite 856, 60 East 42nd Street
New York, NY 10165
USA

+1.212.403.3662

London

14 Curzon Street
London
W1J 5HN
UK

+44.20.3829.4330

Hong Kong

Level 19, Two Chinachem Central
26 Des Voeux Road,
Central
Hong Kong

+852.3757.9719

Probitas Funds Group, LLC ("PFG") is a member of FINRA and is regulated by the U.S. Securities and Exchange Commission. PFG is also a member of SIPC. There are several members of the Probitas Partners group of companies. PFG-UK Ltd. is authorized and regulated by the Financial Conduct Authority and Probitas Hong Kong Limited is licensed to carry on Type 1 and Type 4 regulated activities in Hong Kong. In addition, PFG is licensed as an international securities dealer in the Province of Ontario and licensed as a Type 2 Financial Dealer in Japan. PFG and PFG-UK Ltd. are exempt from registration in Australia by the ASIC.