Private Market Pulse

April 2024

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Infrastructure: A win-win for portfolio diversification and society

Investing in infrastructure means investing in long-lasting assets that provide essential services to society. This asset class has long been favoured by institutional clients, and the democratization of private markets is gradually allowing enhanced access for retail investors.

The benefits of investing in infrastructure include:

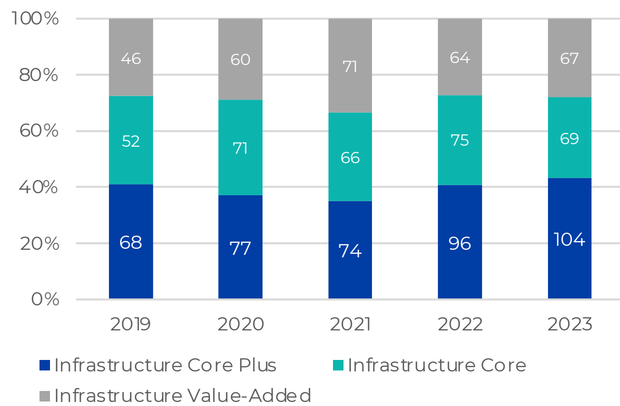
- Capital protection due to high barriers to entry and the essential nature of the services provided
- Predictable cash flows
- Protection against inflation
- Lower correlation with other asset classes

Opportunities in infrastructure are numerous and varied, and the industry has standardized its categorization on the basis of risk-return profile. "Core" assets are investments in established assets offering stable, recurring income, such as an operating wind farm with a long-term contract for the sale of the energy it produces. "Core Plus" assets are similar but offer higher potential returns owing to growth opportunities and projects under construction. In contrast, "Value-Added" assets may involve projects correlated with economic growth, requiring operational improvements and/or presenting a higher risk profile related to development and construction.

During portfolio construction, it's essential to consider the difference in the risk-return profile of the assets as well as their exposure to different sectors.

Furthermore, investing in infrastructure is an excellent way to participate actively in the energy transition, with needs estimated at more than US$5.6 trillion to achieve the goal of net-zero emissions by 2050.

Proportion of Infrastructure's Dry Powder per Category
(In billions of USD)



Source: Preqin, Infrastructure, North America and Europe (excl. infrastructure debt, fund of funds and infrastructure secondaries), February 23, 2024.

Did you know?

Investors who want to invest in a closed-end fund must subscribe to the fund through a commitment, promising to invest up to a certain amount when requested by the fund, in exchange for fund units.

The commitment is a legal obligation for a predetermined period (typically five years) and must be fulfilled by the investor, regardless of how the market or the fund performs.

Meeting this obligation requires access to capital requested by the fund, which typically gives a 10-day notice.

1. Source: Goldman Sachs – *Accelerating Transition*, 2021

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Market Highlights

- As discussed in our last edition, liquidity has been historically low for investors owing to the challenging M&A and public-exit landscape. With investors receiving fewer distributions than expected, they may not need to reinvest as much to maintain their allocation – hence a reduced need to allocate additional capital. Even so, it should be noted that challenging fundraising activities do not necessarily suggest a reduction in investor allocation to the asset class.
- In infrastructure,[1] global fundraising was slow in the first three quarters of 2023, but a major rally occurred in the fourth quarter, with $70 billion raised, bringing the year's total to $90 billion.
- In contrast to infrastructure, private equity fundraising remained muted in the fourth quarter, continuing a downward trend for the third consecutive year and falling to US$820 billion in 2023 from US$914 billion in 2022.
- In contrast to the market trend, the iAGAM team kept up a sustained investment pace by investing and/or committing more than $560 million in 2023.
- In the current market conditions, with many investors facing liquidity constraints, the market provides more opportunities, with favourable conditions for investors looking to deploy funds. Attractive deals are still available!

Glossary

Dry powder: Capital committed to a fund but not yet invested, i.e. capital ready to be deployed.

2050 net-zero emission goal: To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050. To date, more than 90 countries have adopted such net-zero targets.

Closed-end fund: Investment fund with a limited lifecycle during which capital is committed and invested. At the conclusion of the fund's tenure, all investments are sold, and the proceeds are distributed to the investors before the fund is closed.

Fundraising: First phase of the private equity fund life cycle; a procedure whereby a private company launches a private equity fund and obtains money from investors.

1. Excluding infrastructure debt, fund of funds and infrastructure secondaries.

About iA Global Asset Management (iAGAM)

ROOTED IN HISTORY, INNOVATING FOR THE FUTURE.

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

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