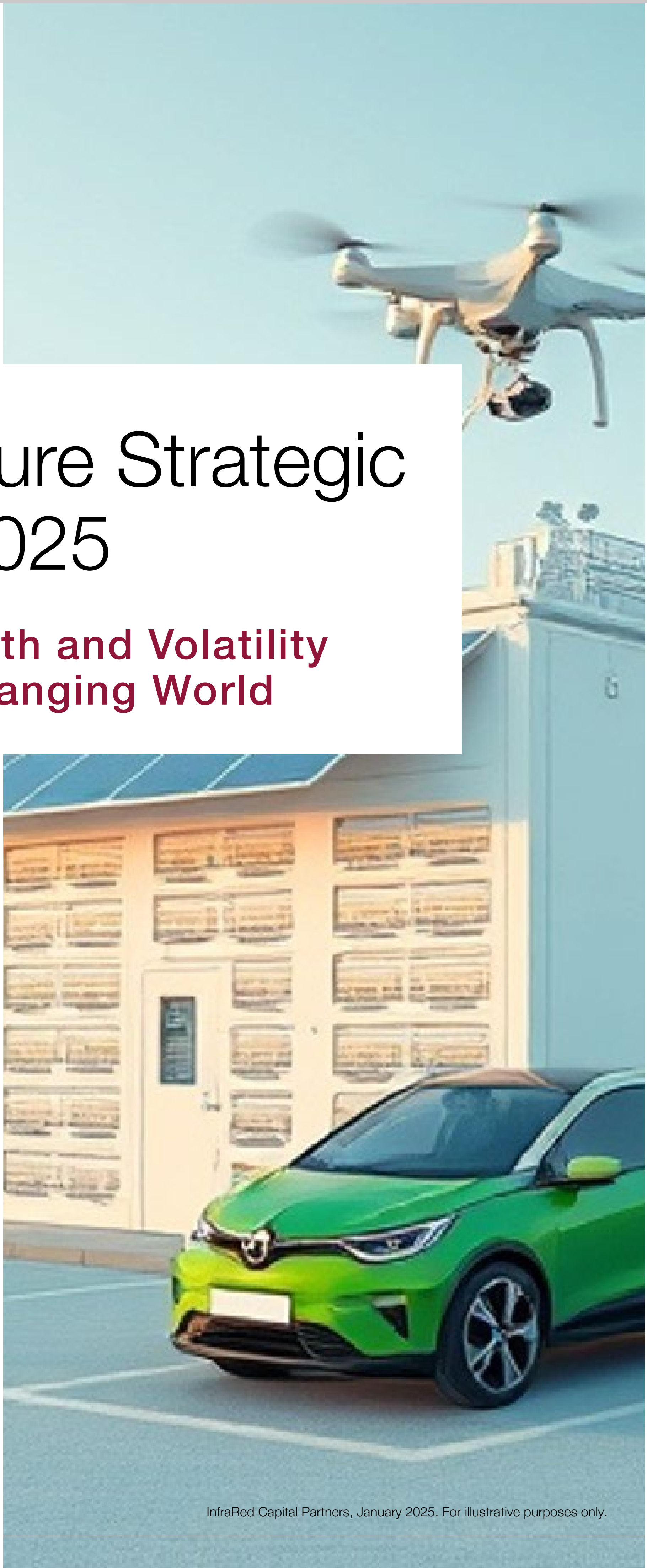
InfraRed
Capital Partners

Infrastructure Strategic Outlook 2025

Balancing Growth and Volatility In A Rapidly Changing World



InfraRed Capital Partners, January 2025. For illustrative purposes only.

KEY TAKEAWAYS FOR 2025

These are the key takeaways from our Strategic Outlook for 2025:

Macro[1]	► **Global Economy:** Supportive global growth, but Europe continues to disappoint. Downside risks from China's slowdown and rising trade barriers. Upside potential to medium-term growth from AI productivity boost ► **Regional Differences:** US soft-landing, Europe challenged by de-industrialization risk; UK sees modest recovery ► **Inflation and Currencies:** Inflation moderating, but high bond yields signal inflation and rates uncertainty; USD strength may persist
Financial Markets[2]	► **Fixed Income:** Investment-grade bonds offer an attractive entry yield; high-yield requires careful credit assessment but credit cycle still supportive ► **Equities:** Positive performance broadening beyond US large cap, but high valuations may limit long-term upside potential amid increased volatility ► **Listed infrastructure:** A value play with inflation hedge and upside potential from secular tailwinds and in case of an economic slowdown and lower rates ► **Portfolio Construction:** Portfolio rebalancing, asset selection and a pivot towards alternatives will be key to achieve long-term target returns
Alternatives Capital Flows[3]	► **Fundraising:** Improving but still below historical peaks: Real Estate fundraising weak, Infra and PE are more robust as investors seek higher returns ► **Infrastructure:** Core infra fundraising offers attractive entry yields, private credit and secondaries may decelerate, VA fundraising resilient ► **Transactions:** Infrastructure deal-flow improving but still below peak levels, Europe and U.S. set to remain leading markets ► **Growing Sectors:** Increased activity across data centres, renewables and battery storage, as more investors seek higher returns ► **Capital Velocity:** Large-cap exits remain scarce, more investors focusing on the mid-market for capital velocity
Infrastructure Performance[4]	► **Performance resilience:** Infrastructure performance comparatively resilient, but 1 year performance down as weaker valuations feeding through[5] ► **Valuations:** Infrastructure valuations down in 2023 and stabilised in 2024, but digital infrastructure prices high, particularly for brownfield datacentres ► **Core:** Lower valuations provide attractive entry point, net entry returns at c. 10%, with inflation-hedge and additional upside if rates reduce ► **Value-Add:** Mid-market provides deep pipeline of opportunities. Net entry returns at c. 14.7%, asset selection and diversification key

Source: InfraRed Capital Partners, December 2024. is no guarantee that the forecast highlighted may materialise.

[1,2] Macrobond, 2024
[3] Preqin, Infralogic, 2024
[4] Returns indicated are estimates for 10 year net entry IRRs as at December 2025. There is no guarantee that forecasts highlighted will materialise.
[5] Preqin, 2024
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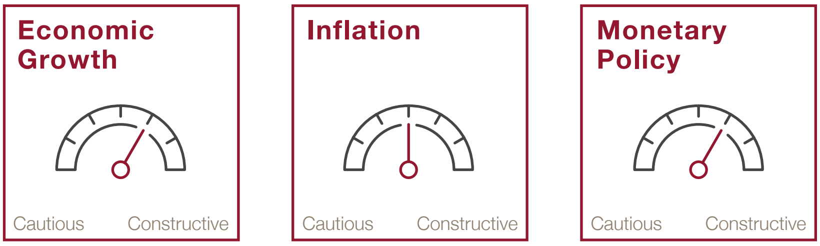
MACRO



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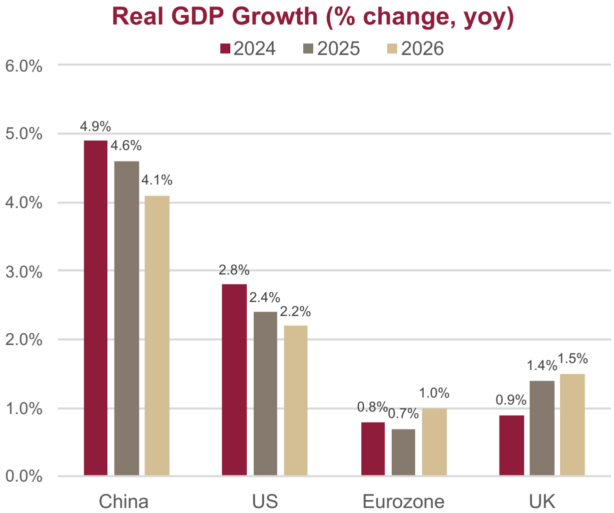
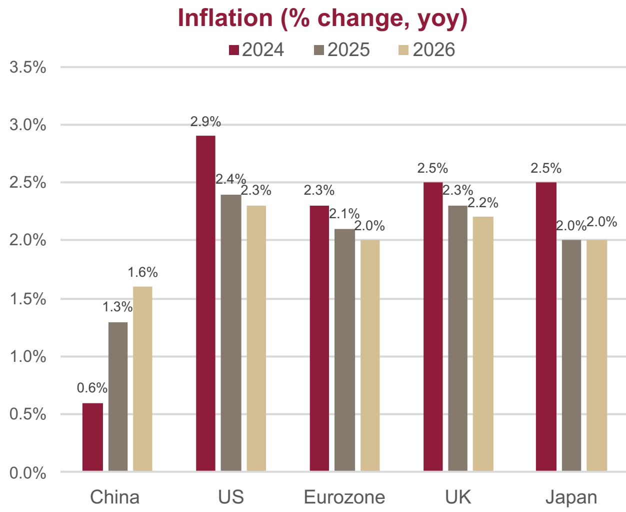
Soft-landing Narrative Prevails: The global economy is expected to enter 2025 on a relatively resilient trajectory. While a “soft landing” remains the consensus expectation, the underlying landscape is marked by several factors broadening the possible range of outcomes for medium-term growth. China’s prolonged economic deceleration stands out as a notable risk, with knock-on effects for global growth at a time of raising trade barriers, higher interest rates, and tighter fiscal policy stances, which collectively may weigh on growth prospects. At the same time, technological innovation, the spill-over effects of AI on productivity and the capex super-cycle of decarbonisation and digitalisation may provide upside to the medium-term growth scenario.





Source: Macrobond, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

Regional Divergence: In the United States, the economic narrative remains one of optimism. Fiscal policy continues to play an outsized role in supporting growth, offsetting some of the headwinds posed by tighter monetary conditions. Domestic consumption is underpinned by a supportive labour market, even as the pace of economic activity shows signs of gradual moderation, with lower rates likely supporting domestic demand. The newly elected Republican government may focus on rising trade barriers with China, a tighter policy stance on migration and an extension of tax cuts as key policy objectives, with the combination of these factors potentially weighing on medium-term inflation pressure, economic growth, and somewhat increasing the probability of central bank interest rates remaining stickier than what anticipated.

The outlook for the Eurozone, by contrast, is more subdued. Structural headwinds — ranging from high energy costs driven by geopolitical tensions to structural challenges in the automotive sector — weigh on growth prospects in Germany, with the country facing a difficult balancing act as it adapts to the twin pressures of industrial transformation and global demand shifts, and elections on the horizon in February 2025. France is increasingly grappling with the topic of fiscal policy sustainability, while Southern Europe provides a more supportive stance to regional performance. The region's vulnerability to external shocks and ongoing industrial realignments reinforce a sense of fragility, with economic policy requiring a balance between economic growth, energy security and decarbonization.

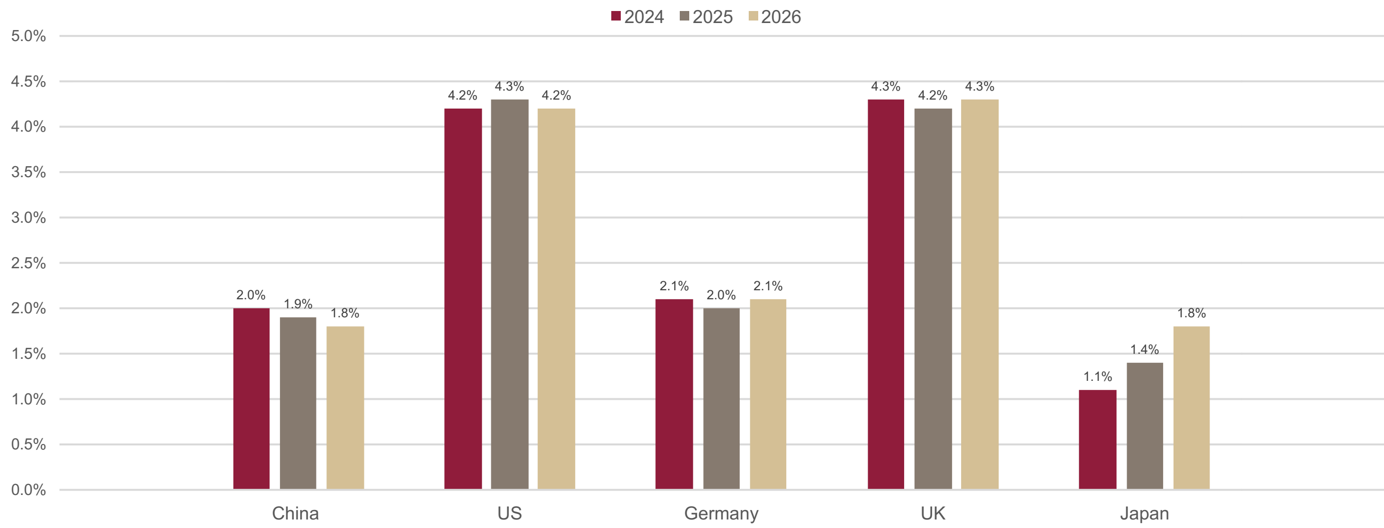
In the United Kingdom, the economic narrative for 2025 suggests modest improvement as the post-Brexit environment stabilises amid a more diligent stance to fiscal policy. Growth is expected to pick up modestly, and inflationary pressures continue to fade with interest rates cuts anticipated to provide upside to short-term growth. The U.K.'s trajectory, though firmer than in recent years, remains tethered to the broader effects of post Brexit trade dynamics and the need for attracting foreign investment for growth.

Inflation Normalising, But…: Inflation, while moderating, continues to run above central bank targets in most advanced economies, reflecting the persistent effects of deglobalisation and structural supply chain frictions. This stickiness may complicate the monetary policy calculus in the second half of 2025, with central banks expected to proceed cautiously as they navigate the trade-off between curbing inflation and sustaining growth. Gradual rate cuts may emerge as inflationary pressures ease, but the potential for renewed volatility underscores the delicate balancing act required.

Long-Term Bond Yields Sticky: Meanwhile, long-term government bond yields remain elevated, pushing real rates into positive territory, and representing a testament to the interplay between resilient growth, higher inflation expectations and fiscal policy affordability. As higher borrowing costs gradually permeate through refinancing cycles, their influence on asset valuations, investment decisions and fiscal dynamics could act as a medium-term drag on economic growth.

USD Strength Continues: The U.S. dollar is expected to remain robust against the euro and sterling. This reflects a combination of factors, including the divergence in economic fundamentals, inflation expectations, and the monetary policy paths of the Federal Reserve, European Central Bank, and Bank of England. While the resilience of the dollar provides stability in some areas, it amplifies competitive pressures in others, particularly for export-driven economies.

Long Term Government Bond Yields (%, yoy)



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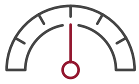
FINANCIAL MARKETS

Fixed Income

Equities



Listed Infrastructure

Source: InfraRed Capital Partners, December 2024. is no guarantee that the forecast highlighted may materialise.

The past year has been marked by the exceptional performance of listed equities, particularly in the US, while fixed income entry yields proved attractive, despite the start of central banks' interest rate cuts. This market environment highlights a critical portfolio construction challenge for long-term investors: while fixed income offers compelling entry yields, these may not sufficiently offset potentially muted future returns for listed equities given the comparatively high entry valuations today, particularly across US large-cap stocks.

In our view, 2025 offers opportunities across listed asset classes, and a market environment that remains 'risk-on'. However, outperformance will require increased focus on asset selection than in the past, while investors may also incorporate a higher chance of a return to negative correlation between stock and bonds and increased volatility going forward, compared to what observed in the past decade.

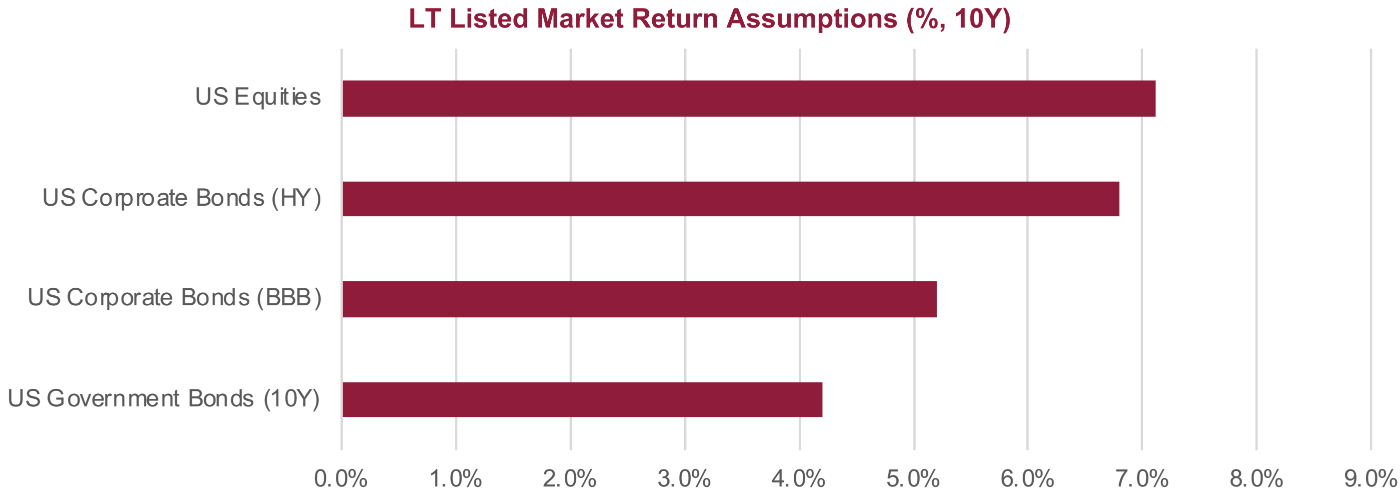
In our view, rebalancing portfolio allocations to beat benchmarks will also likely require a mindset change when it comes to alternatives, and we anticipate increased allocations to private strategies focused on return enhancement, and higher equity contents for alternatives than in the past.

Fixed Income: Investment-grade (IG) bonds provide attractive yields relative to historical levels, offering a strong foundation for defensive strategies focused on long-term income generation, with the potential upside of capital appreciation, should long-term interest rates decline. At the same time, supportive growth and sticky inflation do not fully exclude the possibility that the Fed may adopt a more careful approach to interest rates cuts, which would represent a downside for long-duration fixed income.

Conversely, high-yield (HY) bonds present higher income potential but face lower duration, and lower sensitivity to interest rate cuts. The credit cycle appears supportive, with spreads indicating room for some additional risk premia compression. Overall, fixed income is positioned to deliver solid returns, though credit selection remains paramount.

Equities: In equities, US markets continue to demand a premium, driven by mega-cap tech, with earnings continuing to grow at low-double digits rates underpinning growth. Growth stocks remain supported by structural trends like digitalisation but face valuation risks amid high performance concentration. While an economic paradigm shift, driven by technological innovation and AI may suggest further earnings growth ahead, mean-reverting assumptions suggest that a meaningful valuation upside may be increasingly difficult.

Small caps could benefit from a stabilisation in rate policy, particularly in the US. Europe, while cheaper, offers opportunities in sectors aligned with fiscal spending, particularly energy transition and infrastructure. Overall, value stocks, such as core infrastructure remain undervalued, in our view, and provide upside potential in case of weaker economic growth, sticky inflation and falling interest rates.

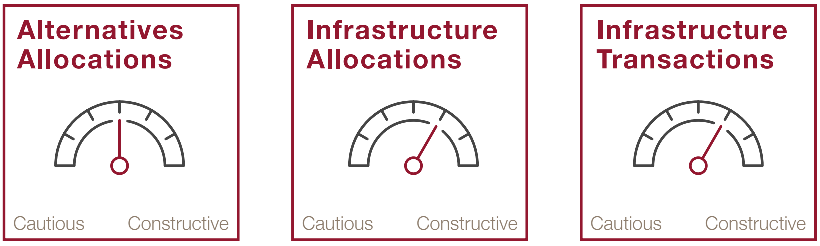


Source: InfraRed Capital Partners, December 2024. Bonds returns equal to buy-and-hold entry yield. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

Listed Infrastructure: We see listed infrastructure as a value opportunity in 2025, benefitting from long-term tailwinds such as energy transition and digital transformation driving earnings growth, while offering defensive characteristics in uncertain times. Core sectors, including utilities and digital communication infrastructure provide a hedge in case of sticky inflation, and may outperform the broader market amid falling interest rates in case of weaker economic growth compared to the base case.

Energy and renewables are anticipated to benefit from some demand growth, with income strategies focused on renewables providing attractive entry valuations in the current market context, and PPA prices expected to remain supportive. Transportation is expected to provide resilient performance, underpinned by the favourable growth environment and some inflation, while its cyclical nature may expose it to relative underperformance shall the economic outlook deteriorate, leading to lower demand for passenger and freight transport.

CAPITAL FLOWS



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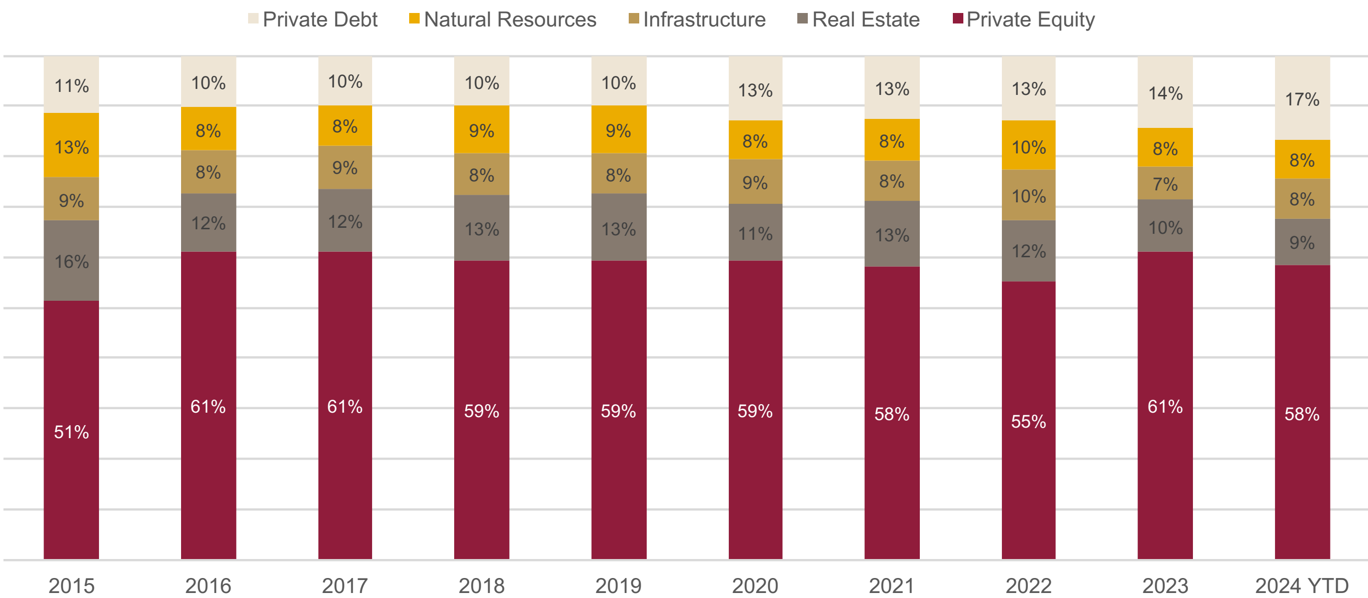
Allocations to Alternative Investments: The trend of growing allocations to alternative investment strategies persists, with capital raised surpassing $1.1 trillion year-to-date (YTD) in 2024. We anticipate that by the end of the year, fundraising will approximate $1.5 trillion, slightly exceeding 2024's figures yet still falling short of the 2021 peak of $1.9 trillion. [6]

Shifts in Fundraising Composition: Over recent years, we have witnessed a notable shift within the alternatives sector. Specifically, fundraising for Real Estate has moderated from low-double-digit percentages to high single digits. Conversely, Private Credit has garnered increased investor attention as an income source, representing 17% of total alternative fundraising in 2024 YTD, amid higher interest rates supporting higher entry returns for the asset class.

Private Equity (PE) experienced a slight dip in its share of fundraising to 58%, down from the 61% peak in 2023 as the market environment was characterised by widening bid-ask spreads and a general lack of exits limiting DPI and reinvestment volumes. Despite this reduction, PE exhibits resilience as investors increasingly seek alternatives for enhanced returns amidst higher interest rates.[7]

Alternatives - Fundraising By Asset Class in (%)



Source: InfraRed Capital Partners, Preqin, December 2024. Data show gross total returns. Bonds returns equal to buy-and-hold entry yield. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

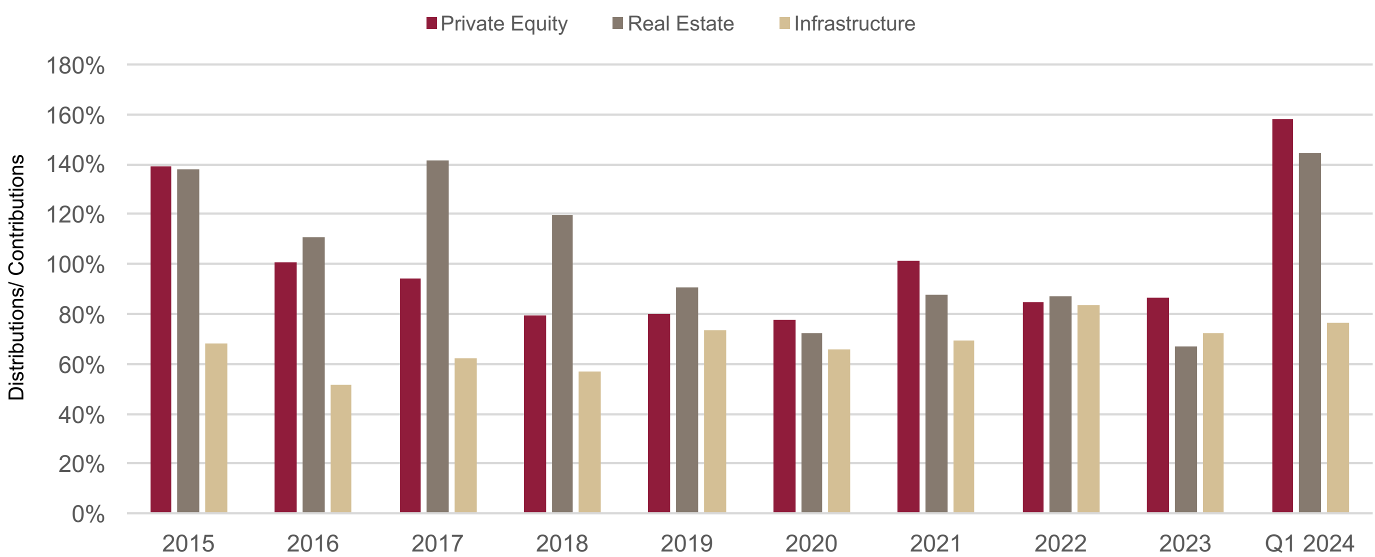
[6] Source: Preqin, 2024
[7] Source: Preqin, 2024

Infrastructure Fundraising Stability: Infrastructure fundraising continued to prove comparatively resilient, consistently comprising around 8%[8] of total alternative fundraising volumes. In contrast to the broader market fluctuations observed in 2024 YTD — which led to improved liquidity ratios for private equity and real estate sectors due to distributions outpacing contributions — infrastructure maintains stable liquidity ratios.

This stability underscores infrastructure's growing prominence within investor portfolios and reflects the asset class's distribution resilience underpinned by continued income distribution, and despite the modest slowdown in transaction volumes observed, particularly at the large-cap end of the market.

Infrastructure Fundraising Dynamics: We anticipate fundraising in 2024 to surpass $100 billion, marking an advancement beyond 2023's levels but not reaching the peak of just over $170 billion seen in 2022. In 2024 we have continued to witness some shifts in fundraising trends within the asset class, driven by strategic and tactical considerations. Core infrastructure is emerging as particularly compelling due to its attractive entry returns and potential for long-term yield and is witnessing increased fundraising volumes.

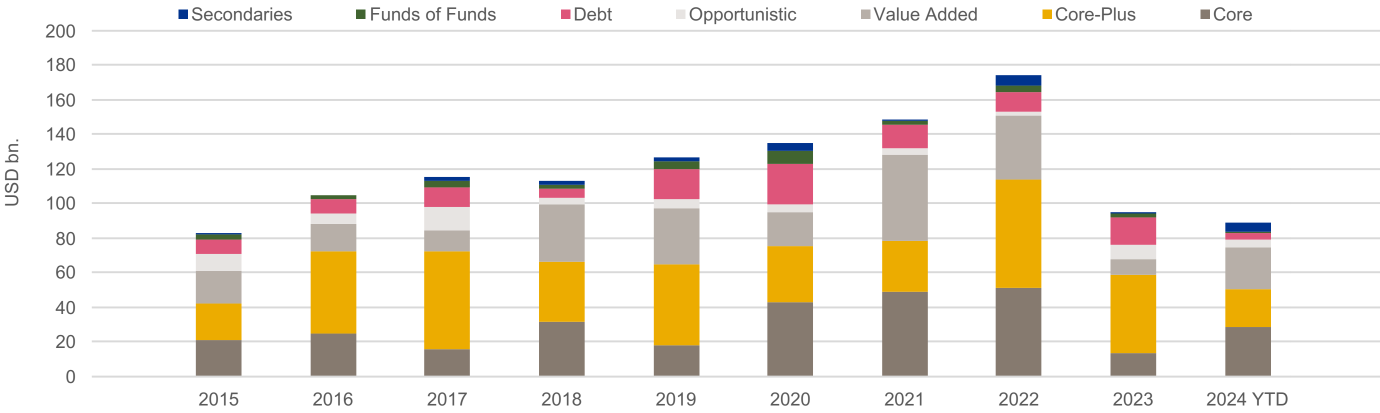
Alternatives - Liquidity Ratio (Distributions/Contributions)



Source: InfraRed Capital Partners, Preqin, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[8] Preqin, 2024

Infrastructure - Fundraising By Strategy, ($bn)



Source: InfraRed Capital Partners, Preqin, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

In tandem, private infrastructure credit is drawing investor interest with its premium yields relative to public market counterparts, and is expected to continue growing, establishing itself as a key building block of infrastructure strategies. However, as interest rates may have peaked, and private infrastructure credit may be increasingly exposed to refinancing risk and floating rate structures, the duration of private infrastructure debt strategies may become shorter, thereby exposing investors to reinvestment risk.

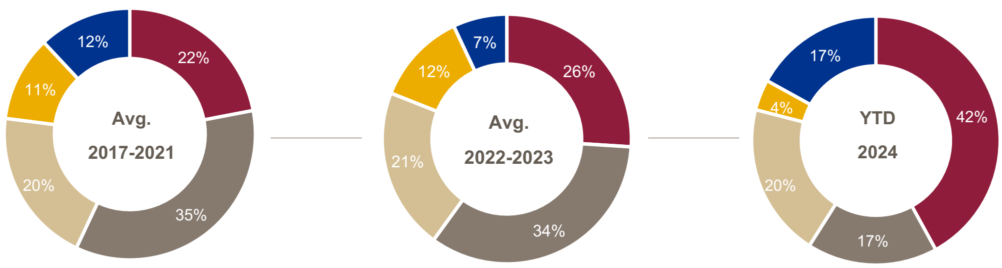
While 2022 and 2023 saw a meaningful increase in fundraising for secondary strategies, with the secondary market contributing to provide liquidity amid a slower primary market, we anticipate primary deal volume to become more robust in 2025.[8]

Value-add strategies maintain a steady draw — accounting for roughly 20% of fundraising, supported by an extensive pipeline of investment opportunities underpinned by energy transition and digitalisation, and investors seeking more elevated returns. Market dynamics related to asset size are influencing access points within infrastructure investment. The industry landscape continues to be driven by larger funds commanding a more significant portion of total fundraising. This trend could intensify competition for capital deployment at the upper market echelon but may simultaneously offer lucrative exit avenues for mid-cap funds.

As a result of a broadening opportunity set created by the decarbonisation agenda, the infrastructure market is changing, and we are witnessing a decrease in the median equity deal size in the private infrastructure space. The mid-market has therefore become pivotal to decarbonisation, particularly for investors traditionally focused on large-cap infrastructure who are now increasingly seeking to participate in the long-term value creation potential of the energy transition.

Large-scale core assets might increasingly fall under evergreen fund structures — favourable for extended hold periods without the requirement for exit strategies — where yield becomes the primary return driver. Conversely, mid-cap core plus and value add assets are likely to remain within traditional drawdown funds, which enforce disciplined exits and capital realisation.

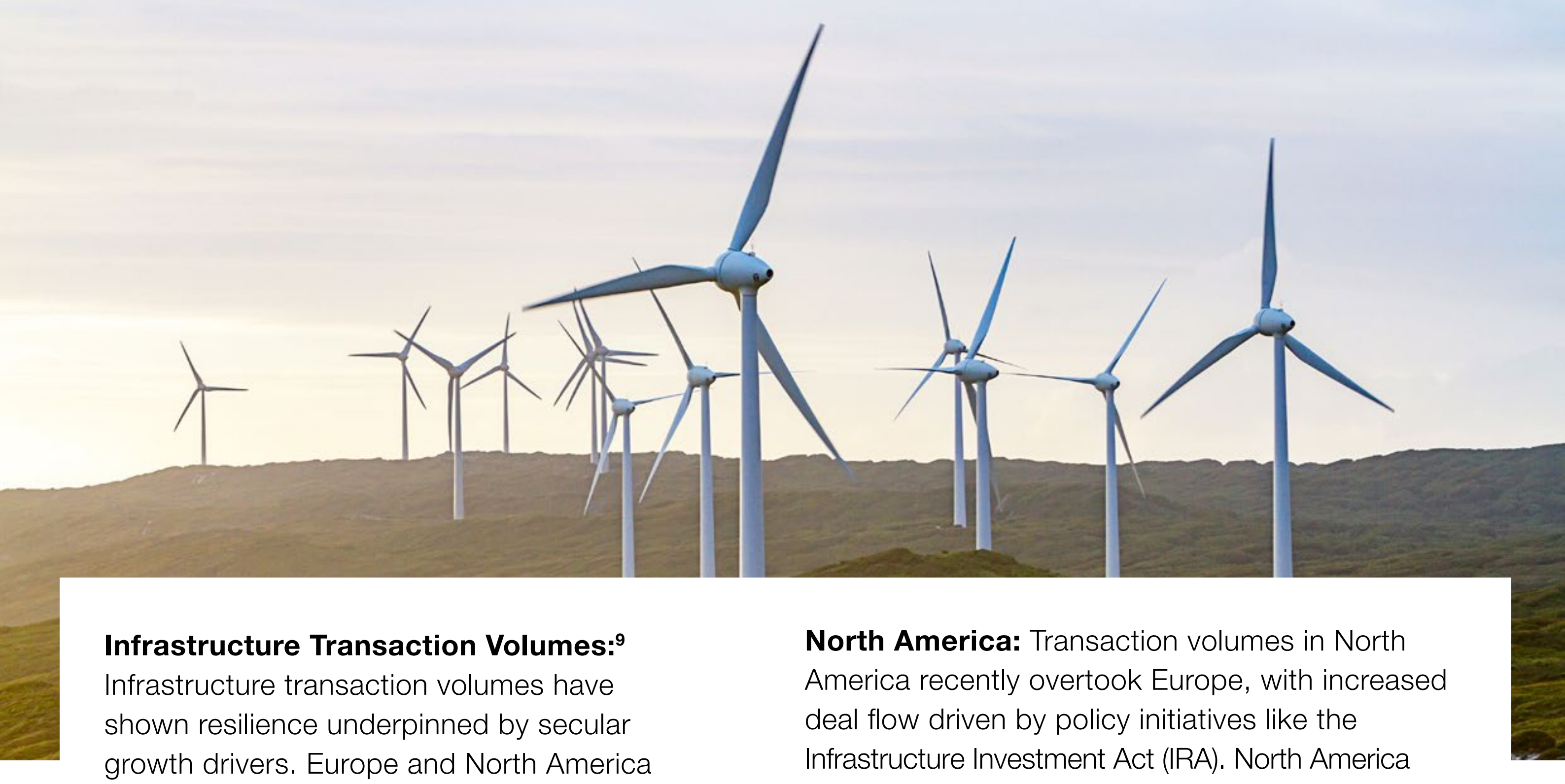
Infrastructure – Fundraising By Strategy, (%) by period



Core Core-Plus
Value-Added Debt Other

Source: InfraRed Capital Partners, Preqin, December 2024. Data show gross total returns. Bonds returns equal to buy-and-hold entry yield. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

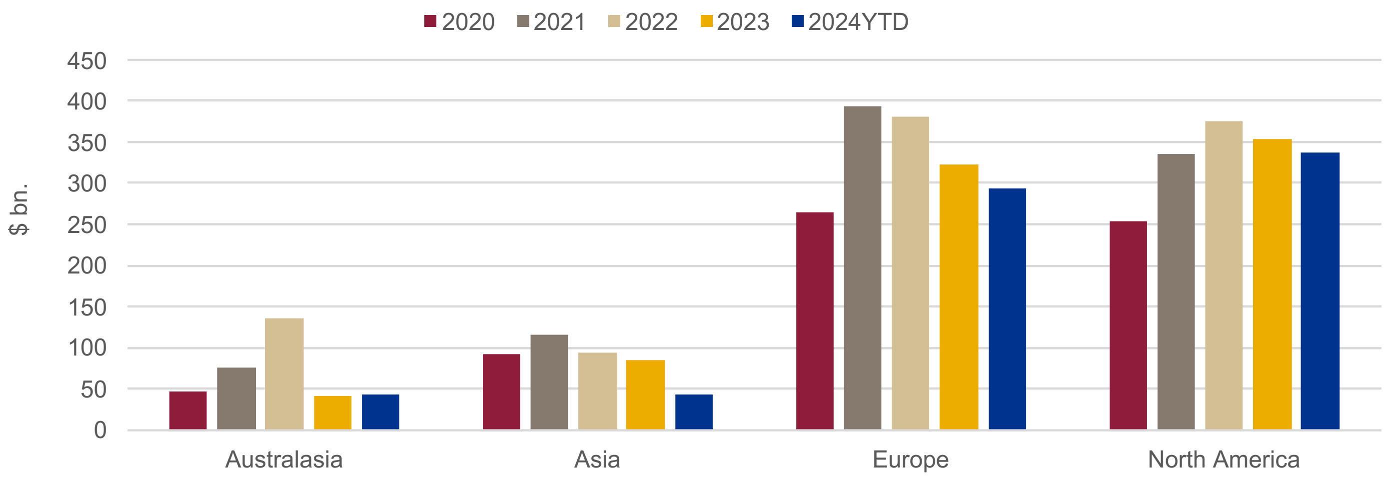
Source: Preqin, 2024



Infrastructure Transaction Volumes:[9] Infrastructure transaction volumes have shown resilience underpinned by secular growth drivers. Europe and North America continue to dominate the market, as investors focus on jurisdictions underpinned by mature institutional and regulatory frameworks. Asia's robust economic growth presents expanding opportunities but is tempered by higher perceived risks relating to institutional frameworks and currency volatility.

North America: Transaction volumes in North America recently overtook Europe, with increased deal flow driven by policy initiatives like the Infrastructure Investment Act (IRA). North America remains characterised by a vibrant energy sector with renewables capturing considerable transactional activity. The 2024 U.S. presidential election has ushered in a new Republican administration, raising questions about the future of renewable energy subsidies under the Inflation Reduction Act (IRA). While President-elect Trump has suggested revisiting unspent IRA funds, we believe the economic and political realities make significant retroactive changes to renewables' subsidies unlikely.[10]

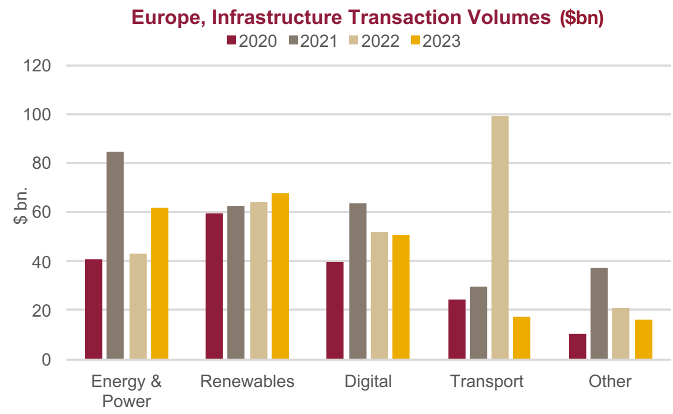
Infrastructure Transaction Volumes By Region ($bn)

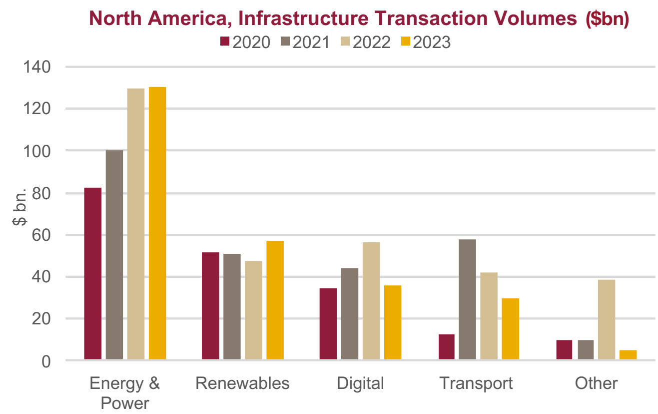


Source: InfraRed Capital Partners, Infralogic, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[9] Infralogic, 2024
[10] BNEF, 2024

Europe: European transactions span multiple sectors including energy — which sees substantial activity given heightened energy security concerns — transport, and digital infrastructure. Nevertheless, transaction volumes in Europe have recently experienced a decline driven by macroeconomic factors, including the recent increase in interest rates, but also increased concerns by investors around the long-term structural prospects of the European economy, amid the increased risk of de-industrialisation, and the need to balance energy transition, security and affordability.





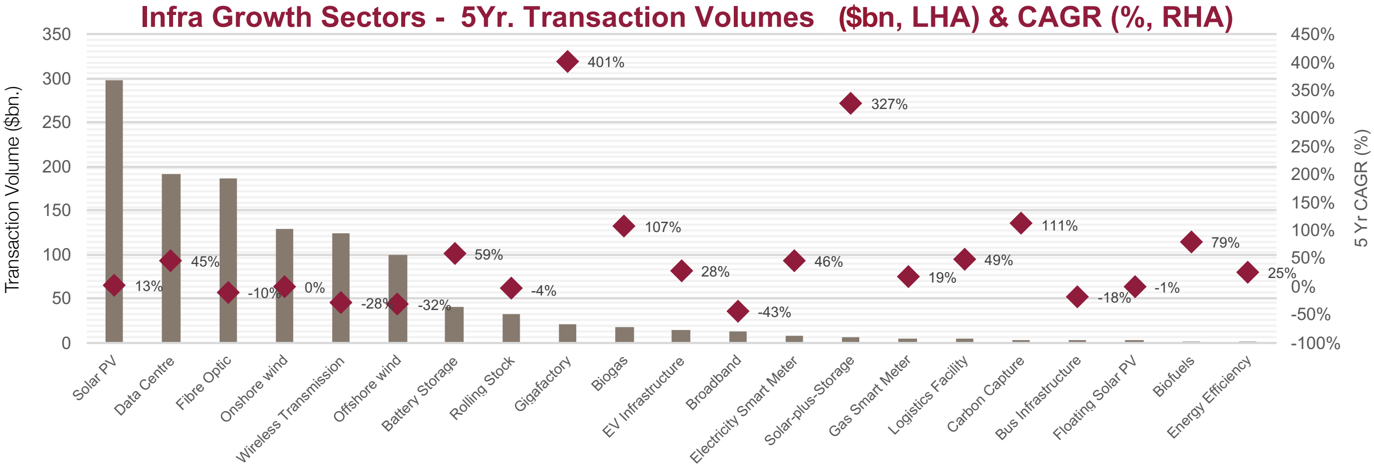
Source: InfraRed Capital Partners, Infralogic, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

A Broader Investment Universe: Emerging infrastructure sectors are experiencing significant shifts as technological advancements, decarbonisation, and digitalisation reshape the investment landscape both in terms of scale of opportunity as well as speed of capital deployment in new sectors.

The data underscores a clear trend: sectors aligned with decarbonisation, energy transition, and digital transformation are attracting the most significant investment momentum. Established sectors remain foundational, but growth opportunities increasingly lie in emerging technologies and scalable, sustainable solutions, in our view.

The global shift toward sustainable energy consumption is catalysing investments across renewable energy storage solutions and electrification of transport networks. Solar PV continues to dominate as the largest sector, with five-year transaction volumes exceeding $300 billion, supported by its maturity and global adoption as a renewable energy source.

Battery storage, with a CAGR of 111%, highlights its critical role in enabling renewable energy integration and grid stability, with the distributed generation sector becoming more prominent. Other rapidly growing sectors include smart grid storage, EV charging, and heating/cooling electrification, both of which underpin the transition to a more flexible and resilient energy system.



Source: InfraRed Capital Partners, Infralogic, December 2024. Past performance is not indicative of future returns.
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Artificial Intelligence (AI) adoption and cloud computing continue to accelerate investment into data centres, expected to more than double leading up to 2030. This is also reinforcing the trend for increased energy demand, supporting the case for more renewables and for natural gas as a pivotal transition fuel. While data centres present significant opportunities, a growing number of investors are adopting a more prudent approach to the sector's growth assumptions and valuations.

Trade fragmentation and a reconfiguration of global supply chains necessitates infrastructural adaptations as companies restructure supply chains for enhanced resilience against geopolitical shifts — impacting transport logistics infrastructures significantly and leading to an acceleration in the growth of emerging industrial sectors, such as gigafactories.

Sustainability:[11] In 2025, the drive towards net zero and sustainability is expected to continue propelling institutional asset owners to increasingly direct investments into sustainable infrastructure, with energy transition, digitalisation, and sustainable transport at the forefront, while also considering the key strategic implications of energy security, efficiency and affordability in the policy mix. It remains to be seen whether 2025 will become a pivotal year of reckoning for the global dialogue on climate change; particularly with COP30 in Brazil being a turning point in strengthening this alignment.

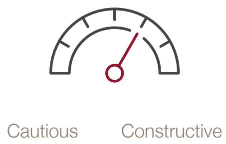
Over the medium-term, as market activity continues to accelerate, investors' focus is anticipated to mature from collecting large ESG datasets towards deriving more actionable insights on financially material risks and opportunities associated to infrastructure assets.

LPs are increasingly concentrating on macro themes like decarbonisation, climate-related risks, nature and biodiversity considerations, and respect for human rights. At the same time, investors face the challenge of navigating diverse regulatory environments across jurisdictions that may have competing demands. Regulations aimed at combatting greenwashing are expected to level the playing field on sustainability disclosures, thereby offering fresh avenues for innovative approaches and differentiation within the investment community.

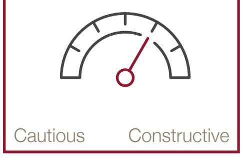
[11] Author: Ivo Dimov, Head of Sustainability, InfraRed Capital Partners

INFRASTRUCTURE PERFORMANCE

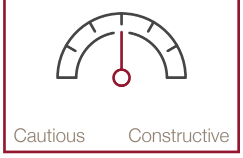
Key Themes & Sectors



Valuations



Returns



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Key themes and sectors[12]

Decarbonisation

- **Utilities:** Utilities remain resilient through adjustments to inflation and rate hikes via regulatory reviews; however, they face a capex super-cycle demanding sizable investments in electrical grids to enable the energy transition while ensuring regulatory frameworks support adequate returns. Industrial utilities are a growing sector.
- **Renewables & Storage:** The renewables sector continues to grow robustly, bolstered by increasing power demands from the digital boom; despite the risk of policy changes with the IRA, sustained performance is anticipated amid necessary capital expenditures for scaling up capacity. PPA prices are anticipated to remain solid, amid rising power demand.
- **Energy Generation:** U.S. shale benefits from lower domestic gas prices compared to international rates, supporting operational performance and investment attractiveness; Europe's high energy prices drive renewable expansion but also bring affordability and energy security to the forefront of strategic considerations.

  In Europe, total electricity demand is not expected to recover to pre-pandemic levels until 2026. Focusing on incremental demand from datacentres, we note that the impact of new capacity will be spatially concentrated. For example, data centre power demand accounts for c. was ~4% of total demand in Europe and the U.S., but over 10% in 5 U.S. states. Therefore, we expect that data centres will likely play a big role in some geographies in 2025.[13]
- **LNG Infrastructure:** LNG infrastructure in Europe remains pivotal, amid lower gas supply from Russia and delays in the reconfiguration of German gas networks to hydrogen.
- **Biofuels:** The outlook for biofuels has improved meaningfully in recent years, with hard-to-abate transport sectors anticipated to accelerate demand, such as in the case of Sustainable aviation fuels (SAF).
- **Energy Efficiency:** In Europe, heightened energy costs are accelerating energy efficiency and the electrification of heating/cooling.

[12] InfraRed Capital Partners, December 2024. There is no guarantee that forecast highlighted will materialise.
[13] IEA, 2024

Digitalisation

- **Data Centres:** Data centres maintain vigorous performance with significant capacity growth from hyperscale platforms to colocation and edge facilities. Increased regulatory oversight risk and prolonged utility connection times amid power constraints present challenges that could affect speed of capital deployment. Brownfield prices at historical highs.
- **Towers:** Towers continue to prove resilient, amid network densification and rising data demand driving capital appreciation. The sector has undergone meaningful consolidation, with limited further inorganic growth potential ahead across mature jurisdictions.
- **Fiber:** Investment will continue in regions with strong demand in Europe and the U.S. As fibre transitions from an initial heavy capital expenditure phase, it focuses on expanding connectivity and homes connected, often at lower speed than what originally anticipated.

Source: InfraRed Capital Partners, December 2024. Past performance is not indicative of future returns.
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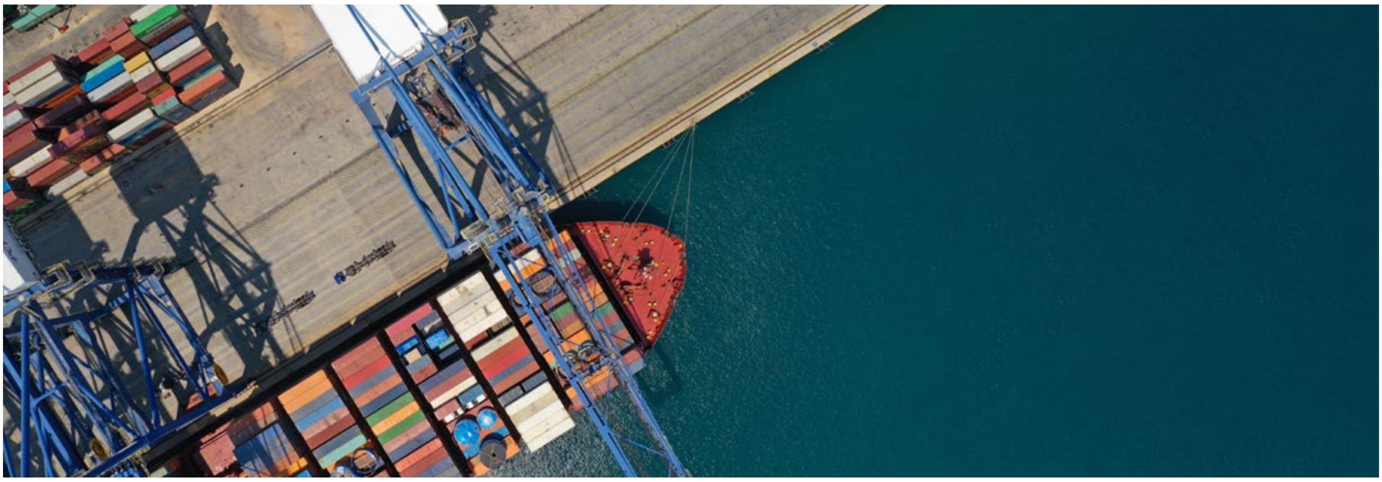

Transport & Logistics

- **Airports:** Performance is anticipated to remain resilient, underpinned by growing passenger demand in emerging markets and a favourable economic outlook supporting tourism demand across mature markets, yet high energy costs and a subdued outlook for business flights may somewhat cap sector growth in certain markets.
- **Toll Roads:** Resilient performance underpinned by tariffs growing at inflation, yet sluggish industrial production in Europe amid a fragile economy may somewhat cap heavy vehicle traffic.
- **Ports:** Port operational performance remains underpinned by resilient trade volumes and tariffs supported by inflation increases. Nevertheless, the medium-term outlook remains exposed to the risk of rising trade barriers, geopolitics and supply chain reconfiguration.
- **EV Charging:** Load factors of EV charging anticipated to grow, albeit at a slower rate than what was initially planned, amid slower EV adoption rate, but medium-term outlook remains very supportive.

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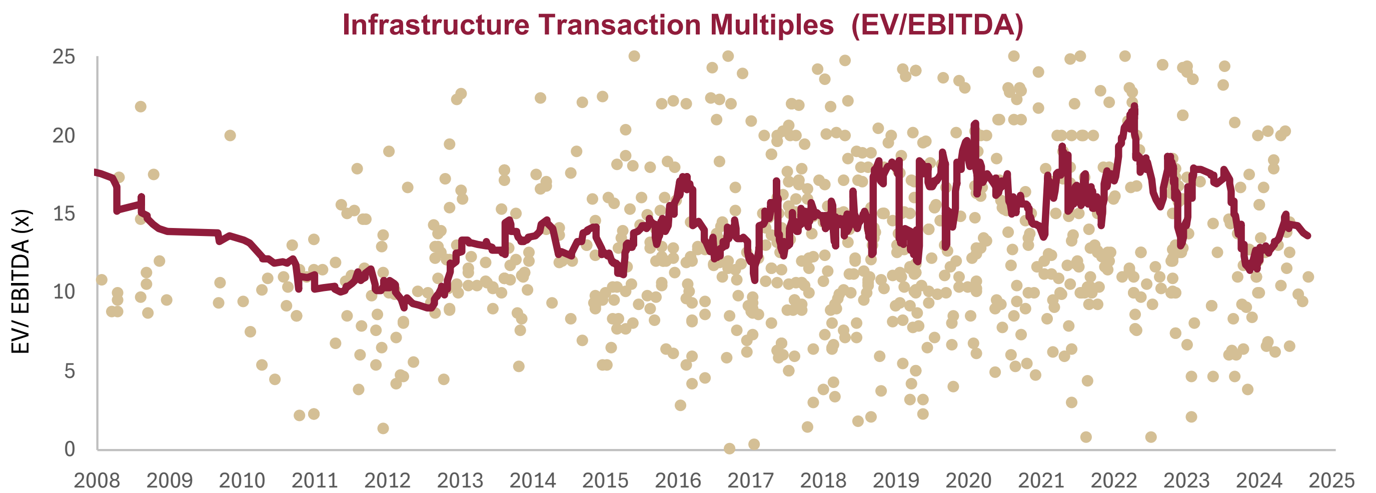

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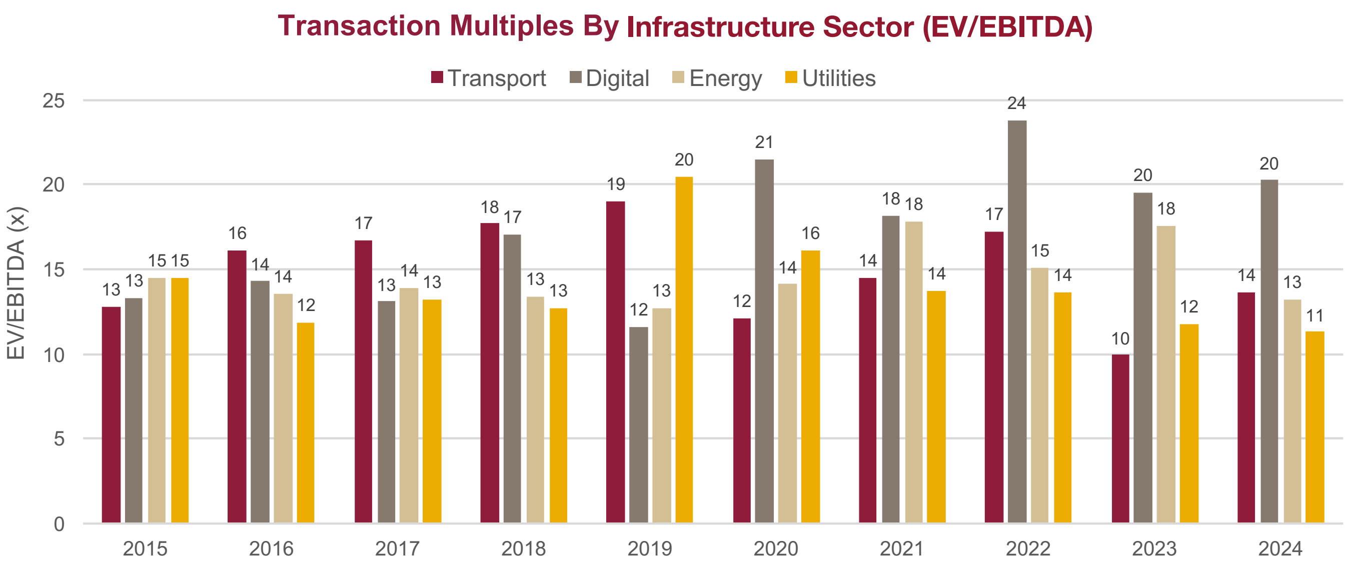
Valuations: Valuations in the infrastructure sector have seen downward adjustments in light of heightened interest rates, but now appear to have stabilised, presenting a relatively compelling entry point from a tactical perspective, particularly for certain Core infrastructure investments. Deal selection remains pivotal, as shall long-term interest rates remain stickier for longer, the effect of higher interest rates may still require some time to fully feed through for assets where debt comes up for refinancing.

As competition intensifies for new large-cap assets, we may witness an expanding valuation gap between middle-market and large-cap assets — potentially enhancing multiple expansion tailwinds for mid-market assets at exit.

Energy sector valuations have returned to normal after experiencing volatility post-2021 due to the onset of the Ukraine conflict and supply disruptions. In the digital domain, there's been a marked uptick in valuations, particularly for data centres highlighting the importance of deal selectivity and as the sector positions itself favourably for new capacity development over acquiring brownfield projects from a risk-adjusted perspective. The cost per square meter for data centre space has surged dramatically from c. $500 to nearly c. $900[14], suggesting investors might find better opportunities by focusing on burgeoning areas like edge computing.



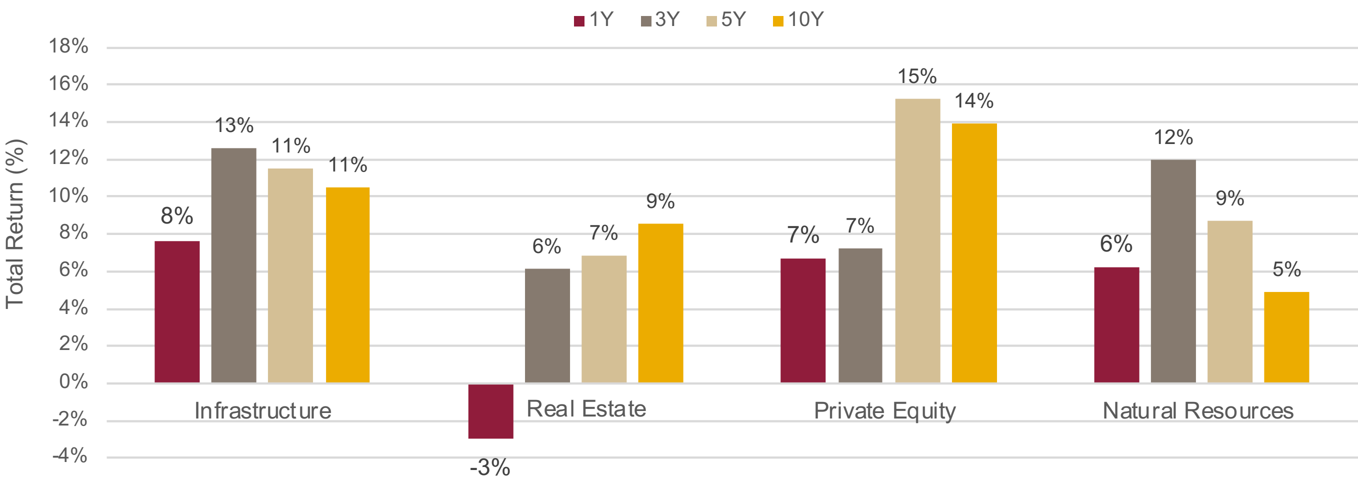
Source: InfraRed Capital Partners, Infralogic, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[14] BCA Research, November 2024

Historical Performance: Infrastructure has shown performance resilience in recent years, outperforming other alternative asset classes despite challenging macroeconomic conditions. Assets with inflation-linked revenue streams, particularly in core strategies, continue to deliver stable cash flows. Nevertheless, the recent valuation adjustment has been feeding through, with 1 year performance down to 8% as at June 2024.[15]

Real estate has faced pressure due to rising interest rates, while private equity (PE) has experienced return compression, largely due to limited exits and elevated financing costs. Infrastructure's alignment with megatrends such as decarbonisation and digitalisation has elevated its status from a defensive asset to a total-return enhancer, as also highlighted by a stronger short-term performance compared to PE.

Performance Analysis, (Total Returns, 10Y to June 2024, %)

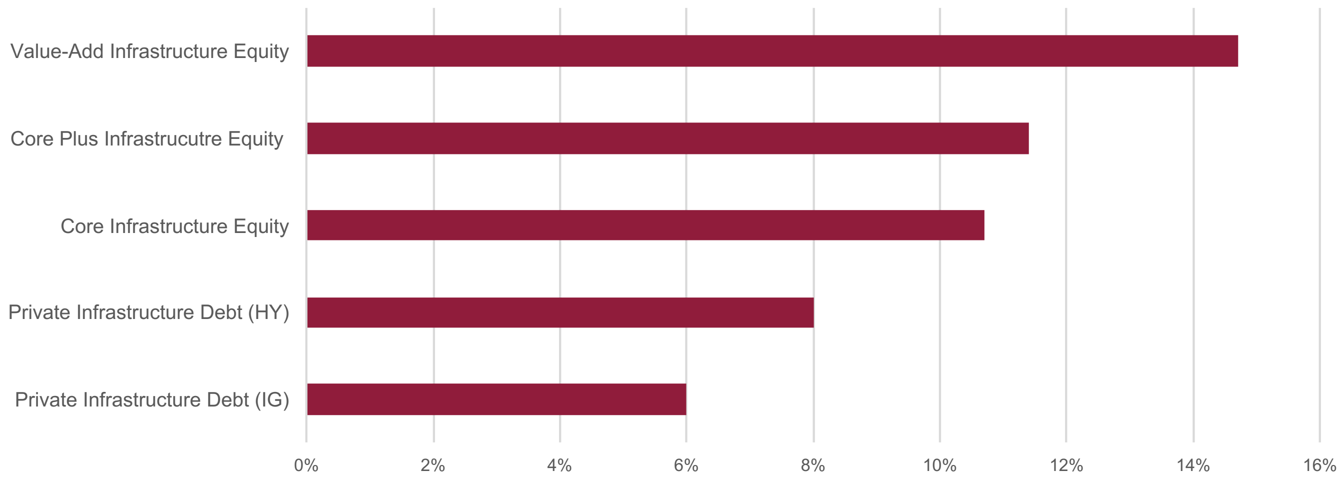


Source: InfraRed Capital Partners, Preqin, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

[15] InfraRed Capital Partners calculations based on Preqin data, as at 13 December 2024

Performance Forecast: The infrastructure investment landscape presents compelling opportunities for investors and a favourable risk-return profile, driven by attractive entry returns, and alignment with structural trends offering capital appreciation potential for value-add strategies, in our view.

Infrastructure, Long Term Entry Return Assumptions By Strategy (%, 10Y)



Source: InfraRed Capital Partners, December 2024. Net returns, debt returns equal buy-and-hold entry yields. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

The repricing of core infrastructure equity has created compelling entry points, offering a solid premium over private credit in terms of total return potential.

Sticky inflation may present tailwinds to future cash flow upside for core assets whose revenue growth comes also from inflation sensitivity. We forecast 2025 average entry returns for Core infrastructure to be at c.10%, while value-add infrastructure is expected to deliver gross total returns at c. 14.7%.[16]

[16] Returns indicated are estimates for 10 year net entry IRRs and entry yields for debt as at December 2024.

There is no guarantee that forecasts highlighted will materialise.

Allocations

Allocations - Tactical View, 2025

By Type	Cautious				Constructive
Infrastructure Equity				●	
Infrastructure Debt IG			●		
Infrastructure Debt HY				●	
By Strategy					
Core				●	
Core Plus			●		
Value-Add				●	
By Size					
Large-Cap		●			
Mid-Market				●	
By Geography					
Eurozone			●		
UK			●		
United States				●	
Asia-Pacific Mature			●		
Asia Pacific Emerging		●			
By Sector					
Renewables & Storage				●	
Energy Generation				●	
LNG Infrastructure				●	
Utilities			●		
EV Charging			●		
Biofuels				●	
Energy from Waste			●		
Airports				●	
Toll Roads			●		
Ports			●		
Telecom Towers			●		
Fibre		●			
Data-Centres			●		

Source: InfraRed Capital Partners, December 2024. Past performance is not indicative of future returns. There is no guarantee that the forecast highlighted may materialise.

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HEAD OF RESEARCH

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