

Ladies and Gentlemen, Dear Members,

Infrastructure - no boredom in the portfolio!

After I opened the editorial to the last BAI newsletter with the topic Infrastructure with the title "Infrastructure - Boredom in the Portfolio?", I will spare you rhetoric or winking this time. The cautious hopes of the people, but also of the economy, of a reasonably positive post-covid cycle were abruptly shattered on 24 February with the unspeakable Russian attack on Ukraine. The enormous inflationary pressure caused by Corona, mainly due to bottlenecks in supply chains, rapidly developed into an inflationary shock accompanied by drastic recession scenarios and clear warnings of a new global debt crisis. Society, politics, central banks, the economy and, of course, investors are - once again - facing immense challenges and the future is more than uncertain. Once again, it becomes clear how fragile the vaunted globalised and multilateral world is.

So, it is all the more important for institutional investors to bring stability into their portfolios. And this brings us back to the topic of infrastructure, which is the focus of this newsletter. An anchor of stability on the one hand, a dynamically developing asset class on the other. The dynamics in the infrastructure segment have been enormous for years and current figures also show how the journey will continue. Fundraising in the infrastructure segment, for example, is reaching new highs. Preqin reports a new record of US\$70 billion for the first quarter of 2022. While the number of funds in fundraising is declining, the funds are getting bigger. The top three funds have a target volume of more than US\$ 10 billion each, another five funds are aiming for a fund volume of more than US\$ 5 billion and now even infrastructure debt funds are reaching this size. The boom in fundraising correlates with a further increase in demand. According to the BAI Investor Survey 2021, German investors have an average allocation of 2.8% in the infrastructure equity sector and want to expand this share to 3.7% under the SAA, while the current allocation in the infrastructure debt sector is 1% and is to be expanded to 1.2% under the SAA. However, I would not be surprised if, in view of the current macro scenarios, many investors intensively reconsider the SAA especially with regard to infrastructure and could noticeably increase it further.

There is much to suggest that the recipe for success of the infrastructure asset class will endure: low correlation with traditional investments, low volatility compared to equities, generally stable and predictable cash flows and, last but not least, inflation protection! And that is more important today than ever before, especially since it has two components: on the one hand, inflation often affects asset prices, and on the other hand, it also affects their returns, either directly through contractual inflation-linkages or indirectly through fundamental economic factors.

The need for investment in infrastructure also tends to continue to increase. And this is well known. It is primarily environmental, socio-economic and technological aspects and developments that will continue to shape this asset class in the future and thus give it a special dynamic. The Green Deal on the one hand, the advancing digitalisation in all areas of life on the other, show the range of infrastructure topics and are at the same time also the reasons why fundraising in this sector is rushing from record to record.

Not to be forgotten is the G7 final declaration of June 2021 under the motto Build Back Better World (B3W), which I had already taken up in the last editorial on infrastructure, and which envisages a billion-euro initiative to build infrastructure in poorer countries, also with the involvement of the private sector. In fact, this initiative is now taking concrete shape. Building on the G7 leaders' commitment to develop a value-driven, high-quality and transparent infrastructure partnership to meet global infrastructure development needs, in the meantime at the end of last year the G7 representatives, with the involvement of the EU 5, set out so-called key principles for infrastructure development in relevant countries. And here, too, climate change, social aspects and governance, i.e.

ESG, shape this initiative and the resulting measures. Infrastructure investments must therefore continue to be seen as a global task, although country selection is becoming increasingly important. It is not only supply chains that need to be rethought.

Against this background and the huge investment volumes, the record fundraising and asset under management figures may be put into perspective. The limited availability of and access to infrastructure assets could also be a temporary problem. What is likely to remain, however, is the effort involved in sourcing and transaction processes, in portfolio management and in monitoring and controlling in the infrastructure sector. Nevertheless, the effort is worthwhile for investors, as previous yield developments show. It is obvious that duration premiums, illiquidity premiums and complexity premiums can also be achieved with infrastructure investments in the future, but of course the resulting return potentials must first be tapped.

With our much-acclaimed new information brochure on infrastructure investments, our new BAI FactSheet on infrastructure, our recurring events on the topic and, of course, this newsletter, we will continue to accompany you as usual on all aspects of infrastructure. And at the AIC - including the investor workshop - infrastructure will also be a focus of the presentations and discussions. Last but not least, we are also staying on top of this important topic from a regulatory point of view, not only on the investor side, but also in particular in the context of the redesign of the European fund format ELTIF, in which about one third of the investments already come from the infrastructure sector, as recently documented impressively in a study worth reading. One thing is certain: the ELTIF format has a future, especially for infrastructure investments. By the way, you can find our statement on the ELTIF review on our homepage.

AIC / Ukraine fundraising campaign

In just a few days, the AIC 2022 will start and we are very pleased that our annual conference will again take place as a face-to-face event and that we will again be able to welcome many participants from the industry and our members in person. You can still register for the AIC and the ESG pre-event until 28 April. Top-class key note and expert presentations as well as exciting panel discussions await you. With over 600 participants and more than 80 institutional investors, we are once again setting the benchmark as the leading industry conference on alternative investments in the German-speaking region.

All participants have recently received the most important - organisational - information about the AIC. At this point, I would just like to draw your attention once again to our fundraising campaign for emergency aid in Ukraine. On the occasion of its association anniversary, the BAI will donate 25 euros per participant to the emergency aid of Aktion Deutschland Hilft. Every registration for AIC 2022 counts and helps the people in Ukraine. We would very much appreciate if not only all participants of the AIC, but also all other members of the BAI community contribute to this fundraising campaign. [Click here to donate directly, quickly and securely to Ukraine Emergency Relief](#). We appreciate any amount and thank you very much for your support!

BAI General Assembly / Board Elections

After we had already dealt intensively with the effects of rising inflation and a monetary policy turnaround at the beginning of the year in our webinar series with annual outlooks on various asset classes, the decision to dedicate a study to this topic in the course of the year followed relatively quickly. At the general meeting, we had already outlined that the objective of this study would be to examine, together with member companies, how the emerging change in the interest rate inflation environment would affect the performance and strategic asset allocations of various AI classes:

Infrastructure (Equity / Debt), Corporate Private Debt, Corporate Private Equity, Real Estate (Equity / Debt).

For various theoretical macro scenarios, hypotheses are developed as to whether the respective asset class will benefit or be negatively affected in absolute or relative terms. The idea is to conduct expert interviews with investors, economists or analysts using an interview guide and questionnaire and to check to what extent hypotheses correspond to positions and strategic asset allocations in practice. Of course, we would also like to involve our member companies in this process and look forward to hearing from you if you are interested. Please feel free to contact us directly at the AIC.

In addition to the newsletter, you will of course find a large number of articles, interviews, guidelines, studies, presentation documents and, of course, statistics and market data on infrastructure as an asset class in the relevant section of the BAI website. Have a look.

And now I wish you an informative and entertaining read and look forward to seeing you again at the AIC!