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Scaling the Infrastructure Secondary Market

LAPFSIF, July 2021

Scaling the Infrastructure Secondary Market

Liquidity	Secondary market exists to **facilitate liquidity** within Private Market Funds
Evolution	**Growth & evolution** of secondaries market has been **considerable** and is set to continue unabated
Established	Private Equity has the **most established secondary market**, but **Infrastructure is no laggard**
Allocation	Secondaries can play a **valuable role** in an **Investor's Infrastructure allocation**

Pantheon opinion.

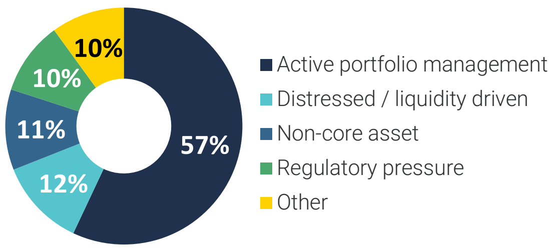
Market dynamics
Traditional vs. GP-led secondary transaction drivers

Deal flow drivers

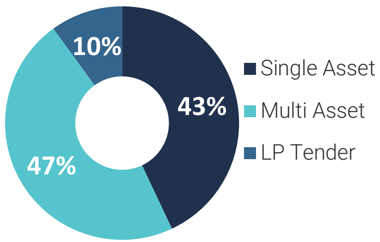
Traditional LP Secondary	GP-Led Secondary
▶ Robust primary infrastructure fundraising	▶ GPs seeking additional capital for growth objectives
▶ LP active portfolio management	▶ GPs desire to accelerate liquidity to existing investors
▶ Change in management team or strategy	▶ GP fund-level or LP portfolio level concentration limits
▶ LP liquidity pressure and denominator effect	▶ Fund term constraints

Secondary deal flow composition in 2020

Traditional LP Seller Rationale[1]



GP-Led Deal Profile[1]

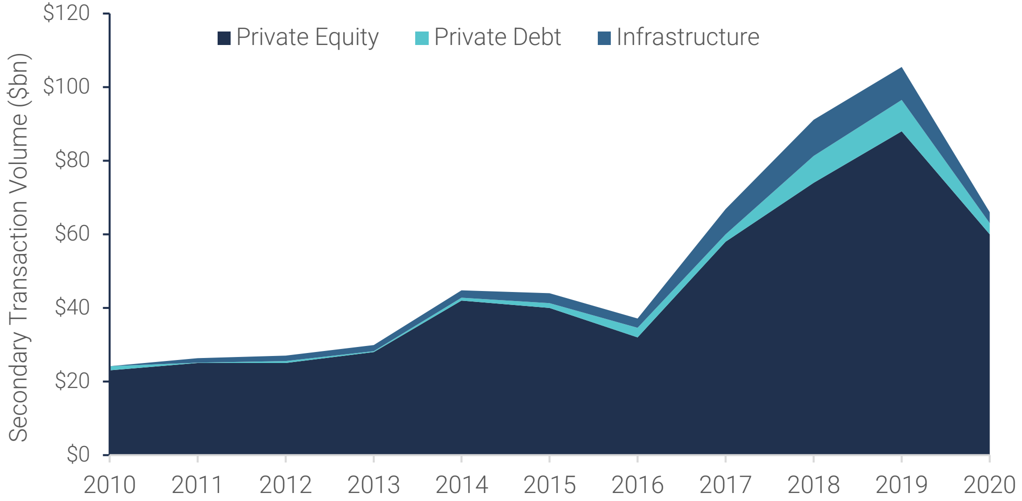


Past performance is not indicative of future results. Future results are not guaranteed, and a loss of principal may occur. Pantheon opinion.[1]Source: Evercore, 2020 Secondary Market Survey Results. Information is based on based on transaction volume as reported by survey participants, inclusive of private equity and infrastructure respondents.

Secondaries market trends

Infrastructure secondaries are a growing part of the market

Secondary transaction volume, by asset class ($bn)[1]

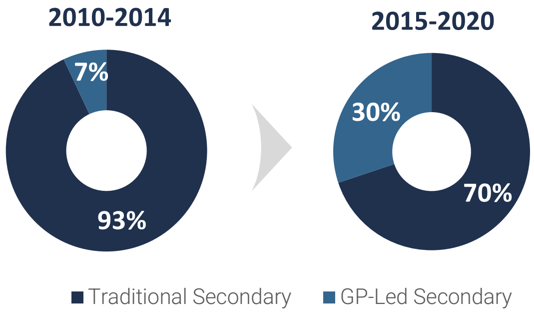


Infrastructure as % of total secondary transaction volume (average)[1]

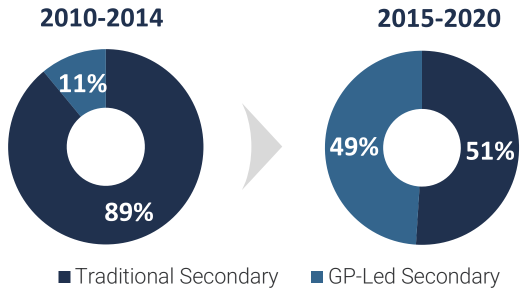
2010-2014 → 4%

2015-2020 → 8%

Private equity secondary market composition[1]



Infrastructure secondary market composition[1]



Pantheon opinion. There is no guarantee that these trends will persist. [1]Infrastructure secondary transaction volume based on data from Campbell Lutyens from 2010-2019 and Evercore for 2020. Private equity and private debt secondary transaction volume based on Greenhill Cogent data from 2010-2020.

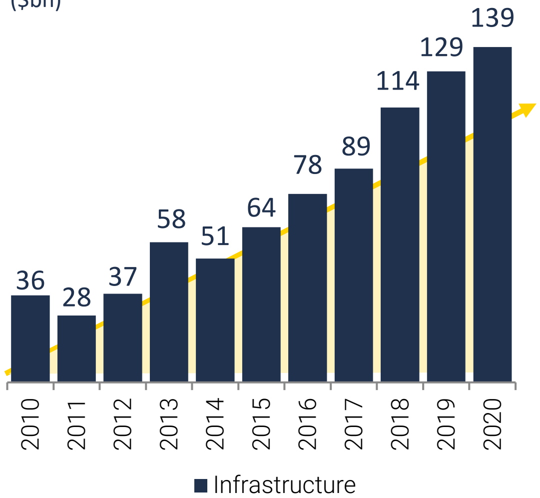
Secondaries supply continues to grow…
…but market remains inefficient

+17%
CAGR infrastructure fundraising[1,2]

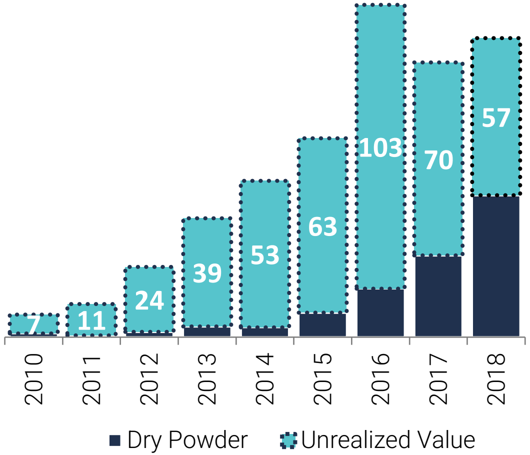
$430 bn
Unrealized value (2010-2018)[1,3]

Limited
Capital overhang[1,4]

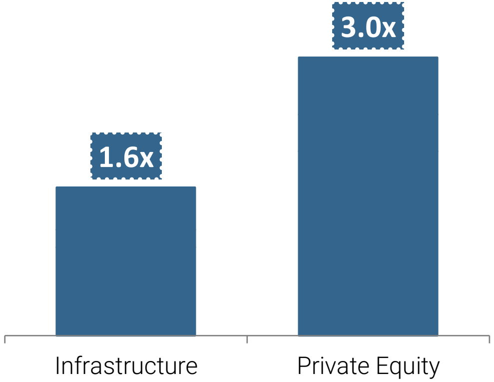
Infrastructure fundraising
($bn)



Infrastructure AUM
($bn)



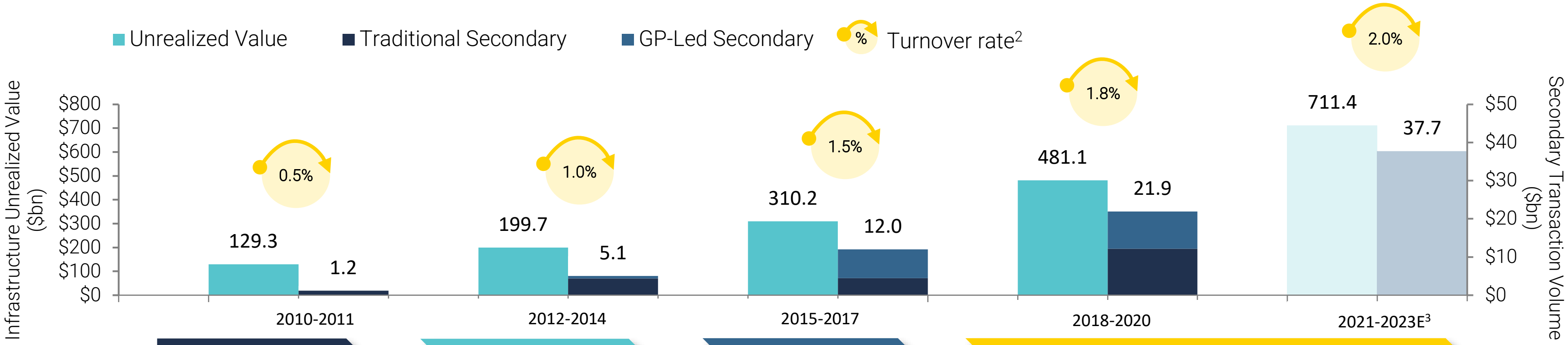
Secondary overhang ratio
(Dry powder / annual transaction volume)



There is no guarantee that these trends will persist. [1]Source: Preqin as of January 2021. Infrastructure fundraising is based on year capital was closed, including funds which have not held a final closing. Infrastructure AUM data as of June 30, 2020. [2] CAGR based on 5-year time period from 2015 – 2020. [3]Source: Preqin data, as of September 30, 2020. Aggregate unrealized value held by vintage infrastructure funds 2010-2018 deemed most actionable for secondary transactions. [4] Based on dry powder and near-term fundraising for infrastructure secondary strategies based on Preqin data at May 2021 relative to average annual infrastructure secondary deal volume from 2018-2020. Assumes 20% leverage ratio on dry powder.

Evolution of infrastructure secondaries
Market growth could lead to ~$40bn deal volume by 2023

Historic and future secondary market ($bn)[1]



Pre-market
- First infrastructure secondary opportunity transacted
- No/low secondary transaction volume

Formation
- Primary infrastructure AUM grows post GFC
- Secondaries focused on tail-end portfolios
- Limited secondary buyer universe

Maturation
- First "mega" infrastructure funds raised > $15bn
- Emergence of GP-led deals to facilitate LP liquidity

Expansion
- GP-led secondaries continues to drive deal flow
- Secondary directs surge as GPs target growth initiatives and/or to manage concentration
- Infrastructure market growth projected to lead to ~$40bn in secondary volume in the next three years

Pantheon opinion. [1]Source: Infrastructure unrealized value based on Preqin data at year-end in time periods identified. Transaction volume based on data from Campbell Lutyens from 2010-2019 and Evercore for 2020. [2]Turnover ratio is based on average annual secondary transaction volume divided by unrealized value in given year. [3] Estimates for 2021 to 2023 derived from applying the 5-year CAGR in unrealized value for infrastructure funds of 14% to total unrealized value as of September 2020. There is no guarantee that these trends will persist.

Increasing tailwinds behind GP-led secondaries

GLOBAL INFRASTRUCTURE PARTNERS

ECP

OAKTREE

EQT

ANTIN INFRASTRUCTURE PARTNERS

APOLLO

F2i Fondi italiani per le infrastrutture

DIF

DIGITALBRIDGE

A GP-led secondaries deal highlights the promise of evergreen structures

PODCAST: Why GP-led secondaries is the next big thing

Infra scores four of the 20 largest alternatives continuation funds

GP-led secondaries are on the rise, but LPs need to beware

Secondary market likely to be aided by GP-led deals

GP-led secondaries to increase in post-Covid-19 resurgence

Evercore: GP-leds could disrupt traditional secondaries market

Source: 2020 / 2021 - Infrastructure Investor, Secondaries Investor, Private Equity International.

Why allocate to Secondaries?

1. Depth of investment opportunity

2. Quick and differentiated access to operating and yield generating assets

3. Visibility on assets at entry

4. Efficient tool to mitigate J-curve and enhance portfolio diversification

Pantheon opinion.

Appendix

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MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

S&P 500 Index is a widely recognized gauge of the U.S. equities market. This index is an unmanaged capitalization-weighted index consisting of 500 of the largest capitalization U.S. common stocks. The returns of the S&P 500 include the reinvestment of dividends.

MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI AC Asia Pacific Index captures large and mid-cap representation across 5 Developed Markets countries and 9 Emerging Markets countries in the Asia Pacific region. With 1,559 constituents, the index covers

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approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include Australia, Hong Kong, Japan, New Zealand, and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan, and Thailand.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 27 emerging market country indexes: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

FTSE Europe Index is one of a range of indices designed to help investors benchmark their European investments. The index comprises Large and Mid-cap stocks providing coverage of the Developed markets in Europe. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. With 621 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

FTSE Asia-Pacific Index is part of a range of indices designed to help Asia Pacific investors to benchmark their investments. The index comprises Large (40%) and Mid (60%) Cap stocks providing coverage of 14 markets. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world's investable market capitalization.

FTSE All World Index is a market-capitalization weighted index representing the performance of the large and mid-cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization. The index covers Developed and Emerging markets and is suitable as the basis for investment products, such as funds, derivatives, and exchange-traded funds.

The Thomson One Global All Private Equity Index is based on data compiled from 5,281 global private equity funds (buyout, growth equity, private equity energy, subordinated capital funds and venture capital), including fully liquidated partnerships, formed between 1988 and 2019. The Thomson One Global All Private Equity Index has limitations (some of which are typical to other widely used indices) and cannot be used to predict performance of the Fund. These limitations include survivorship bias (the returns of the index may not be representative of all private equity funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all private equity are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown).

Preqin's database provides information on 7,468 active Private Equity funds from 2,030 different GPs with over $7.75tn combined fund size.

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