

UNDERSTANDING PRIVATE INFRASTRUCTURE

INVESTING IN PRIVATE MARKETS



INTRODUCTION

Private infrastructure refers to physical assets and facilities that are privately owned, providing essential services and supporting economic activities. These assets include transportation networks, energy systems, water and waste management facilities, and communication networks. Unlike public infrastructure, which is funded and managed by government entities, private infrastructure is financed through private investments and managed by private companies.

INVESTMENT STRATEGIES

Core

Core infrastructure assets are essential services with stable, long-term cashflows and lower risk profiles. These assets typically include mature, fully operational facilities such as toll roads or airports. Core infrastructure investments are characterised by their predictable revenue streams, often derived from long-term contracts or regulated tariffs. Investors in core infrastructure seek steady income and capital preservation, making these assets suitable for conservative investment strategies.

Value-added infrastructure

Value-add infrastructure involves assets that require some level of enhancement or development to reach their full potential. These investments may include upgrading existing facilities, expanding capacity, or improving operational efficiency. Value-add investments carry moderate risk and offer higher return potential compared to core infrastructure.

Opportunistic

Opportunistic infrastructure investments involve higher-risk projects with the potential for significant returns. These assets are often in the early stages of development. Opportunistic investments may face challenges such as regulatory hurdles, construction risks, and market volatility. However, they offer the potential for substantial capital appreciation and higher returns.

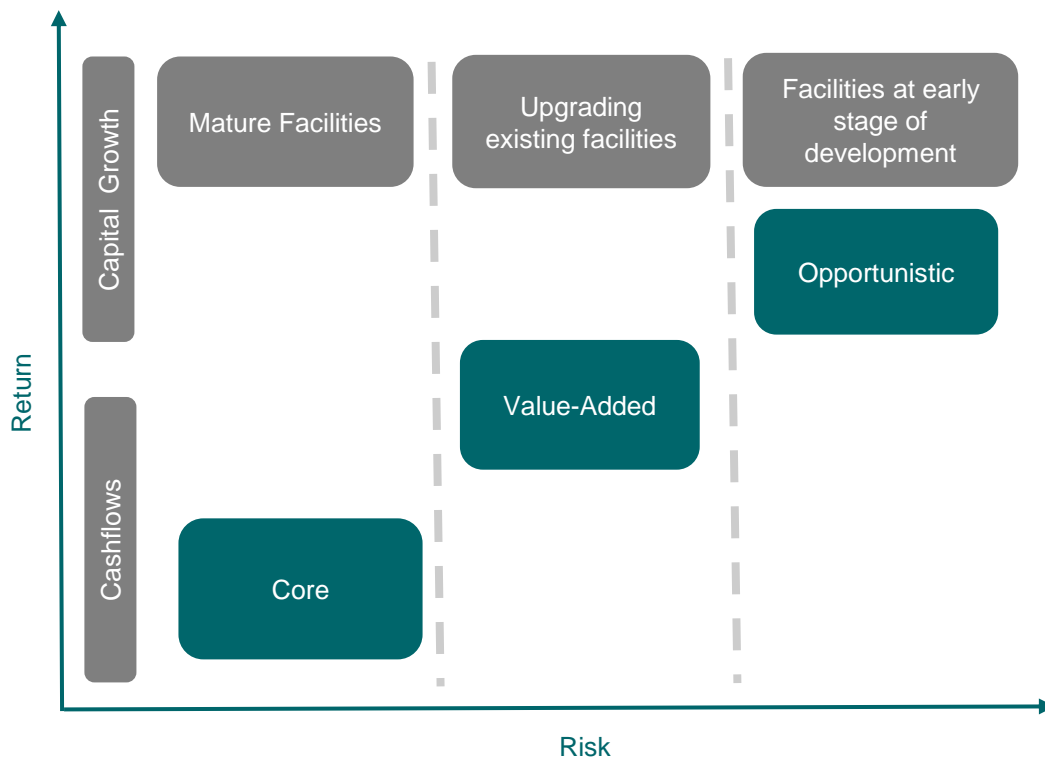


Figure 1: Different private infrastructure investment strategies. For illustrative purposes only.

INFRASTRUCTURE PROJECT STAGES

There are three core stages of project development in infrastructure: greenfield, brownfield, and secondary stage.

Greenfield	Brownfield	Secondary stage
<ul style="list-style-type: none">• Development of new infrastructure from scratch• Maintenance of the asset once it's been built• No revenue generation in the early stages• Higher risk and higher potential return	<ul style="list-style-type: none">• Improvement of existing structures• Income generation is possible• Typically, lower risk than greenfield projects	<ul style="list-style-type: none">• Investment in fully operational assets that require no development• Generation of cash flows and returns• Lower risk

WHY INVEST IN PRIVATE INFRASTRUCTURE?

Investing in private infrastructure offers several compelling benefits, making it an attractive option for long-term investors.

Stable cash flows

Infrastructure assets typically generate stable and predictable cash flows, often backed by long-term contracts or regulated tariffs.

Inflation protection

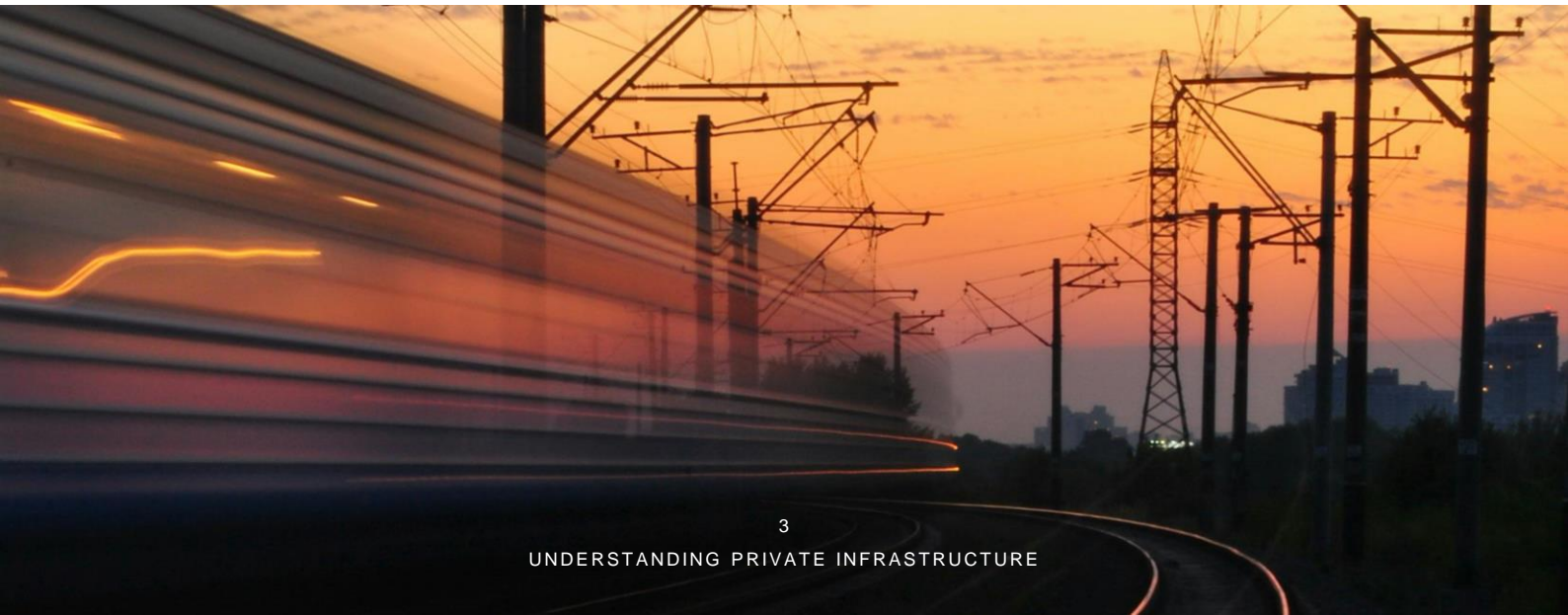
Many infrastructure assets have revenue streams linked to inflation, such as toll roads with inflation-adjusted toll rates or utilities with regulated tariffs that account for inflation. This linkage helps protect investors' purchasing power over time.

Diversification

Infrastructure investments offer diversification benefits, as they are less correlated with traditional asset classes like stocks and bonds. This low correlation can help reduce portfolio volatility and enhance risk-adjusted returns.

Long-term growth potential

Infrastructure assets often have long operational lives and can benefit from ongoing economic growth and urbanisation. Investments in infrastructure can provide long-term capital appreciation and growth opportunities.



RISKS AND CONSIDERATIONS

1. **Regulatory risk:** Changes in regulations or government policies can impact the profitability and operation of infrastructure assets.
2. **Operational risk:** Infrastructure projects may face operational challenges, such as construction delays, cost overruns, and maintenance issues.
3. **Market risk:** Economic downturns and market volatility can affect the performance of infrastructure investments, particularly opportunistic projects.
4. **Liquidity risk:** Private infrastructure investments can be illiquid, making it difficult to sell assets quickly or at a fair price.

CONCLUSION

Private infrastructure investments offer a unique opportunity to gain exposure to essential assets that provide stable cash flows, inflation protection, and diversification benefits. By understanding the different types of infrastructure investments - core, value-added, and opportunistic - investors can tailor their strategies to match their risk tolerance and return objectives. While private infrastructure comes with certain risks, careful selection and management of assets can help mitigate these challenges and unlock the potential for long-term growth and income.



Let's talk

We hope this has been a helpful overview of Private Markets.

Take the next step and talk to one of our Client Advisors to discover how Quintet Private Bank can help you.

Get in touch. Visit quintet.lu/contact-us

Important Information

- Investing puts your capital at risk.
- The value of your investments or any income from them can go down as well as up, and you could lose some or all of the money.
- Alternative investments are illiquid, high risk and not suitable for all investors.



This document is designed as marketing material. This document has been composed by Quintet Private Bank (Europe) S.A., a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and company register under number B 6.395 and having its registered office at 43, Boulevard Royal, L-2955 Luxembourg ("Quintet"). Quintet is supervised by the CSSF (Commission de Surveillance du Secteur Financier) and the ECB (European Central Bank).

This document is for information purposes only, does not constitute individual (investment or tax) advice and investment decisions must not be based merely on this document. Whenever this document mentions a product, service or advice, it should be considered only as an indication or summary and cannot be seen as complete or fully accurate. All (investment or tax) decisions based on this information are at your own expense and at your own risk. You should (have) assess(ed) whether the product or service is suitable for your situation. Quintet and its employees cannot be held liable for any loss or damage arising out of the use of (any part of) this document.

The contents of this document are based on publicly available information and/or sources which we deem trustworthy. Although reasonable care has been employed to publish data and information as truthfully and correctly as possible, we cannot accept any liability for the contents of this document.

Investing involves risks and the value of investments may go up or down. Past performance is no indication of future performance. Any projections and forecasts are based on a certain number of suppositions and assumptions concerning the current and future market conditions and there is no guarantee that the expected result will ultimately be achieved. Currency fluctuations may influence your returns.

The information included is subject to change and Quintet has no obligation after the date of publication of the text to update the information accordingly or to provide notice of changes. The presentation includes both this text and any presentation thereof, including any additional comments made. In case of any discrepancies, the text of this document will prevail.

This is non-independent research and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

All copyrights and trademarks regarding this document are held by Quintet, unless expressly stated otherwise. You are not allowed to copy, duplicate in any form or redistribute or use in any way the contents of this document, completely or partially, without the prior explicit and written approval of Quintet. See the privacy notice on our website for how your personal data is used (<https://group.quintet.com/en-gb/gdpr>).

April 2025