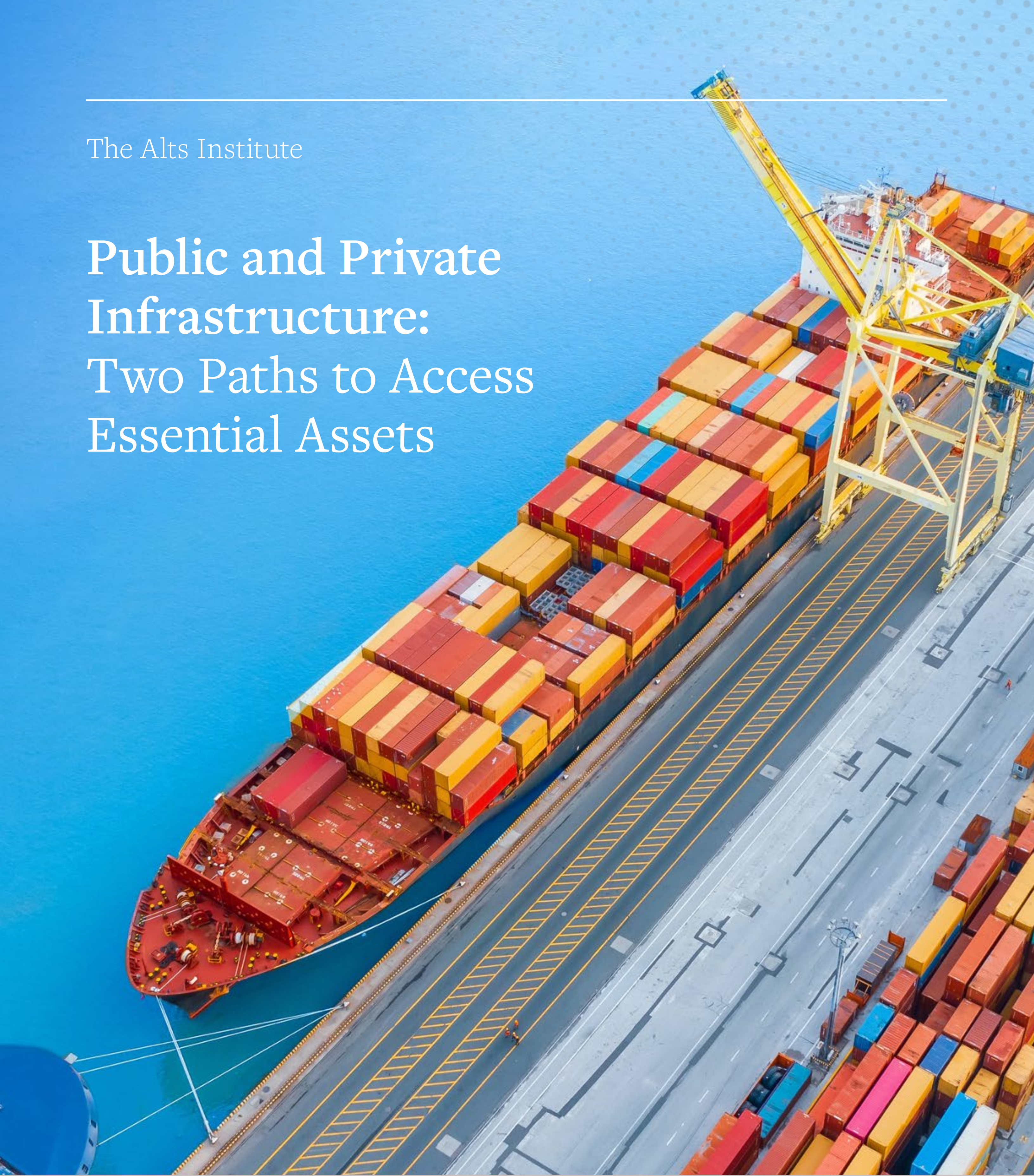
The Alts Institute

Public and Private Infrastructure: Two Paths to Access Essential Assets



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Overview

Infrastructure assets provide the essential underpinnings of the global economy, moving people, goods, commodities and data to where they are needed most. The category is broad and varied: It includes everything from roads and bridges to ports and airports, utilities, and power transmission, as well as pipelines, processing and storage facilities.

Infrastructure is also evolving as new technologies and needs emerge, such as renewable power and data. Indeed, the world is in the midst of an "infrastructure super-cycle," marked by major efforts to modernize infrastructure. We believe this trend has enormous implications for the global economy, as well as being a significant opportunity for investors.

Infrastructure investing can bring a range of potential benefits that help strengthen portfolios, including income and hedging against inflation. It is a historically resilient asset class that often outperforms other asset classes in down markets, which has helped provide investors with attractive, long-term growth.

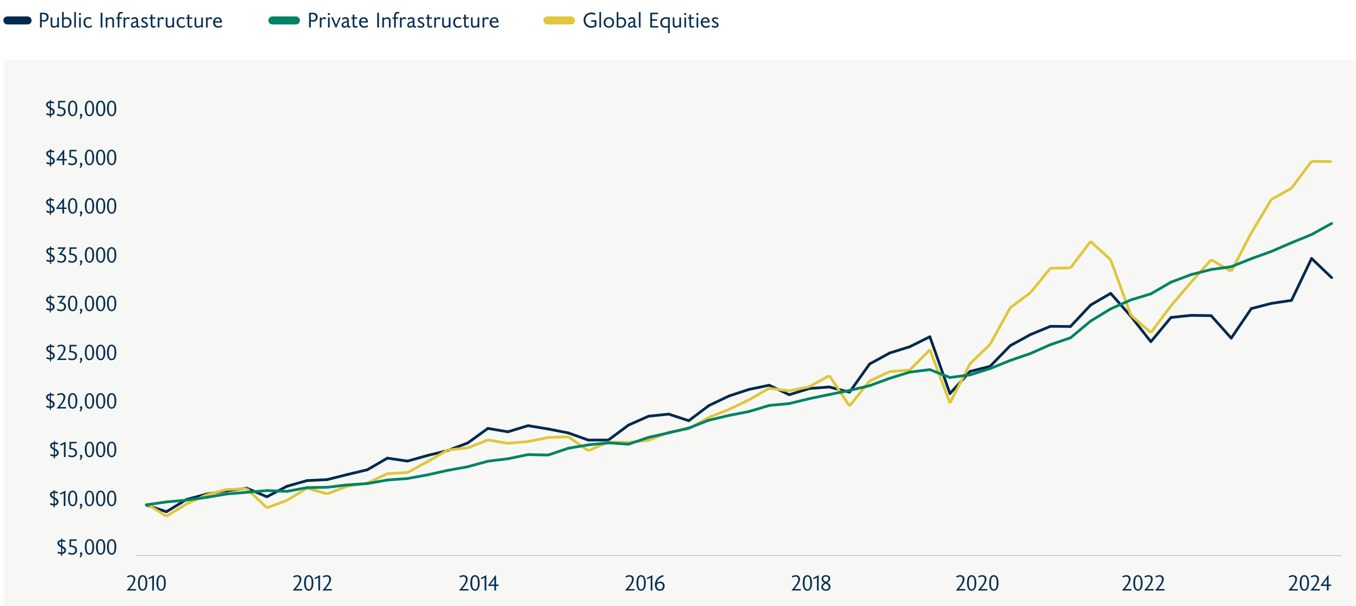
A Tale of Two Assets: Public and Private Infrastructure

Infrastructure can be accessed through both the public and private markets. While the two approaches share much in common, and are both ways of accessing similar assets, they each have different traits and features, benefits and considerations. It is important for investors to understand how their experience with the two can be significantly different and how each could impact a portfolio.

Both public and private infrastructure have provided growth for investors over the long term, although there are periods when one outperforms the other (**Exhibit 1**).

Exhibit 1: Public and Private Infrastructure Have Provided Growth for Investors Alongside Global Equities

Growth of $10,000



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Source: Preqin, Morningstar. For the period January 1, 2010 through December 31, 2024.

Comparing Private and Public Infrastructure Returns

We believe the performance of private infrastructure better represents the stability of the underlying assets, given the long-term investment horizon and lack of daily volatility seen in the public markets. The majority of private infrastructure quarterly returns have been between -1% and 2%. Public infrastructure returns were more variable, with both more outsized quarterly returns and more down quarters (**Exhibit 2**).

Private infrastructure is an illiquid asset class, meaning it is difficult to exit or enter quickly, in contrast to publicly traded infrastructure equities. The potential compensation for that risk is known as the "illiquidity premium," and as the private infrastructure asset class has matured, investors have received their illiquidity premium along with a less volatile experience.

The difference in performance volatility partly reflects the nature of public equity markets. For example, publicly traded infrastructure equities are likely to be impacted by overall market sentiment. In other words, during bullish periods public infrastructure tends to outperform private infrastructure, while the opposite can hold true during bear markets.

Let's examine this by reviewing historical up capture and down capture ratios of public and private infrastructure (**Exhibit 3**). When equity markets rally, public infrastructure captures more of the upside. In down markets, public infrastructure has a down capture less than 100, making it less negative than equity markets. Although, private infrastructure has a negative down capture ratio, meaning its returns have historically been positive when equity markets were down. This highlights the defensive characteristics of infrastructure.

Exhibit 2: Historically, Private Infrastructure Returns Have Been More Consistent

Distribution of quarterly returns: 2010-2024

Public Infrastructure   Private Infrastructure

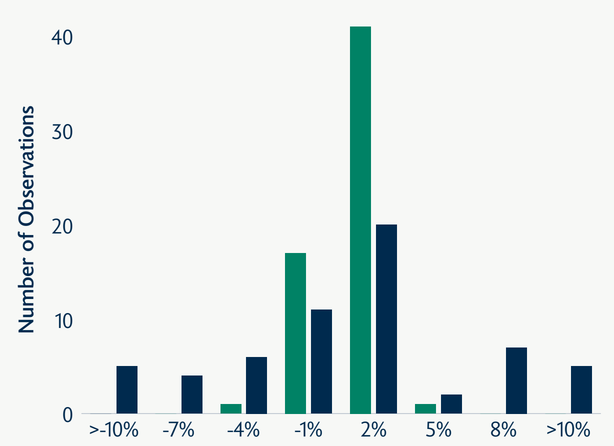


Exhibit 3: Historically, Public Infrastructure Has Provided More Upside While Private Infrastructure is More Defensive

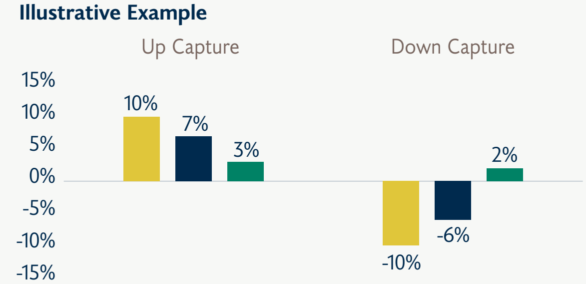
Up capture/down capture ratio

Public Infrastructure   Private Infrastructure   Global Equities

Up Capture/Down Capture

	Up Capture	Down Capture
Public Infrastructure	70%	56%
Private Infrastructure	27%	-15%

Illustrative Example



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Public and Private Infrastructure During Market Volatility

Public infrastructure has experienced more than three times as much volatility as its private counterparts. This makes sense, as stocks are valued daily and subject to macroeconomic factors. Meanwhile, private infrastructure managers are able to take a long-term view, aligning with the long-term investment horizon of the assets (**Exhibit 4**). As a result, valuations are less likely to overreact to short-term macroeconomic events, and therefore private infrastructure is less susceptible to market drawdowns (**Exhibit 5**).

Still, both public and private infrastructure investments have generally been less volatile than global equities with both providing potential risk mitigation in portfolios. This is likely due to the characteristics of the underlying investments, which tend to be relatively stable, with revenue streams that are less susceptible to economic cycles or sudden shifts in demand.

Exhibit 4: Private and Public Infrastructure Both Less Volatile than Global Equities

Rolling 3-year volatility

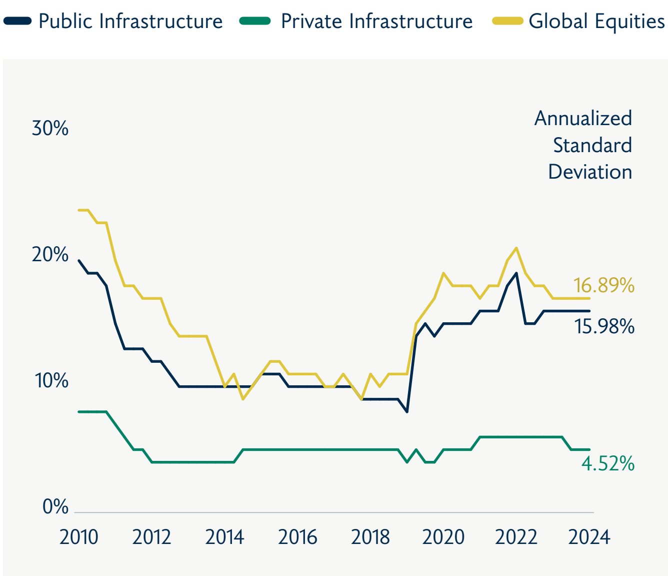
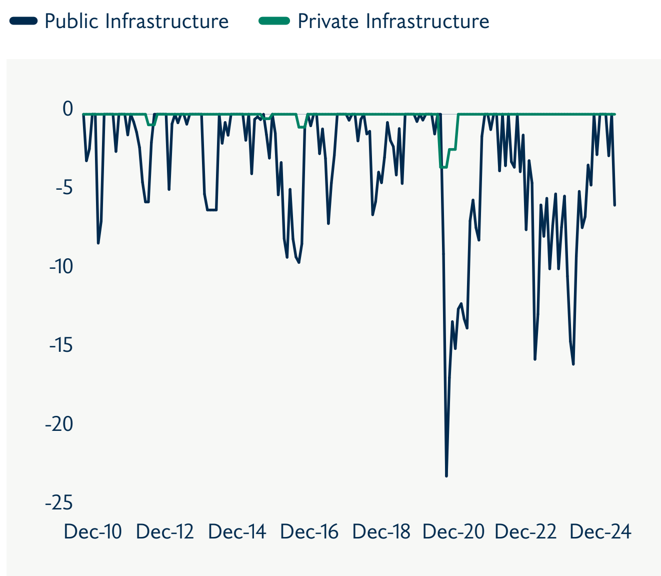


Exhibit 5: Private Infrastructure Is Less Susceptible to Market Drawdowns

Drawdown analysis



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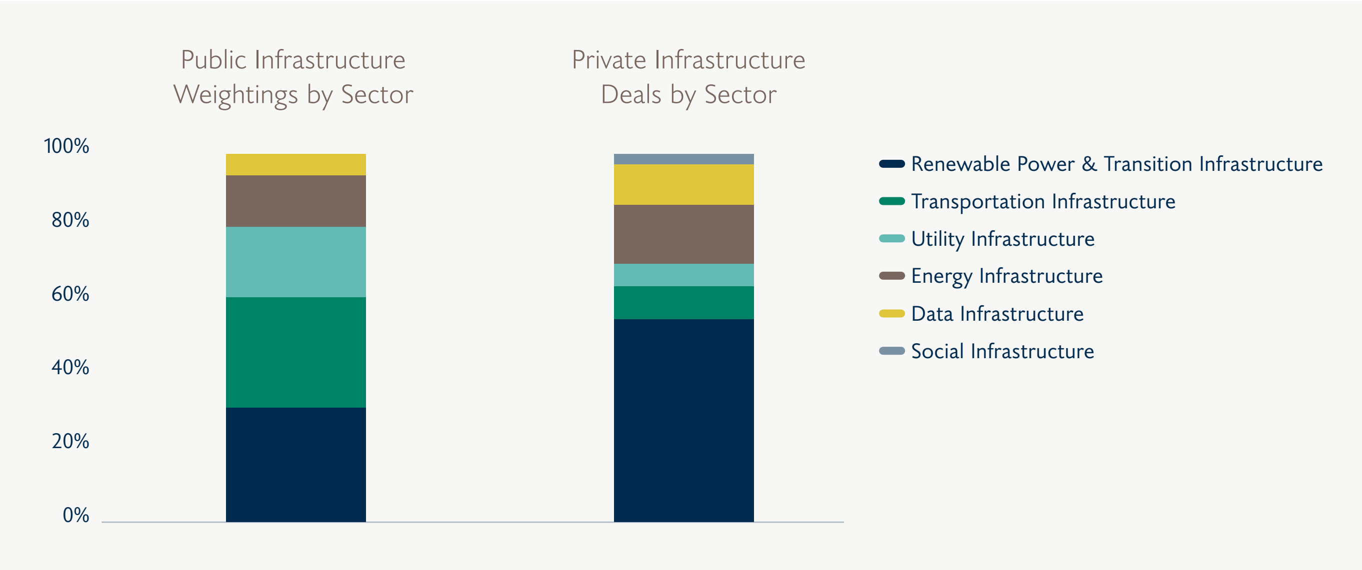
Source: Preqin, Morningstar. For the period January 1, 2010 through December 31, 2024.

Sector Differences

Private and public infrastructure also tend to have different levels of exposure to a given sector, company size or geography. Given the large amounts of capital and complexity necessary to acquire and operate unlisted assets, private infrastructure funds tend to be concentrated in a smaller number of larger assets in specific sectors or themes. Public exposures also can provide investment opportunities that are more difficult to access in a private portfolio, such as exposure to U.S. and European utilities.

Exhibit 6: There Are Differences in Sector Exposures Between Public and Private Infrastructure



Source: Bloomberg, Preqin. Public data as of June 30, 2025. Private data as of September 30, 2024, reflecting most recent data available.

Summing It Up

In our view, infrastructure investments can play a meaningful role in a client's portfolio—potentially providing growth, income and a hedge against inflation. We believe investors can benefit from having exposure to infrastructure in their portfolio, accessing these assets via public or private markets.

Of course, how an investor incorporates the asset class into their portfolio depends on their individual situation. Investors should work with their financial advisors to review their goals, liquidity needs, investment time horizon, and risk tolerance for navigating the markets' ups and downs.

The bottom line: Infrastructure consists of essential assets for the economy and can play an essential role in a client's overall portfolio.

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All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. Past performance is no guarantee of future results.

Alternative investments are complex, speculative investment vehicles and are not suitable for all investors. An investment in an alternative investment entails a high degree of risk, and no assurance can be given that any alternative investment fund's investment objectives will be achieved or that investors will receive a return of their capital. Investors could lose all or a substantial amount of their investment.

Private infrastructure investments are subject to the risks incidental to the ownership and operation of infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations and fluctuations in interest rates. Since investments in infrastructure securities, like many other types of long-term investments, have historically experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of these investments. Such specific market conditions could include, but are not limited to, the following: (i) demand for commodities, such as natural gas or minerals; (ii) impact of alternative technologies on our business, and cybersecurity attacks; (iii) ability to successfully identify, complete and integrate acquisitions; (iv) competition with other market participants; (v) construction or expansion or projects, environmental damage and future capital expenditures; (vi) economic regulation and adverse regulatory decisions in the countries in which we operate, including nationalization or the imposition of new taxes; (vii) supply chain disruptions; and (viii) adverse claims or governmental rights asserted against the lands used for our infrastructure assets.

Forward-Looking Statements

Information herein contains, includes or is based on forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended, and Canadian securities laws. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including, without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals, expansion and growth of our business, plans, prospects and references to our future success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other similar words are intended to identify these forward-looking statements.

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Definitions

The FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure subsectors. The constituent weights are adjusted as part of the semi-annual review according to three broad industry sectors: 50% Utilities; 30% Transportation, including capping of 7.5% for railroads/railways; and a 20% mix of other sectors including pipelines, satellites and telecommunication towers. Company weights within each group are adjusted in proportion to their investable market capitalization.

The MSCI World Index captures large- and mid-cap representation across 23 developed markets. The index covers approximately 85% of the free-float-adjusted market capitalization in each country.

The Preqin Private Infrastructure Index captures the average returns earned by investors in their infrastructure portfolios, based on the actual amount of money invested in private capital partnerships. Historical data points are not recalculated as time passes, except for the latest two quarters available, which are preliminary. The preliminary quarters are finalized at a three-quarter lag coinciding with the full constituency for the as-at date being met. The universe of funds for each quarterly point in the index may change over time depending on data availability. There may be limitations to the data provided given limited coverage, reporting lag and different valuation methodologies. Further, funds included in the index choose to self-report and so may be skewed towards funds that generally have higher performance. Over time, funds included and excluded based on performance, may result a "survivorship bias" that can result in a further misrepresentation of performance.

Standard Deviation: One of the most common methods of determining the risk an investment poses is standard deviation. Standard deviation helps to determine market volatility (or deviation) of prices from the mean price.

Upside Capture Ratio measures a strategy's performance relative to a benchmark during periods when the benchmark is experiencing positive returns. A value greater than 100 indicates that the investment has outperformed the benchmark during these up-market periods.

Downside Capture Ratio measures a strategy's performance relative to a benchmark during periods when the benchmark is experiencing negative returns. A value less than 100 indicates that the investment has outperformed the benchmark during these down-market periods. A negative value suggests that the investment has achieved a positive return while the benchmark had negative returns.

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