

# AXA IM Prime: August 2024

This document is intended exclusively for professional clients, as defined by applicable local laws and regulations. Circulation must be restricted accordingly.

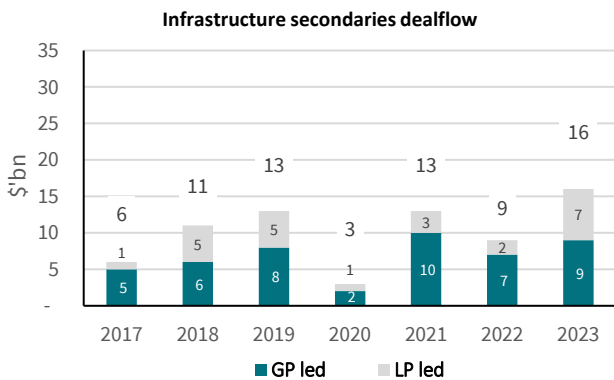
## Infrastructure Secondaries: A Compelling Opportunity Set

The infrastructure asset class is benefiting from strong sectoral tailwinds driven by contemporary themes including energy transition and digitalization. This has necessitated and will drive a lot of investment in the asset class to meet authorities targets on carbon emissions and digital connectivity. Infrastructure assets, by nature, are CAPEX-intensive, and typically require a longer investment duration to construct and become operational. In the context of growth in assets under management, secondaries provide an alternative source of capital to the fund managers and investors to generate liquidity, exit assets and raise capital for future growth requirements.

Secondaries give access to infrastructure assets at potentially attractive entry prices later in their life when the assets are more mature and investment duration is shorter making infrastructure secondaries a compelling opportunity set.

### Market Overview

The infrastructure secondaries market has evolved in recent years and has become a portfolio management tool available to both fund investors and general partners to manage liquidity. The annual deal flow has grown steadily over the years to reach ~\$16bn in 2023<sup>(1)</sup>.

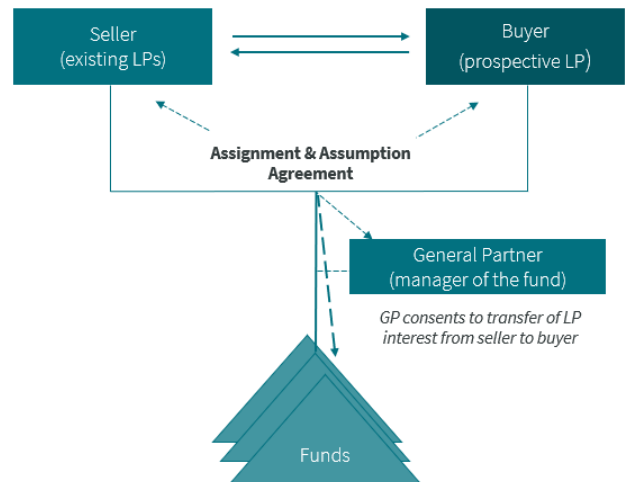


(1) Source: Campbell Lutyens Infrastructure Market Report 2024.

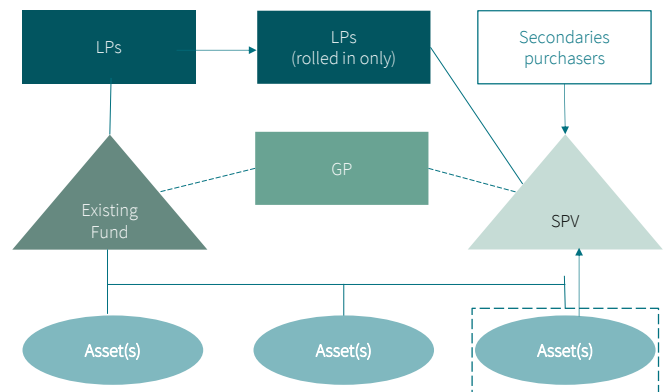
### Types of Secondaries

In general, there are two main types of secondary transactions: LP-led secondaries and GP-led secondaries. Differences include the underlying exposure acquired and the seller, however both transactions seek to answer the same need for liquidity as illustrated below <sup>(2)</sup>.

Simplified LP-Led secondary



Simplified GP-Led secondary



Note: In GP led secondaries, there is a full / partial transfer of exposure to one (a single asset transaction) or more (a multi-asset transaction) assets(s) from an existing fund into a new SPV, managed by the same GP. The underlying investors in the new SPV include new secondary buyers and existing fund investors who are typically given the option to rollover into the new SPV.

(2) Source: Kirkland & Ellis Secondary Transactions and Liquidity Solutions 2022.

# AXA IM Prime: August 2024

## Rationale

### Rationale for Buyers

Investors in infrastructure secondaries do so for reasons similar to what is seen in the broader private equity secondaries market: secondaries can provide access to diversified portfolios. Potential advantages include rapid deployment, improved visibility as to the underlying assets, mitigation of the J-Curve and accelerated distributions. Given the stage in a portfolio's life when secondaries may be used, they can have a shorter hold period compared to a standard primary investment.

Secondaries Transactions	LP Secondaries	GP Led Secondaries
<b>Underlying</b>	<b>Diversified:</b> funds, vintages, sectors	<b>Concentrated:</b> portfolios (single / multi assets). More control over portfolio construction
<b>J-Curve</b>	<b>Reduced:</b> investments typically ~50-70% funded on Day 1 (recent vintage secondaries) and ~70-90% funded on Day 1 (older vintage secondaries)	<b>Reduced:</b> investments typically ~70-90% funded on Day 1
<b>Distributions</b>	<b>Accelerated:</b> given maturities of portfolios and short hold periods	<b>Mixture of yield / growth</b> oriented assets depending on asset type and maturity
<b>Hold period</b>	~ 4-7 years	~ 5-10 years

Source: AXA IM Prime, July 2024.

### Rationale for Sellers

Similar to the private equity secondaries market, the underlying objectives for infrastructure secondary transactions are multiple, including portfolio rebalancing, generating distributions to paid in capital ("DPI"), and raising capital for growth requirements of the assets, etc.

	LP Solutions		GP Solutions			
	LP secondary	Tender offer	Capital raise	Continuation vehicle	Strip sale	Secondary direct
<b>Description</b>	Transfer of LP interests in fund(s)	GP driven tender to provide liquidity to LPs in fund(s)	Capital raise for an existing portfolio asset(s)	Full transfer of asset(s) from an existing fund to a new SPV managed by the same GP	Partial transfer of asset(s) from an existing fund to a new SPV managed by the same GP	Direct investment into the asset(s) with no GP involvement
<b>Rationale</b>						
Liquidity	X	X		X	X	X
Fund re-ups	X	X				
Portfolio rebalancing	X	X			X	X
Generate DPI	X	X		X	X	X
Concentration limits			X		X	X
Investment period			X	X	X	
Extended asset hold				X		
Risk / Return profile				X		X
<b>Pricing</b>	Typically at NAV / Discount		Typically at NAV	Typically at NAV / Discount	Reset	M&A process
<b>Fund terms</b>	No change		Exit alignment			N/A
<b>Fees</b>	Same as primary investors		Typically reduced fees vs. primary investors			No fees

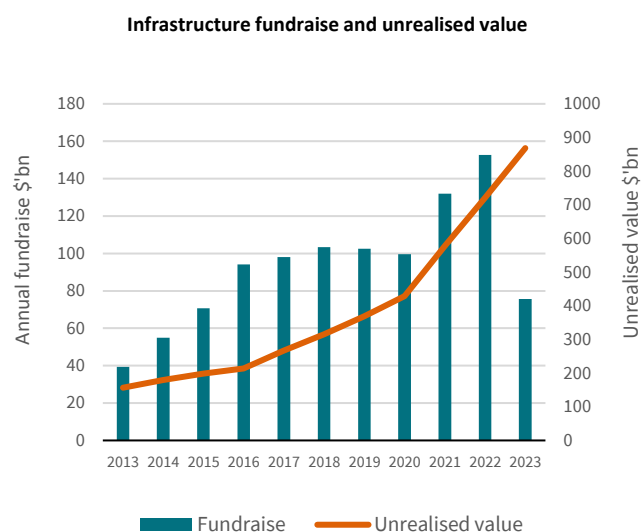
Source: AXA IM Prime, July 2024.

## Deal Flow Drivers

### Unrealised value

A key driver of the growth in infrastructure secondaries deal flow is the accumulation of unrealized value in the infrastructure sector which reached approximately \$900bn in 2023. Unrealized value accumulates on the balance sheets of investors and can be traded on the secondaries market in an effort to generate liquidity for fund investors and general partners.

The growth in unrealized value is a direct consequence of historical levels of fundraising in the infrastructure sector, surpassing approximately \$100bn annually in recent years.

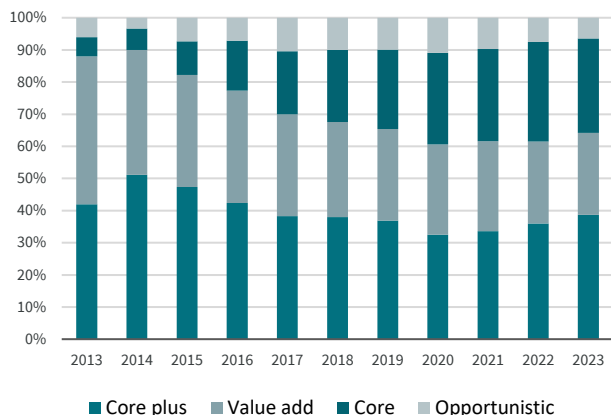


Source: Preqin July 2024. Infrastructure fundraise and unrealised value includes core, core plus, opportunistic and value add strategies and excludes fund of funds, debt, secondaries strategies.

Majority of the unrealized value accumulation has been in the core plus and value add sectors and North America / Europe regions. We view these categories as a potentially interesting area of focus for infrastructure secondaries, with potential for future value creation and OECD exposure in North America and Europe markets.

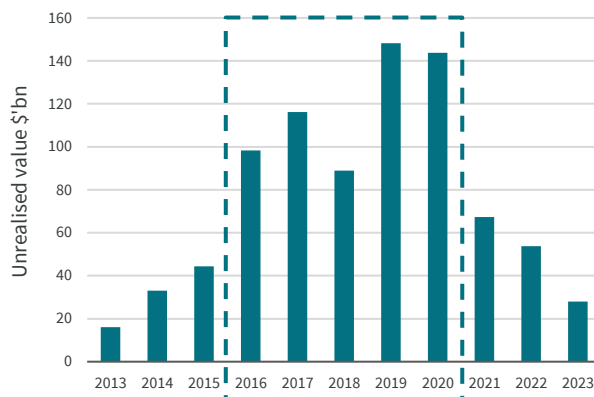
# AXA IM Prime: August 2024

Infrastructure unrealised value by strategy



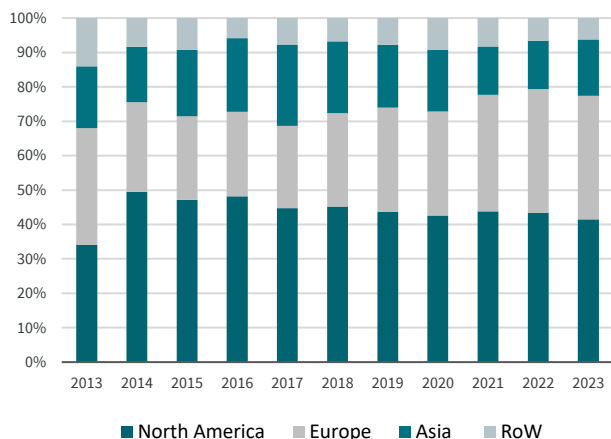
Source: Preqin August 2024. Infrastructure unrealised value excludes fund of funds, secondaries and debt strategies.

Infrastructure unrealised value by vintage



Source: Preqin August 2024. Infrastructure unrealised value excludes fund of funds, secondaries and debt strategies.

Infrastructure unrealised value by region



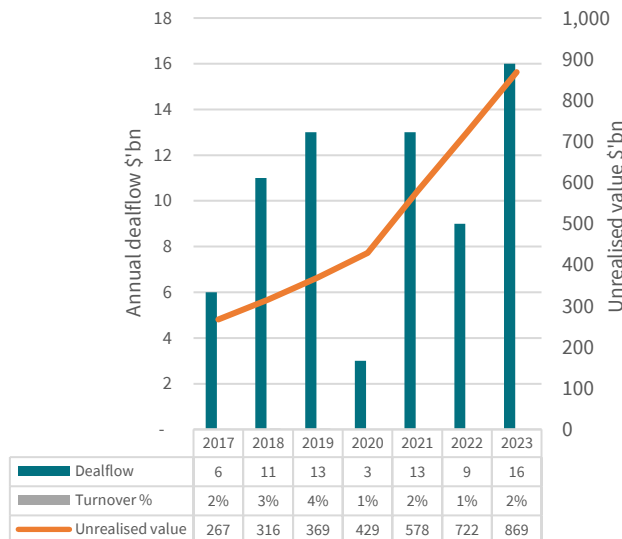
Source: Preqin August 2024. Infrastructure unrealised value excludes fund of funds, secondaries and debt strategies.

Most of the accumulation in unrealised value has been over the vintages 2016-2020. These vintages offer secondaries investors visibility over the underlying assets, ability to assess their historical track and allow for bottom-up underwriting of the secondary transactions.

## Secondaries market turnover

The other key driver of secondaries deaflow is the turnover of unrealized value into the secondaries market. Historically, the turnover rate of infrastructure unrealized value in the secondaries market has averaged approximately 2%, a figure similar to what has been observed in the broader private equity secondaries market.

Infrastructure secondaries dealflow and unrealised value

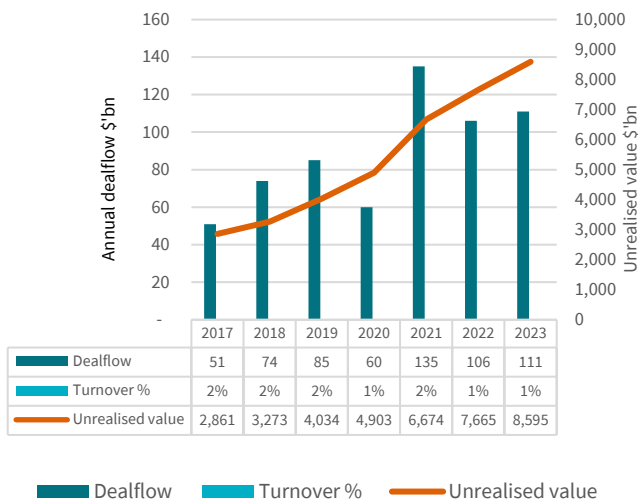


Dealflow Turnover % Unrealised value

Sources: Infrastructure unrealised value Preqin July 2024. Infrastructure unrealised value excludes funds of funds, debt and secondaries strategies. Infrastructure secondaries deal flow: Campbell Lutyens Infrastructure Market Report 2024.

# AXA IM Prime: August 2024

## Private equity secondaries dealflow and unrealised value

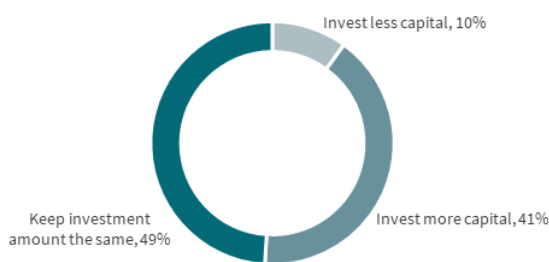


Sources: Private equity unrealised value: Preqin July 2024. Private equity unrealised value includes private equity, real estate, infrastructure and natural resources strategies. Unrealised value excludes funds of funds, secondaries and debt strategies. Private equity secondaries deal flow: Campbell Lutyens 2024 secondaries deal flow market overview.

## Market Expectations

The market anticipates that the infrastructure fundraising environment will continue its momentum. In our view, this outlook is linked to tailwinds such as the energy transition, the digitalization trend, and overall investor appetite. According to a recent survey by Infrastructure Investor (Infrastructure Investor’s Investor Report Full Year 2023), approximately 90% of limited partners plan to maintain their allocation (i.e. committing to new funds) or increase their allocations to the infrastructure asset class in 2024.

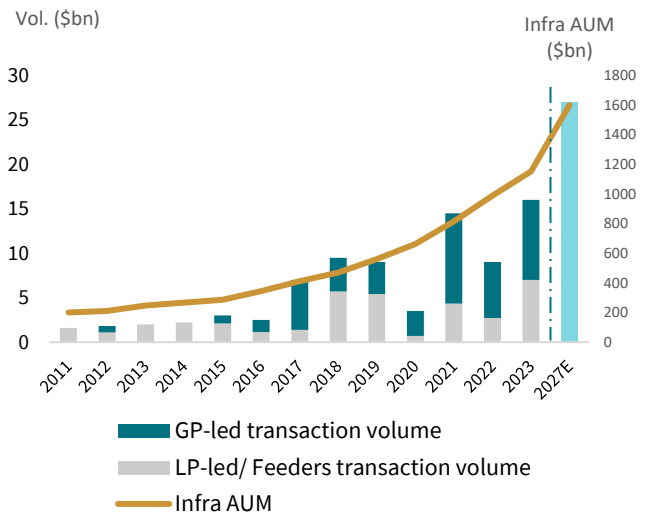
### LP’s infrastructure investment outlook for 2024



Source: Infrastructure Investors investor report Full Year 2023.

In line with the anticipated growth in infrastructure fundraising, the unrealised value is also expected to grow and thereby infrastructure secondaries deal flow as a result. Infrastructure secondaries deal flow is expected to grow from approximately \$16bn in 2023 to approximately \$27bn by 2027.

## Infrastructure secondaries deal flow

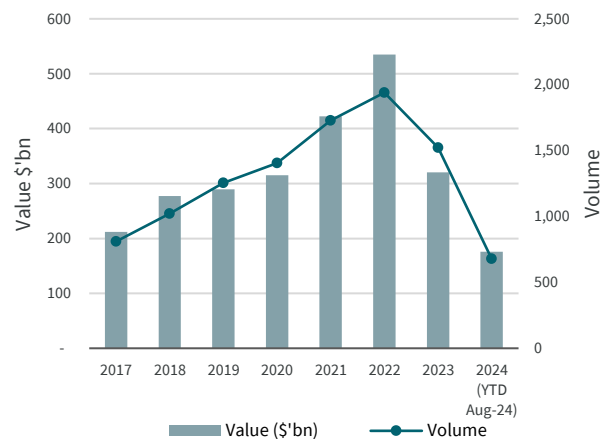


Source: Campbell Lutyens Infrastructure Market Report 2024. Forecast infrastructure secondaries deal flow assumes an average turnover rate of 1.7% (i.e. the historical average).

## Key considerations for infrastructure secondaries in today’s market

Despite the historical growth seen in the unrealised value of infrastructure investments and the continued growth projected over the medium-term, the Infrastructure M&A market has been subdued recently because of the current macroeconomic environment. This raises the question of GPs ability to exit these assets through the traditional M&A market in the future, especially in the current interest rate environment. In our view, infrastructure secondaries may help to partly underwrite this risk given the visibility over the underlying assets including their historical performance. This provides some guidance as to potential future value creation and the likelihood / timing of a GP’s exit strategy. In our view, these are critical factors driving the underwriting and pricing of secondaries portfolios currently.

### Infrastructure M&A transactions



Source: Infralogic August 2024.

## AXA IM Prime: August 2024

### Conclusions

The infrastructure secondaries market has matured and is now a tool available to both the fund investors and general partners seeking potential liquidity. In today's liquidity constrained environment, we expect investors to look to the secondaries market, whether on the LP-led secondaries side (potential portfolio rebalancing, fund re-ups, liquidity requirements etc.) or GP-led secondaries (to raise additional capital to fund the growth of underlying assets, fund concentrations, generate DPI etc.).

Given the forecast increase in infrastructure secondaries deal flow, access to opportunities and the ability to deploy capital in the segment depends on maintaining GP relationships and investment discipline. Our guiding principles include:

- 1. Maintaining GP relationships** through a primaries investment program allows us to access fund reports, insight into the underlying assets and access to proprietary information and deal flow. These aspects are critical to originating and pricing secondaries transactions.
- 2. Bottom-up analysis** of the underlying assets, in particular the potential, in our view, for: (i) future value creation, (ii) capital structure evolution taking into account interest rate and refinancing risk in the current macroeconomic environment, and (iii) the exit strategy in a challenging M&A market.
- 3. Historical track record** of the General Partners in exiting assets.
- 4. Preference for multi asset secondaries** (LP-led secondaries and multi-asset GP-led secondaries) to mitigate concentration risk.
- 5. Preference for mid-market assets and funds which we believe are better placed to exit their assets** over the medium term as compared to large cap assets / funds, in a context of current interest rates and the liquidity environment which has impacted the broader M&A market recently.

*For illustrative purposes only. The above represents our current market views. Past positioning is not a reliable indicator of future positioning. All information is provided for illustrative purposes only and is subject to change without notice. There can be no assurance that the market structure described herein will stay unchanged. Past events and trends do not imply, predict, or guarantee, and are not necessarily indicative of, future results. Please see the end of this presentation for important disclosures.*

## AXA IM Prime: August 2024

### AXA IM Prime Contacts and Biographies <sup>(3)</sup>



**Pascal Christory**  
Chief Executive Officer

Pascal joined AXA IM Prime in July 2022 as CEO and founding partner. Pascal is based in Paris and is also member of AXA IM's management board.

Previously, since the end of 2018, Pascal was Chief Investment Officer of the AXA Group, responsible for AXA Group assets of €575bn as of December 2021. Together with his team, Pascal designed and executed AXA's global investment strategy both on core listed assets and illiquid strategies (real estate, infrastructure, private equity and private debt). Pascal and his teams led the AXA Alternative Acceleration ambition project resulting in 25% of AXA's balance sheet being invested in private assets. Between the end of 2012 and the end of 2018, Pascal was AXA France's Chief Investment Officer, managing the €180bn AXA France balance sheet and led AXA Group's Real Estate Center of Expertise, specifically, the transversal management of the €35bn Real Estate portfolio of the AXA companies worldwide. Pascal also led the Unit Linked Center of Expertise, structuring the financial content of all Unit Linked products promoted by AXA entities worldwide. In 2010, Pascal led AXA IM's global Asset Allocation, Derivatives and Quantitative management teams within the Multi Asset Client Solutions Group. Pascal's past experience includes the role of Global Head of Solution Engineering, Structuring and Development, including client relationship management and financial solution advisory services for AXA Insurance Companies globally. Pascal joined AXA IM in 2001 as a Structured Portfolio Manager and became Head of Structured and Index management in 2003. He started his career at Credit Agricole CIB developing interest rate options pricing tools and subsequently moved to Cardif Asset Management, the insurance subsidiary BNP Paribas.

Pascal graduated from the Ecole Centrale de Paris, from the Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE) and from Paris-Dauphine University.



**Jean-Pascal Asseman**  
Head of Infrastructure & Partner

Jean-Pascal set up the infrastructure vertical of AXA IM Prime in July 2022.

He joined AXA in 2019 as Head of Infrastructure Investments to drive acceleration of investments into the infrastructure asset class across Direct, Primaries, Secondaries and Co-investments. Prior to that, Jean-Pascal was Managing director in the Energy and Infrastructure Finance team of BNP Paribas for more than 10 years in Paris, Milan and Madrid. During his tenure, he held various sectorial and regional responsibilities and led transactions in sectors such as transportation, regulated utilities, renewable and conventional power as well as telecommunications. Before joining BNP Paribas, Jean-Pascal spent 3 years at Veolia Environment covering project and acquisition finance in water treatment, distribution and desalination transactions in Europe, Middle East and Asia and 8 years at Bouygues Construction in Hong Kong, Paris and Johannesburg on a wide range of transportation and social assets.

Jean-Pascal graduated from EDHEC Business School.

## AXA IM Prime: August 2024



**Faraz Qureshi**  
Infrastructure Investment Executive  
Director

Faraz joined AXA IM Prime in October 2022 as a Director in the infrastructure team.

Faraz has over 10 years of experience in the infrastructure asset class, with a particular focus on infrastructure secondaries buy-side from 2016 onwards. Faraz joined AXA IM Prime from Pantheon Ventures, where he was part of Pantheon's Global Infrastructure & Real Assets team, covering the sourcing and execution of infrastructure secondaries and co-investments transactions. Prior to that, Faraz worked at PwC London where he qualified as a Chartered Accountant (ICAEW) and was part of PwC's deal advisory team covering Infrastructure and private equity transactions.

Faraz graduated with a degree in Economics from the Lahore University of Management Sciences.



**Corinne Andre**  
Head of Business Development

Corinne joined AXA IM Prime in November 2022 as a Partner and Head of Business Development.

Between 2015 and 2022, Corinne was Head of Business Development, Partner and Executive Committee Member at LFIS Capital – a quantitative investment manager with strong derivatives DNA. Between 1998 and 2013, Corinne held a variety of Business Development roles at both established and entrepreneurial alternative fund managers, including Nexar Capital Group (2009-12), as well as major investment banks, including Société Générale (2000-09) and Dresdner Kleinwort Benson (1998-2000). In these roles, Corinne developed expertise across alternative asset classes and a broad spectrum of institutional investors. During this time, Corinne focused on solutions including developing innovative and sustainable investments for institutional investors. From 1994 to 1998, Corinne worked in FX derivatives trading and structuring roles in Paris and London, including for CDC (Natixis) (1997-98) and EDF (1994-97).

Corinne holds a Master in financial engineering of EM Lyon Business School and a financial markets degree from Paris Dauphine PSL.

(3) Information regarding staff is for illustrative purposes only and is subject to change.

## AXA IM Prime: August 2024

**This document is intended exclusively for professional clients**, as defined by applicable local laws and regulation, and must not be relied upon by retail clients. Circulation must be restricted accordingly.

The information contained herein is provided for informational and illustrative purposes only and is to be treated as strictly confidential. This material should not be copied or circulated, in whole or in part, without the prior written consent of AXA Investment Managers Prime team ("AXA IMP"). To the fullest extent permitted by law, AXA IMP does not accept any responsibility for ensuring that a recipient complies with applicable laws and regulations.

Certain information in this document is established on data made public by official providers of economic and market statistics.

This communication does not constitute on the part of AXA IMP a solicitation or investment, legal or tax advice. This material does not contain sufficient information to support an investment decision. **The information presented must not be relied upon as it is incomplete and opinions, estimates, forecasts herein are subjective and SUBJECT TO CHANGE WITHOUT NOTICE.** It has been established on the basis of data, projections, forecasts, anticipations and hypothesis which are subjective and are based on AXA IM Prime's expertise and experience in this market. Its analysis and conclusions are the expression of an opinion, based on available data at a specific date. Furthermore, due to the subjective nature of these opinions and analysis, these data, projections, forecasts, anticipations, hypothesis, etc. are not necessary used or followed by AXA IM's portfolio management teams or its affiliates, who may act based on their own opinions.

The opinions contained here reflect the current assessment of AXA IMP at the time of issue. This assessment may change at any time without prior notice. All material risks have not been set out and there may be additional material risks which may have a material adverse effect on the asset class described above.

This material is solely for the use of the recipient who has received it directly from AXA IMP. It is not suitable for all investors and in particular, it is not for use by retail customers under any circumstances. This material does not constitute an offer or solicitation, nor is it the basis for any contract for the purchase or sale of any investment, security or product and under no circumstances should this material be construed as an offering memorandum or as an offering of any securities for sale directly or indirectly in any jurisdiction. AXA IMP and its affiliates disclaim any and all liability relating to a decision based on or for reliance on this material. This material has not been reviewed, approved or disapproved by any regulatory authority in any jurisdiction.

The distribution of this material in certain jurisdictions may be restricted by law. To the fullest extent permitted by law, the recipient represents that it is able to receive this material without contravention of any applicable legal or regulatory restrictions in the jurisdiction in which it resides, is incorporated or conducts business.

This material shall not be deemed to constitute investment advice and should not be relied upon as the basis for a decision to enter into a transaction or as the basis for an investment decision. The recipient is urged to consult with its own advisers with respect to legal, tax, regulatory, financial, accounting and other matters concerning any investment decision.

Any figures set forth in this material are presented for indicative and/or illustrative purposes only and such figures, including but not limited to targeted returns or target size, could vary significantly from the actual results. No representation is made that any targeted returns or other figures indicated in this material will be achieved. The asset class described above can be illiquid and there is no guarantee that the relevant assets can be sold at valuation levels. Investment may be subject to gearing and should be considered higher risk than a similar ungeared investment. Investment returns may be subject to foreign currency exchange risks. Actual results described herein will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit the liquidity, any related transactions costs and the timing and manner of sale, all of which may differ materially from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based.

Past performance is not a guide to current or future performance. The value and return on an asset is not guaranteed. It can rise and fall, and investors may even incur a total loss. Exchange rate fluctuations may also affect the value of the asset class. The value and return on an investment is not guaranteed. It can rise and fall, and investors may even incur a total loss. Exchange rate fluctuations may also affect the value of the investment.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF 2 Directive (2014/65/UE), nor does it constitute on the part of AXA IM Prime or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities. This document has been established on the basis of data, projections, forecasts, anticipations and hypothesis which are subjective. Its analysis and conclusions are the expression of an opinion, based on available data at a specific date.



## AXA IM Prime: August 2024

All information in this document is established on data made public by official providers of economic and market statistics. AXA IM Prime disclaims any and all liability relating to a decision based on or for reliance on this document. All exhibits included in this document, unless stated otherwise, are as of the publication date of this document.

Issued by AXA IM Prime, a company incorporated under the laws of France, having its registered office located at 6, place de la Pyramide, 92908 Paris - La Défense Cedex, registered with the Nanterre Trade and Companies Register under number 892 498 817, a Portfolio Management Company, holder of AMF approval no. GP 20230023, issued on 21 December 2023.