

# At the crossroads of infrastructure and tech

**Almost every sector of the economy is experiencing some level of disruption due to new or evolving technologies, changes in consumer behavior, and evolving political frameworks.** Partners Group, a leading global private markets investment manager, believes that technology expands the investable infrastructure universe and unlocks value creation potential for its portfolio companies. Through our Thematic Sourcing research process, we aim to identify these disruptions early and capitalize on the opportunities to generate positive returns for our clients, while preparing our businesses for the economic landscape of tomorrow.

## Innovation leads to major disruption

The pace of technological innovation has seemingly accelerated over the last 10 years. In order to reach 50 million users, it took the landline telephone 75 years, the automobile 62 years, and television 22 years. By comparison, it took Twitter just two years and the popular gaming app Angry Birds a mere 35 days. Consumer adoption of digital innovation can happen almost overnight, thanks to the broad reach of the internet; in the capital-intensive infrastructure sector, however, investment decisions often represent a decade(s)-long commitment.

Yet, even in infrastructure, technological innovation brings about change at a faster rate than the market consensus predicts. Ten years ago, few were accurately predicting renewable energy would become cost competitive with most fossil-fuel alternatives. In the early 2000s, few imagined that the United States would become the third-largest exporter of liquefied natural gas thanks to the shale gas “revolution.” When Tesla was founded in 2003, few expected it would become the most valuable car company in the world less than two decades later. Even more recently, few predicted the importance that connectivity solutions would gain in a COVID-19 world.

## Disruption unlocks investment opportunities

A global relative value approach is at the center of Partners Group's investment strategy. This focuses our efforts and resources on what we believe are the “right trends” — those that are transformative, long-term, and can offer attractive return potential across regions, sectors and market cycles. Two high-conviction themes we have identified through our Thematic Sourcing research process are the build-out of: (1) renewable generation capacity, and (2) communications infrastructure. Highly disruptive when they first emerged, technologies such as fiber networks and solar photovoltaic (PV) panels have grown into established infrastructure sectors.

For example, Partners Group has been investing in fiber connectivity on behalf of its clients since 2006, and most recently invested in Axia NetMedia Corp. to capitalize on the tailwinds of digitalization and data consumption. Since our acquisition, through its French subsidiary Covage, we have helped develop a nationwide open-access fiber infrastructure platform with concessions over 2.4 million homes and over 26,000 businesses under the support of France's national rural broadband access program.

Similarly, Partners Group has been an early investor in renewable energy since 2001. At the time, renewables were an expensive source of electricity, but we identified a compelling technological and commercial development path with downside protection from available government subsidies. Since then, funds managed by Partners Group have invested over \$2.7 billion in renewable-energy assets globally. More recently, as institutional investors have realized the speed of innovation in this space and returns for core assets have diminished, we have shifted our focus to project development platforms. Partners Group is a builder of assets, and believes construction and late-stage development projects offer a more attractive risk/return profile. In January, we closed our investment in VSB Group, a leading European renewable developer, owner and operator that has built more than 1 gigawatt of capacity across multiple technologies, including onshore wind, solar PV, small hydro and battery storage.

## Investing in the next disruption

Partners Group aims to invest and build the essential infrastructure of tomorrow's world. Our Thematic Sourcing approach considers key disruptions with a long-term horizon to identify new attractive investment sectors that benefit from tailwinds caused by disruption. This is particularly relevant in grid stability, for instance, where technology is front and center across the spectrum of solutions, enabling more flexible power generation and consumption. High-voltage power interconnectors, lithium-ion batteries, virtual power plants, and smart electric-vehicle charging (and the new software developments behind these solutions) will become increasingly essential to grid stability. Partners Group has invested more than \$1 billion across this emerging infrastructure space on behalf of our clients, and continues to monitor the sector for likely disruptions and opportunities. Ultimately, we aim to navigate the future technology landscape and deploy capital where it will most benefit society, offering attractive risk-adjusted returns for all of our stakeholders.

### CONTRIBUTOR



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Julien Bedin is part of the Private Infrastructure Europe business unit, based in London. He has 12 years of industry experience. Prior to joining Partners Group, he led European infrastructure research at Brookfield Asset Management in London, ran China power sector research at IHS Markit in Beijing, and was a cleantech research analyst at the China Greentech Initiative.

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This article presents the author's present opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.

### CORPORATE OVERVIEW

**Partners Group** is a leading global private markets investment manager. Since 1996, the firm has invested over \$135 billion in private equity, private real estate, private debt and private infrastructure on behalf of its clients globally. Partners Group is a committed, responsible investor and aims to create broad stakeholder impact through its active ownership and development of growing businesses, attractive real estate and essential infrastructure. With over \$96 billion in assets under management as of June 30, 2020, Partners Group serves a broad range of institutional investors, sovereign wealth funds, family offices and private individuals globally. The firm employs more than 1,500 diverse professionals across 20 offices worldwide and has regional headquarters in Baar-Zug, Switzerland; Denver; and Singapore. It has been listed on the SIX Swiss Exchange since 2006 (symbol: PGHN).