



Foresight Group

Regional expertise to infrastructure

Being a part of the community

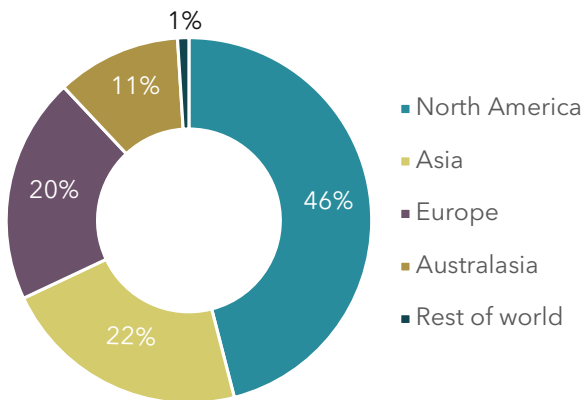
The infrastructure sector has always been about investing for local communities.

Historically, infrastructure assets have been predominately government owned and operated as governments catered to the basic needs of local communities, whether it be water, waste, energy, telecommunications or transport. These assets have shifted during the past 30 years into private ownership; however, despite this shift, the development and operation of infrastructure assets still require a thorough understanding of local communities' needs and issues.

In Australia, the infrastructure asset class evolved through the privatization of airports, transport and energy assets in the early 1990s, with local superannuation funds acquiring publicly owned assets. This was similar to, and followed, the Thatcher era policy of privatization, which saw the United Kingdom privatize its airways, telecommunication infrastructure, steel, gas and water infrastructure.

The strong performance of infrastructure during the past four decades has captured the attention of institutional investors globally, including pension funds, charities, endowments, insurance companies and family offices. The low volatility and strong returns of infrastructure assets have attracted global institutional investors to invest across all subsectors of infrastructure. This is now resulting in investors investing in infrastructure assets globally, not simply within their local communities.

Figure 1: Foreign capital funding in Australia-focused funds, 2017-2022



Source: Preqin Pro

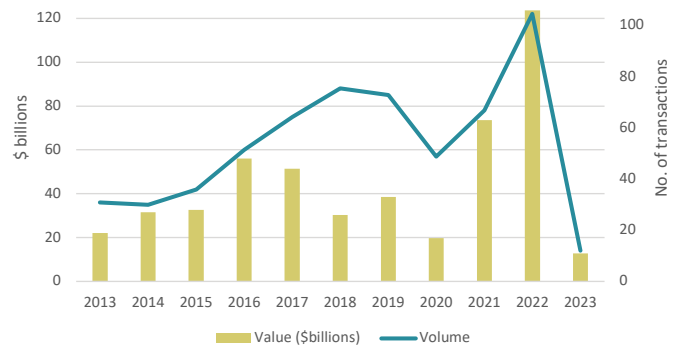
As investors become more sophisticated, they are seeking out region-specific, sector-specific and geographical expertise to enhance investment returns and drive value.

Investing in local expertise with a solid history and established market reputation is crucial to accessing opportunities in different investment markets and creating strong returns for

an investment strategy. It is essential to work with a partner that has a deep understanding of the local issues and market, who can provide guidance and support to navigate complex regulatory and ESG considerations unique to the region. By partnering with a local specialist, investors can benefit from their experience, relationships and insights, leading to potentially enhanced returns and a diversified portfolio.

Foresight recognizes there are local investment opportunities in the infrastructure market. A significant amount of capital is required to support emerging trends, including the digital technology expansion and energy transition. This presents a challenge that local capital may not be able to undertake investment on its own and a reliance on local expertise to invest in local markets on behalf of international capital.

Figure 2: Closed transactions by year in Australia and New Zealand



Source: Inframation

What it means to be local: Unlocking hidden investment opportunities

To deliver strong investment performance, it is crucial to have deep understanding and experience within a specific market. Active management is important, as recently emerged sectors, such as energy transition, digitization and onshoring manufacturing, continue to attract more capital and interest. These sectors present a diverse range of risks and opportunities that were not present in traditional infrastructure investments.

For example, digital infrastructure requires specific understanding of the technical solutions and corporate strategies to create a reliable customer base with strong retention. This is along with addressing ESG concerns around energy usage, as well as creating strong partnerships with local telecommunication companies and service providers. A similar approach should be applied to regional or geographical specialty as well. It is essential to understand the specific needs of the local community, establish strong partnerships with other players, and consider the ESG and regulatory risks and opportunities surrounding carbon emissions, occupational health and safety, and modern slavery.

As the infrastructure asset class continues to evolve, it is crucial for investors to stay on top of emerging trends and opportunities while being mindful of associated risks. Active management and a tailored approach are becoming increasingly critical for unlocking alpha in performance, especially in emerging sectors. A strong understanding of the market, customer needs and ESG considerations will remain essential to succeed in the rapidly evolving sector.

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The key advantages: A local player

As a key player in a regional market, there are many advantages to unlock investment opportunities and, importantly, ensure local market risks are understood. The ability to establish long-term relationships with key stakeholders, such as government, corporations and local communities, is significantly enhanced by local market presence and is critical when investing in long-term infrastructure assets. By being identified as a long-term investor with a history of holding assets and seeking to improve them, an investor is able to build trust with key stakeholders, leading to access to new investment opportunities and undervalued assets as a reliable source of capital.

The increasing focus on ESG considerations when investing in infrastructure is enhanced by local specialists that are able to provide an understanding of community issues and regulatory environments. For example, the development of new assets such as renewable generation requires significant engagement with stakeholders and the local community. Long-term investors with a strong presence are in the best position to facilitate open and honest conversations and engage with local communities.

Regional specialists can leverage local expertise and relationships to identify undervalued assets and maximize returns. Infrastructure investments usually require a long-term investment horizon, and local specialists can navigate local regulations and market conditions to identify and capitalize on opportunities that global generalists may not have access to.

Investing with a local specialist in infrastructure assets can provide many benefits, including building strong relationships with key stakeholders, a better understanding of ESG issues, access to undervalued assets, and potentially higher returns for investors. These advantages make regional specialists an attractive option for investors seeking to build diversified and profitable infrastructure portfolios.

Case study: Lessons learned from offshore investment in Australian renewables

A number of offshore investors entered the Australian market to develop renewables projects in the past decade. Some projects faced challenges unique to the local market, including grid congestion resulting in network curtailment, high capital costs and commissioning delays. Many developers selected sites based on wind and solar resources alone, rather than the project's position on the grid.

Foresight Australia was an early investor in Australian renewable energy, as early as 2006, and since then has developed a

significant local market presence, as well as strong partnerships with local players, including AGL, Engie ANZ and Shell. In addition to investing in resilient operating assets, Foresight has established partnerships and frameworks to acquire further development opportunities.

Foresight has a dedicated internal asset management team that provides technical and commercial understanding to its Australian Renewables Income Fund (ARIF). Foresight continues to secure strong partnerships with offtakers, asset managers and developers to provide quality investment across the sector.

Foresight: A long-term investor

Foresight is a regional specialist that has established specialized teams in each region it invests in, such as Europe and Australia. Given our ongoing regional expertise, we continue to unlock additional opportunities to invest in the mid-market within these regions. In recent years, Foresight has invested in opportunities across various sectors that were unlocked given our strong partnerships and understanding of key markets and their drivers. This includes sectors such as transport, energy and renewables. Foresight invested in Kinetic, Australia's largest bus company; Zenith Energy, a distributed-energy provider for mining sites; and Peak Renewables, a renewable-energy platform, given the opportunity unlocked through strong partnerships with offshore investors and local players such as Shell Energy in Australia.

Now is the time to seize the investment opportunities available in Australia's infrastructure market by leveraging the expertise of a reputable and experienced local partner. Foresight is well-positioned to support your investment objectives, providing access to exclusive deals, local knowledge, and a customized approach that aligns with your investment goals and ESG considerations.

ABOUT FORESIGHT

Foresight Group is a leading infrastructure and private equity investment manager. With a long-established focus on environmental, social and governance (ESG) and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets.

Foresight Group manages more than 330 infrastructure assets with an AUM value of £12.4 billion (\$15.4 billion), operating from 12 offices across Europe and Australia.

ABOUT DIVERSIFIED INFRASTRUCTURE TRUST (DIT)

DIT is a diversified infrastructure fund investing in mid-market core and core-plus infrastructure across Australia and New Zealand. DIT has a net asset value of approximately A\$1 billion (\$665 million), invested in platforms across all major infrastructure sectors within Australia, including ports, airports, water, energy, renewables and transport. Going forward, Foresight has identified four major investment themes, including digital connectivity, urbanization and interconnected cities, sustainability and net zero, and demographic changes and the aging population. The fund is well-positioned to take advantage of investment opportunities that arise, through its global platform, strong origination capabilities, a robust investment process and active asset management.

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