



# SIRA House Views

STEPSTONE INFRASTRUCTURE AND REAL ASSETS

October 2024



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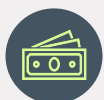
All data is as of July 2024, unless noted otherwise.

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# Evolving considerations

Despite many institutional investors expressing a desire to increase their exposure to unlisted infrastructure, investors are taking a patient approach with fund raising activity below the anticipated level of six month ago



## Transaction activity

In the short-term, transaction activity to remain below pre-2023 levels as investors recalibrate expectations following the shift in position on base rates by central banks

In the short-term, investors are likely to remain focused on the core+ and value-add space

Secondary transaction activity to continue to grow providing liquidity to investors



## Geopolitical unrest

The ongoing war in Ukraine as well as heightened tensions in the Middle-East could further impact energy prices and trade lanes

The outcome of the US election could further amplify geopolitical risks

Supply chain pressures are easing however there are headwinds as parts of the global supply chain reconfigures away from China and potential unrest at US ports due to ongoing wage negotiations



## Dynamic macro conditions

The US Fed and ECB have commenced rate cutting. The size of the US Fed's rate cut could support a soft landing and the economic impact to mitigate geopolitical risks

Although base rates remain higher compared with pre-2023, all-in borrowing costs have remained relatively stable

# Listed infrastructure is rebounding, however cumulative performance is below unlisted, with more volatility

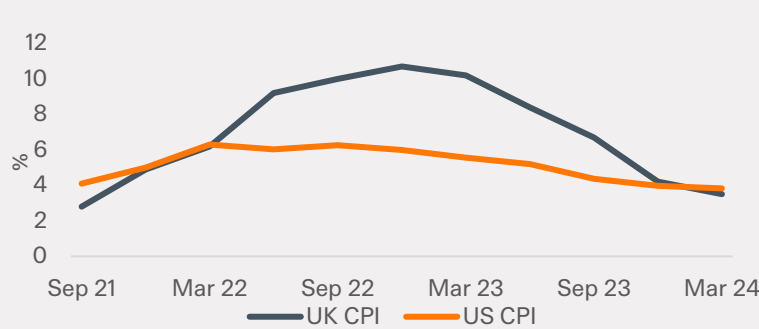
	2022	2023	30-Jun-24	Peak-to-current	Volatility <sup>1</sup>	
LISTED INDICES						Listed indices have stabilized in H2 2024 as inflation has declined, central banks start to consider reducing interest rates and the potential for a soft landing increases
FTSE Global Listed	(8.7%)	(2.0%)	(0.3%)	(13.2%)	14.6%	
DJB Listed	(6.6%)	4.5%	(0.9%)	(6.3%)	16.3%	
S&P Global Listed	(0.2%)	6.8%	4.3%	3.4%	19.5%	
INFLATION						Inflation pressure from supply side as well as demand side seems to be easing. Drivers differ somewhat across regions. Developed market inflation rates are expected to be somewhat above pre-pandemic levels in a medium to long-term horizon.
US	8.1%	3.9%	2.3%			
UK	10.8%	4.2%	2.9%			
EU	9.7%	4.9%	2.8%			
UNLISTED INDICES						Private infrastructure returns continue to closely track inflation
MSCI Global Private	9.7%	4.1%	2.7% <sup>2</sup>	-	3.7%	

Sources: Bloomberg, August 2024. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. (1) 5-year average; (2) 31-Mar-24

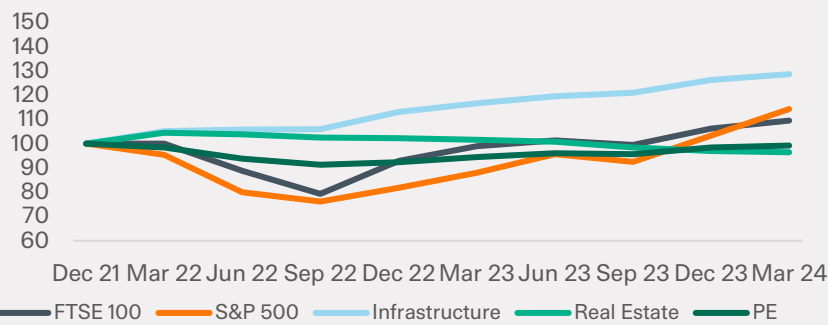
# Inflation Protection

Infrastructure has largely lived up to its billing through the recent inflation spike with total returns remaining relatively stable and EBITDA growth across a number of sectors has outpaced inflation over the past three years

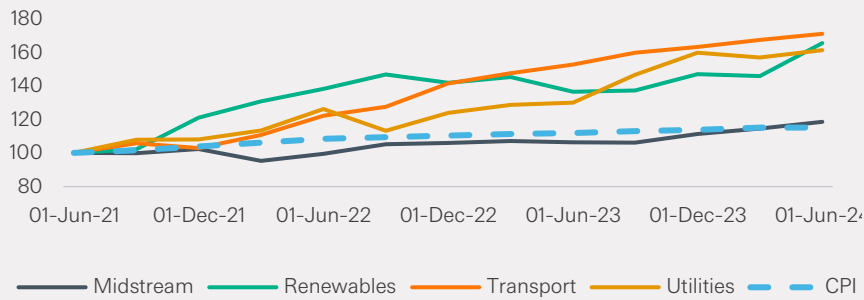
UK & US Inflation (annual %)



Total Return December 2021 to March 2024



EBITDA Growth December 2021 to March 2024



EBITDA CAGR June '21 – June '24

Utilities	17.3%
Transport	19.6%
Renewables	18.3%
US CPI	4.9%

Sources: Bureau of Labor Statistics and Office for National Statistics, August 2024. Capital IQ. Stepstone analysis of total return of individual assets in basket of private market infrastructure funds compared to total returns of FTSE100 and S&P500

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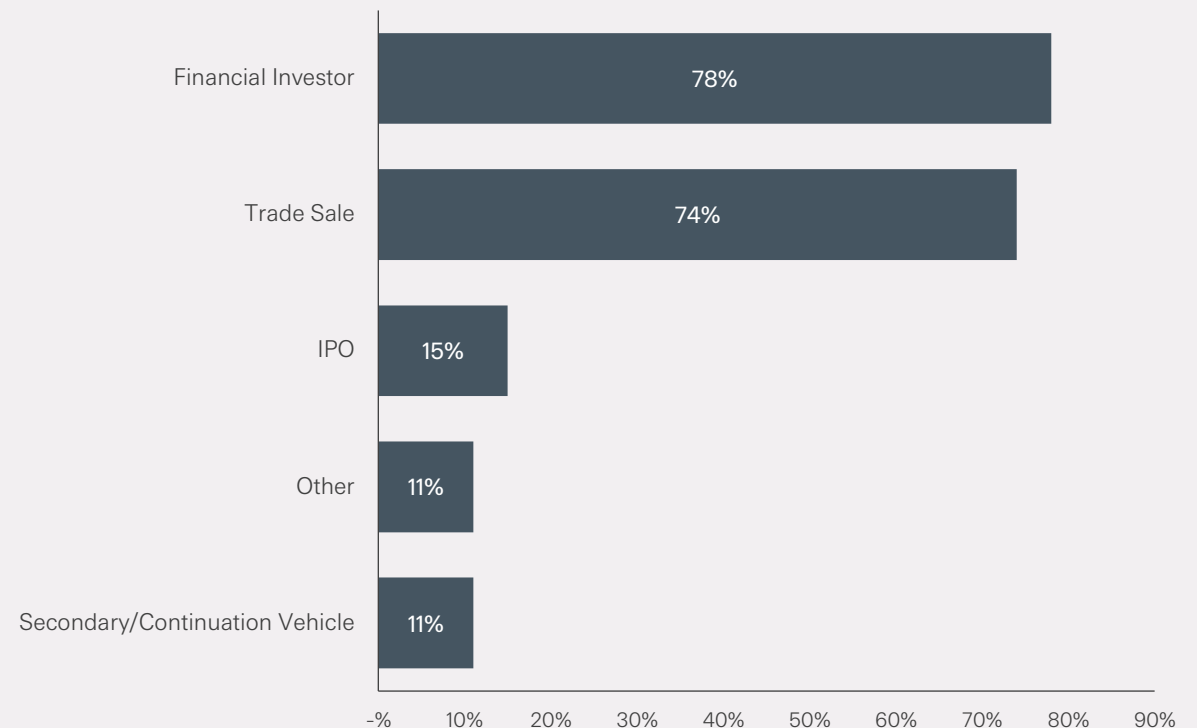
# Transaction activity

# Key observations

## Exit Activity Outlook

- Over recent years, GPs have often delayed exits given disruptions in business plans due to COVID-19, illiquidity in the market due to portfolio denominator effects, buyer-seller valuation mismatching and increased interest rate impacts on investment return expectations.
- More recently, GPs have noted that vintage fund investments are either being exited or being prepared for exit.
- 2024 is viewed as having improved market conditions with inflation pressures abating and the US Fed and ECB making their first-interest rate reductions.
- GPs will be exploring exits via auction processes, public listings or GP-led continuation vehicles
- GPs are also considering partial sell downs via public and private markets to crystallise value creation and to validate holding values in light of the recent market disruption

## Exit channels considered



Source: Stepstone GP Survey April 2024. Note, GPs were given the option to select multiple exit routes

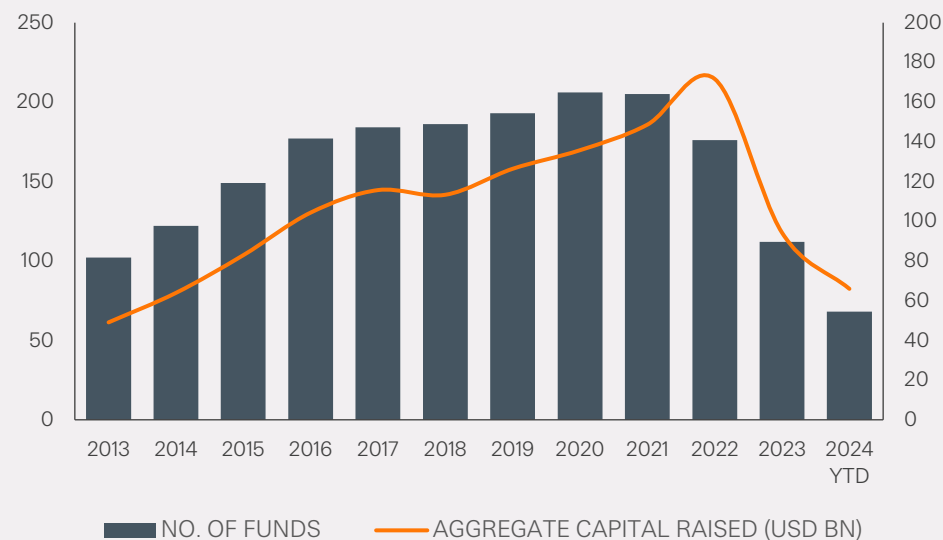


# Overview of fundraising activity

Fund raising momentum has remained below historical trend and the time period between vintages is likely to increase as GPs delay final close

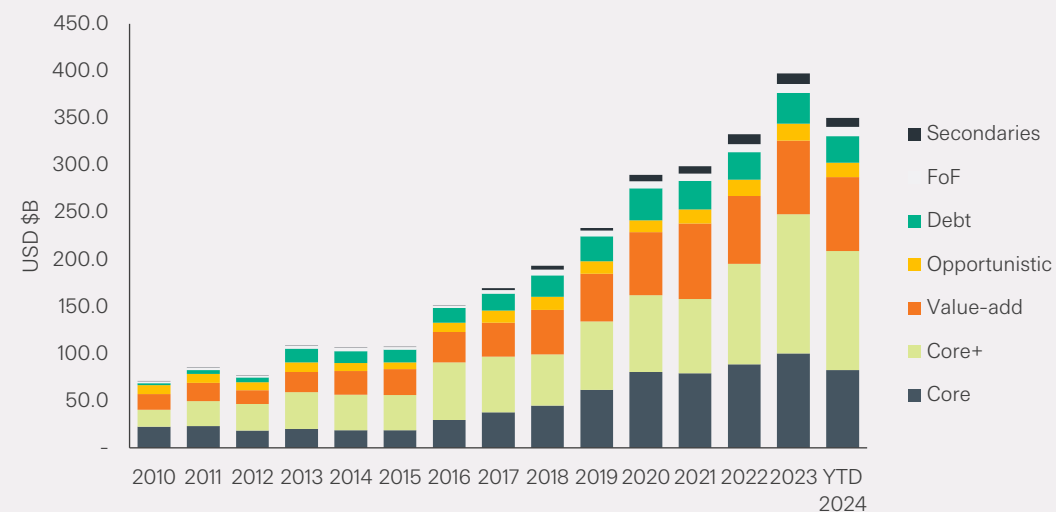
## Unlisted infrastructure funds closed

USD in billions



## Unlisted infrastructure fund dry powder

USD in billions



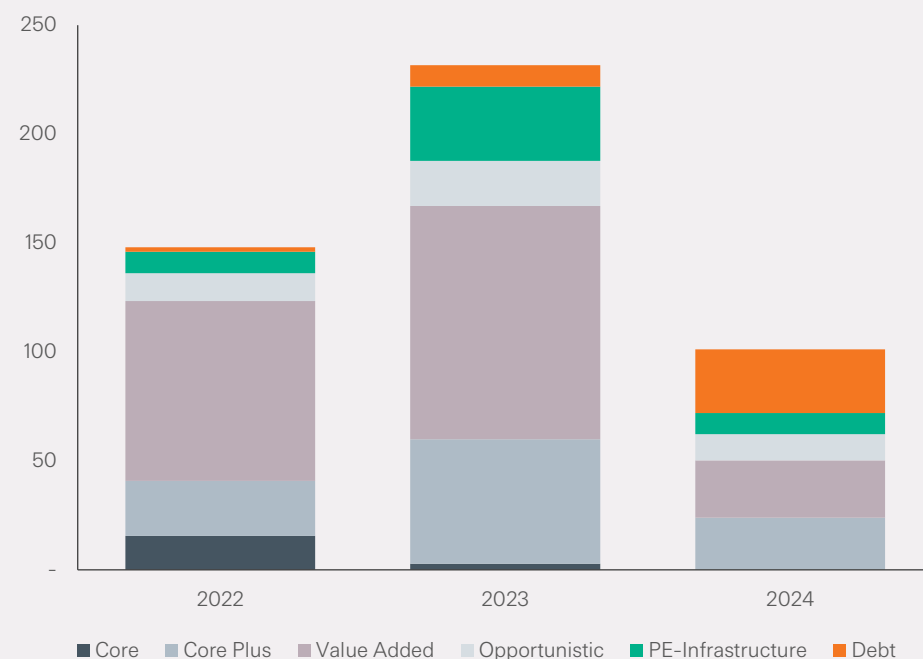
Source: Preqin as of August 2024.

# Overview of fundraising activity

Whilst some GPs have hit their target fund size – and even their hard cap – many others are taking longer to raise, and several have missed their target size by material amounts

## Close-end funds in market by vintage<sup>1</sup>

USD in billions



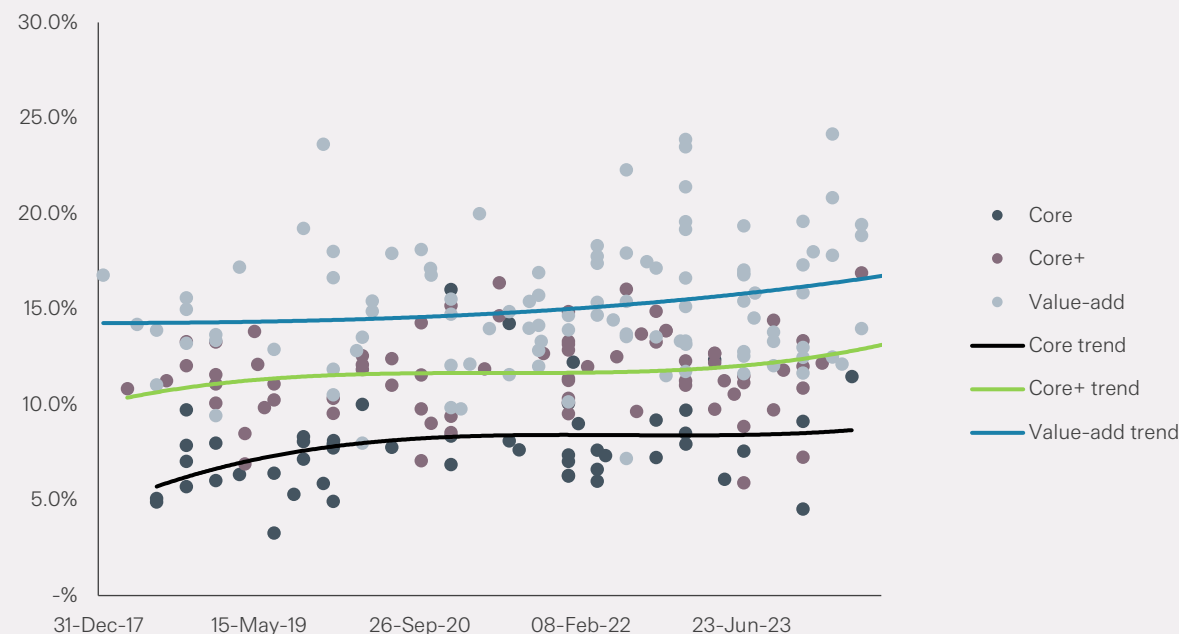
Source: Stepstone; (1) Based on target fund size

## Five largest closed-end funds in market

Fund	GP	Sector	Target size
Global Infrastructure Partners V	GIP	Diversified	USD25bn
EQT Infrastructure VI	EQT	Diversified	EUR20bn
KKR Global Infrastructure Investors V	KKR	Diversified	USD20bn
Brookfield Global Transition Fund II	Brookfield	Energy Transition	USD17bn
Stonepeak Infrastructure Fund V	Stonepeak	Diversified	USD15bn

# Some evidence of a shift in risk premia coming through pricing of core-plus and value-add

## Implied Equity Risk Premium (ERP<sup>1</sup>)



■ GPs have maintained pricing discipline across risk profiles, albeit activity in core infrastructure is limited

■ Recent rate cuts by central banks may take 6-12 months to flow through to pricing however the outlook for rates will likely increase confidence and reduce the bid-ask spread

Source: StepStone at 31-July-24

Notes (1) Based on 229 co-investment transactions. ERP is defined as the premium of the GP's underwritten return over the relevant 2-year trailing average 10-year Government bond

The background features a complex geometric design. On the left, a series of thin, dark lines radiate from a point, creating a fan-like effect against a light blue background. The right side is dominated by a dark blue, angular shape that resembles a stylized 'V' or a folded piece of paper. A bright, glowing light source is visible at the bottom center, casting a strong beam upwards. A solid, bright yellow horizontal bar spans the width of the image just above the bottom edge.

# Geopolitical considerations



# Election considerations

## Leadership uncertainty



The US election on November 4<sup>th</sup> creating uncertainty regarding the future of the Inflation Reduction Act ("IRA"). Stepstone views a full repeal of the IRA as politically difficult and unlikely as over 85% of clean energy investment stemming from the IRA has gone predominantly to Republican-supporting US states, resulting in bipartisan support for many of the IRA's provisions

However, there are certain parts of the IRA which are potentially at risk of being repealed including funding for electric vehicles and energy efficiency, certain aspects of clean energy tax credits, and emissions standards. Sectors that appear safer include those targeting clean fuels (i.e. renewable natural gas, sustainable aviation fuel), grid investments or carbon capture & storage

While the election adds near-term uncertainty, energy transition related deal flow remains robust

## Shift in power



After two successive terms the BJP recently lost its parliamentary majority and is required to rely on its two regional partners in the National Democratic Alliance ("NDA") to form a majority government. The BJP has previously enjoyed a majority in its own right, enabling it push through economic and regulatory changes that have, overall, been seen as positive for the economy and investor friendly. The BJP must now change its approach to governing, however the NDA appears to be generally aligned on key policies that have supported infrastructure investment in India

The NDA remains committed to addressing infrastructure gaps such as transport, digitalisation and renewable energy, with the July budget maintaining the pre-election infrastructure spend of 3.4% of GDP, which is c.3 times the budget compared with 5 years ago. The NDA has retained policies that aim to attract private capital from domestic and international investors

# Election considerations

## New Government



In July 2024, the Labour Party defeated the incumbent Conservative Party. Kier Starmer was appointed as Prime Minister as a result of the election.

While details are emerging, there is a clear commitment to accelerating the energy transition and doing so on the basis of job creation, bill reduction and energy resilience via investment in domestic infrastructure. This should be largely positive, particularly for solar/wind renewable developers, energy networks, hydrogen producers, CCS however local issues such as planning permission and grid capacity are likely to temper some of the ambition despite the new Planning Bill

Labour has committed to making a number of adjustments to finance and industry to enable net zero including introducing a carbon border adjustment mechanism which would increase prices for imported goods that do not comply with climate objectives, updating institutional frameworks for net zero including the Bank of England's mandate and mandating UK financial institutions including banks, asset managers, pension funds, and insurers alongside FTSE 100 companies to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement

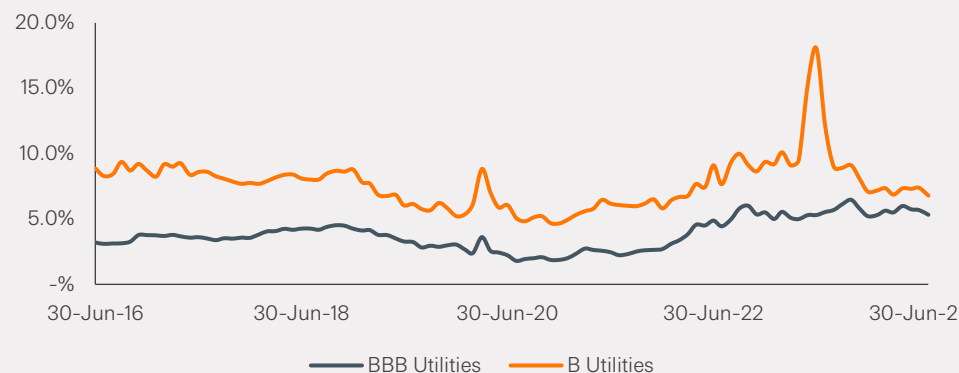
Overall, Stepstone considers the collective ambition around net zero largely positive for private investment in decarbonisation infrastructure. The key unknown is how this will actually be delivered and the extent to which the new organisations and institutions hinder rather than help

The background is an abstract composition. On the left, a series of thin, dark lines radiate from a point, creating a fan-like effect against a light blue sky. Below this, a large, dark blue geometric shape, possibly a stylized 'V' or a bridge structure, dominates the center. A bright, glowing light source is visible at the bottom center, casting a strong beam upwards. The overall color palette consists of various shades of blue, grey, and a vibrant yellow-green used for the text and a horizontal bar.

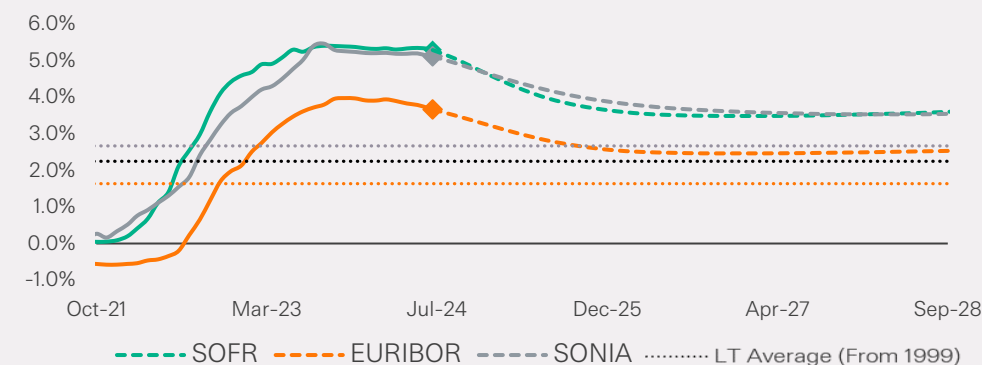
# Macro conditions

# Despite elevated base rates, all-in borrowing costs remain competitive compared with historical rates

## Investment and sub-investment grade



## Short-term interest rates



## NOW

Despite volatility during August, markets remains open and active

Number of issuers looking to target the window ahead of US election and potential further volatility

Generally good revenue and earnings performance from corporates along with healthier balance sheets due to deleveraging over the last couple of years have continued to support spreads

Spreads have narrowed further compared with February 2024

## OUTLOOK

With rate cuts from the US Fed, ECB and BoE corporate credit appetite expected to remain strong

Refinancing activity likely to be buoyant as GPs take advantage of demand from lenders, at competitive margins, to find alternative sources of liquidity

Source: Bloomberg Aug-24

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# Carbon Offset

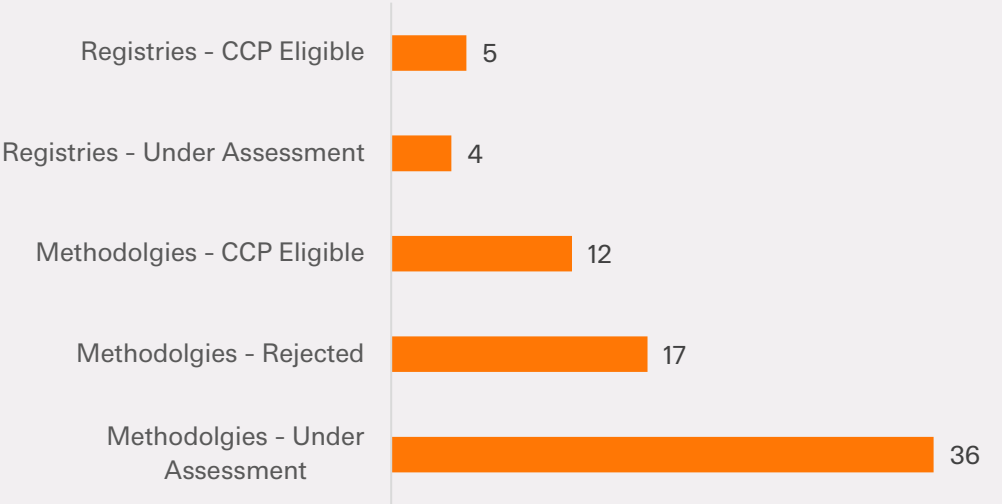
## Voluntary Carbon Markets

Voluntary carbon markets (“VCM”) have faced a period of heightened scrutiny over the last two years, increasing uncertainty and transaction illiquidity in this nascent market. While the ‘use case’ for offsets remains compelling for a large number of corporates, the VCM is rapidly evolving with the implementation of new industry governance bodies and standards designed to improve the integrity and effectiveness of the VCM for all stakeholders

### EXAMPLE INITIATIVES



### THE INTEGRITY COUNCIL VCM – CORE CARBON PRINCIPLE (“CCP”) IMPLEMENTATION

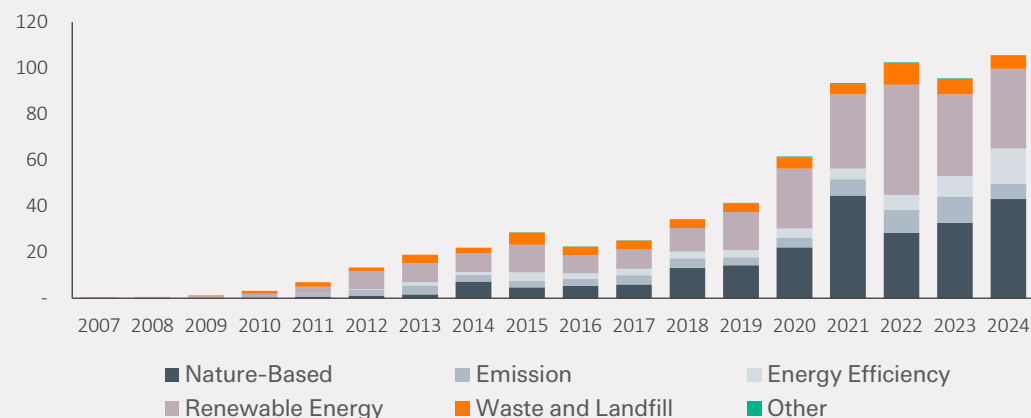


1) ICVCM, August 31, 2024

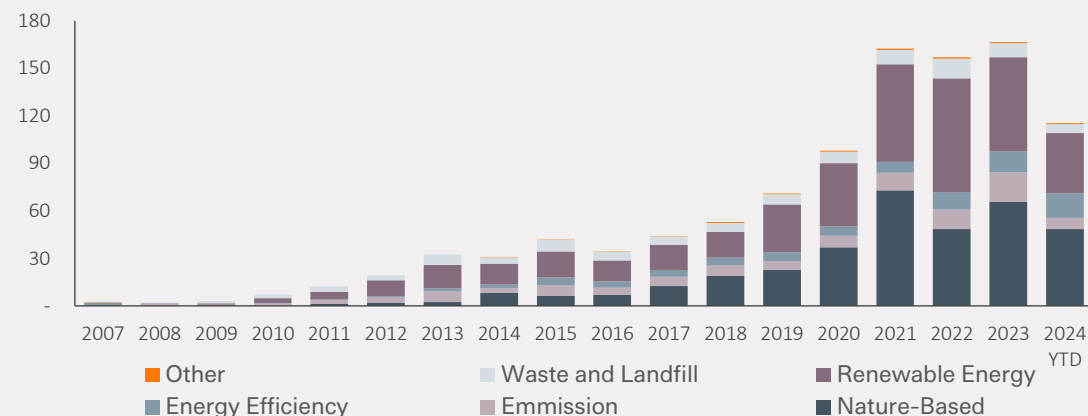
# Carbon Offset

While VCM transaction volumes declined in 2023, activity in 2024 suggests the market is in the recovery phase with year-to-date retirements reverting to a growth trend and a number of large-scale multi-year “nature-based” offtake contracts indicating buyer confidence is improving. We believe that the global VCM will continue to grow, driven by demand from corporates such as RE 100 members

VCM ISSUANCES (MILLION TONNES)<sup>3</sup>



VCM RETIREMENTS (MILLION TONNES)<sup>4</sup>



## SELECT VCM TRANSACTION ACTIVITY



- Purchase agreement for US\$100 million IFM<sup>1</sup> credits from Anew and Aurora Sustainable Lands
- Purchase agreement for 8 million ARR<sup>2</sup> credits from BTG Timberland Investment Group
- Purchase agreement for 1.3 million ARR<sup>2</sup> credits with options to purchase a further 2.6 million credits from BTG Timberland Investment Group

1) Improved Forestry Management; 2) Afforestation, Reforestation and Revegetation; 3) ClearBlue Markets, September 28, 2024; 4) ClearBlue Markets, September 28, 2024. YTD retirements relates to the period 1 January to August 31, for each reference year

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# Regional outlooks

# EUROPE: SECTOR OUTLOOK (1/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>TRANSPORTATION</b>	Airports	European capacity is expected to exceed 100% of 2019 levels in 2024 as the recovery in passenger numbers continues Holiday charter and low-cost airline passengers continue to lead the recovery, whilst business travel has been slower to recover
	Road	Traffic levels have continued to hold up despite the macroeconomic slowdown Despite the well noted cost-of-living pressures, political interference has been limited, with operators largely achieving inflation passthrough in tariffs
	Ports	Rising costs and lower volumes due to macroeconomic headwinds are impacting port margins, primarily containerized freight Diversified ports have benefitted from volume growth in sectors not impacted by slowing consumer demand, for example offshore wind, construction, and essential commodities Limited transaction activity but diversified assets remain attractive given softer valuations in some areas
<b>UTILITIES</b>	Electricity	National and EU policy focused on the electrification of heating, transport and industrial processes is driving strong volume growth projections for electric utilities Grid connection queues remain a concern though actions have been taken in a number of jurisdictions to remedy this
	Gas	Gas outlook remains very jurisdiction specific and closely linked to the national hydrogen policies. Northern Europe is the focus of activity, including the UK, Germany, Belgium and the Netherlands, supported by recent hydrogen policy and auctions but not limited to these countries Both the EU and UK have passed legislation to allow hydrogen blending on gas networks, although some alignment will be required as it is limited to distribution in the UK whereas the EU also allows blending on transmission networks
	Water	Significant increase in investment through the next regulatory period for UK water however the sector faces challenges such as the regulator disallowing capex requests in the current price review and increased penalties for non-compliance Valuations reflect the current uncertainty in the short term as companies await the regulatory determination around business plans
	Waste and recycling	The EU promotes recycling and aims to limit landfill, targeting to recycle 65% of municipal waste. Favorable market conditions could generate opportunities in plastics driven by the relatively low rate of recycling Infrastructure to recycle critical minerals is being developed however cost effectiveness may be some way off



## EUROPE: SECTOR OUTLOOK (2/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>ENERGY TRANSITION</b>	Solar	The rate of decline in solar cell prices is slowing but is well below the peak. Utility scale solar still faces challenges with grid connections, however the UK Labour Government has declared support for residential rooftop solar
	Wind	The UK Labour Government removed the ban on onshore wind, and committed to doubling onshore wind capacity by 2030, however, to deliver this ambition, it will need to overhaul the planning approach for wind farms and associated grid infrastructure
	Biomass	EU regulation (Renewable Energy Directive II) supports the growth for advanced biofuels High investor appetite to develop biogas plants. Security of feedstock continues to be a key consideration
	EV charging	Continued demand for on-street and off-street EV charging points. EV penetration across countries increasing Grid congestion is a consideration, particularly at motorway service areas
	Hydrogen	First auction round for hydrogen production Contract-for-Differences in the UK concluded in December with 125MW of capacity receiving contracts. In Europe, several green hydrogen projects have been contracted under the Renewable Fuels of Non-Biological Origin
	Energy efficiency	Reductions in energy demand are continuing to be observed, though this seems to be driven more by cost of energy than efficiency policy.
<b>COMMUNICATIONS</b>	Fiber	European governments continue to target nationwide broadband coverage Overbuild in certain markets is becoming a concern, as is the slower than expected take-up by customers Small “altnets” with limited penetration are being consolidated. Availability of debt financing is tightening
	Towers	Accelerating activity, particularly strategic and TowerCo divestitures and asset recycling Valuations becoming more attractive due to sellers’ need to raise capital, but remain high in absolute terms Robustness of contracts (including inflation pass-through) has been borne out through the current economic backdrop
	Data centers	Demand from hyperscalers, largely driven by investment in AI processing power, continues to outweigh supply Limited availability of land and grid capacity in tier-1 locations is leading data center developers to seek opportunities in tier-2 and 3 markets

# NORTH AMERICA: SECTOR OUTLOOK (1/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>TRANSPORTATION</b>	Airports	Passenger volumes have remained strong and are above pre-pandemic levels; however, weakness could potentially be displayed in a slowing US economy
	Road	IRA includes significant spend for road improvement (~US\$3 billion); autonomous vehicles have the potential to materially alter road utilization. Potential area that is at risk if a new President sought to cut back the spending under the IRA Despite Texas Department of Transportation's announcement to buyback SH 288, there is a strong pipeline of P3 activity in the US
	Ports	Post-Covid capacity constraints have eased; however, US imports have been lower in anticipation of weakening US consumer demand A continued emphasis on US “onshoring” may additionally limit port activity due to lower import volumes
<b>UTILITIES</b>	Electricity	The IEA forecasts a “rapid pace” of growth for data center electricity consumption in the US over the next couple of years, rising from roughly 4 percent of US demand in 2022 to 6 percent by 2026. Renewables and electrification of industry will continue to drive investment
	Gas	Gas infrastructure, in particular gulf shore LNG infrastructure, remains strong driven by global energy demand In December 2023, LNG exports reached an all-time monthly high of 8.6 million tons with further growth expected through 2025. LNG terminals are likely to remain attractive investments given the favorable outlook for LNG exports to Europe and Asia
	Water	While water utilities have been historically highly fragmented and regional, the IRA includes US\$4 billion to address drought in the western United States and nearly US\$20 billion to support voluntary conservation on ranches and farms across the country, suggesting ample opportunity for water services infrastructure spend
	Waste and recycling	The push towards creating a more sustainable and more circular economy is gaining traction in North America following the lead of Europe Moving towards a circular economy could unlock an incremental US\$4.5 trillion of global GDP by 2030. Opportunities and subsectors include collections, recycling and energy from waste

# NORTH AMERICA: SECTOR OUTLOOK (2/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>ENERGY TRANSITION</b>	Solar	Despite near-term challenges related to supply chain constraints and tax credit qualification, from 2024 to 2028, MW installation growth rates are expected to be in the low teens
	Wind	Offshore wind continues to be a challenged sector with supply chain and cost inflation hampering development. Despite a small number of projects being abandoned or deferred, the offshore wind sector is seeing significant investment
	Biomass	Large energy conglomerates continue to be active in the space, however despite recent growth, the market is relatively nascent with RNG currently only making up 0.5% of the North American natural gas market
	EV Charging	EV charger installations in the US are expected to grow fourfold by 2027, however, this will be dependent on continued spend on reliable electricity load growth and required associated transmission infrastructure IRA support for EV charging potentially at risk depending on the outcome of the US Presidential election in November
	Hydrogen	From an infrastructure perspective, hydrogen opportunities are still relatively immature and early, and will rely on government financial support to attract private capital Additionally, further federal government guidance on tax credit treatment is still to be determined
	Energy efficiency	Energy efficiency, and specifically “energy-as-a-service” platforms are increasingly common with many infrastructure GPs supporting platforms Market is still highly fragmented and regional, and in order to achieve scale dependent on continued business development and M&A
<b>COMMUNICATIONS</b>	Fiber	Take up of fiber networks and financing remains an issue in some areas. Exit multiples underwritten 2020 to 2022 appear challenging, but strategic activity remain strong (such as carrier joint ventures with private capital)
	Towers	5G spending was roughly 50% lower than initially anticipated as US operators look to shore up revenues by utilizing existing infrastructure to gain new customers and squeeze more from existing customers Valuations becoming more attractive due to sellers’ need to raise capital and carve-out processes, but remain high in absolute terms
	Data centers	Supply / demand imbalance continues to persist, with demand from hyperscale customers, driven by AI developments, outweighing supply Developers have generally been able to push through higher capex costs to lease rates and achieve historically high developer yields Securing electric interconnect, in particular in data center dense Tier-1 markets (e.g., Northern Virginia) can make development challenging

# AUSTRALIA & ASIA PACIFIC: SECTOR OUTLOOK (1/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>TRANSPORTATION</b>	Airports	Passenger volumes could potentially surpass pre-Covid levels in 2024. Limited investment options across Asia as key airports are tightly held, however there are short term opportunities in Australia in regional airports
	Road	Road platforms remain a popular sector for existing and new market entrants Opportunities in portfolios and platforms as early investors seek to recycle capital
	Ports	Freight volumes in Australia have been affected by strikes at stevedores resulting in a large backlog which will take several months to clear. Trade flows likely to see gradual but continued changes as companies diversify away from China
<b>UTILITIES</b>	Electricity	Demand for electricity will continue to grow, and this thematic is expected to persist in the long term The energy transition will require significant investment in transmission and distribution infrastructure, however, as in North America and Europe, meeting the government mandated decarbonization targets will be challenging due to competition for raw materials and production of equipment
	Gas	Gas will continue to be central to energy generation mix in many Asian nations due to the growth in energy demand. In contrast, gas is facing an uncertain future in Australia as state and local governments seek to accelerate the energy transition.
	Waste and recycling	Australia is experiencing increased growth in energy from waste plants, with several high-profile plants being worked through the development and construction phase lead by industrial sponsors. The sector in Australia is relatively nascent and will need proving, however it could be an attractive sector for institutional investors as sponsors seek to recycle capital

Source: Stepstone. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.



## AUSTRALIA & ASIA PACIFIC: SECTOR OUTLOOK (2/2)

<i>Sector</i>	<i>Investment considerations</i>	
<b>ENERGY TRANSITION</b>	Solar	Demand for solar in developing nations pursuing decarbonization goals will remain strong. Likely to benefit from ramp up of supply in panels from China leading to lower prices
	Wind	Several governments are pursuing offshore wind due to space limitations onshore and cost competitiveness. Capacity increases in the short term will be limited to the more advanced nations such as Taiwan and Japan, which have more mature permitting and offtake regimes, however several other nations, such as Australia, are expected to see progress in central planning and permitting which could give rise to attractive opportunities
	EV charging	Likely to remain limited to developed countries such as Japan and Australia due to the cost of EVs and the investment required in networks for charging infrastructure Australian Government has started discussions on forcing car manufacturers to improve fleet wide carbon emissions, which could have a favorable impact on the investment case for EV charging
	Green hydrogen/ methanol/ ammonia	Japan emerging as a potential key player in the green hydrogen/ammonia/methanol market as the country seeks to decarbonize industrial production, however unlikely to see material development in the short term
<b>COMMUNICATIONS</b>	Fiber	Activity in the fiber sector is expect to be limited, other than select opportunities in Australia
	Towers	Activity in the towers sector historically focused on Australia and India, however consolidation has led to concentration of ownership with institutional investors Investors now seeking opportunities in emerging markets, such as the Philippines and Indonesia, in partnership with local players
	Data centers	Data center growth expected to continue across Asia. Several large platforms are emerging with geographically diverse portfolios Local presence and knowledge critical to success Favorable market dynamics will continue to create opportunities in the sector, however bidders need to avoid overpaying for platforms

Source: Stepstone. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

## RISKS AND OTHER CONSIDERATIONS

**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

**Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered.** The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

**Limited Diversification of Investments.** The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

**Reliance on Third Parties.** StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

**Uncertainty Due to Public Health Crisis.** A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

**Taxation.** An investment involves numerous tax risks. Please consult with your independent tax advisor.

**Conflicts of Interest.** Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

**Allocation of Investment Opportunities.** StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

**Existing Relationships.** StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

**Carried Interest.** In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

**Other Activities.** Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

**Material, Non-Public Information.** From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

**ESG Integration.** While StepStone seeks to integrate certain ESG factors into its investment process and firm operations, there is no guarantee that StepStone's ESG strategy will be successfully implemented or that any investments or operations will have a positive ESG impact. Applying ESG factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding ESG, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive ESG impact and those interpretations are rapidly changing. The description of ESG integration herein is provided to illustrate StepStone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

**Performance Information.** No investment decisions may be made in reliance on this document. In considering performance information herein, readers should bear in mind that past performance is not necessarily indicative of future results and that actual results may vary. There can be no assurance that any StepStone fund will be able to successfully implement its investment strategy or avoid losses. Performance shown herein may include investments across different StepStone funds. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received such aggregate returns as the investments were made across multiple funds and accounts over multiple years.



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