

3i Infrastructure PLC – June 2023

LWM FUND SPOTLIGHT 3I INFRASTRUCTURE PLC

INVESTMENT OBJECTIVE

The objectives are to provide shareholders with a total return of 8% to 10% per annum, to be achieved over the medium term, with a progressive annual dividend per share.

INCEPTION DATE

8th March 2007

FUND FACTSHEET

<https://www.trustnet.com/factsheets/T/t703/3i-infrastructure-plc/>

MANAGEMENT

Manager Name

Start Date

Scott Moseley

1st July 2022

Bernardo Sottomayor

1st July 2022

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
0.33	0.58	-18.08	13.08	-10.20	74	75	14.29

OTHER DATA

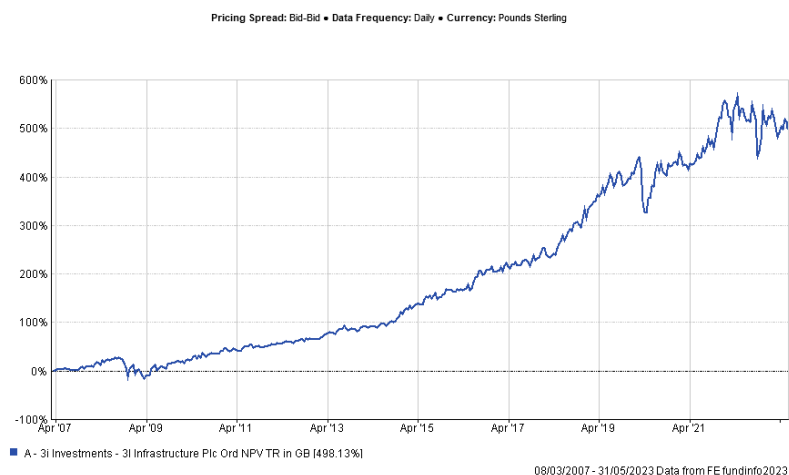
Benchmark	-
Fund Size	£3.30 billion
Fees	Management fee at 1.4% p.a. of the gross investment value up to GBP 1.25 bn; 1.3% p.a. in above GBP 1.25 bn up to GBP 2.25 bn; and 1.2% in above GBP 2.25 bn. Performance fee at 20% of returns above a hurdle of 8% of the growth in NAV p.a. per share and subject to a high-water mark requirement. The contract is terminable on 12 months.

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> • Targets a return of 8% - 10% per annum from investment in privately owned “economic infrastructure companies” in Europe. • Consistently strong returns. • Growing yield, currently circa 4.00% p.a. • Focus on mega trends including energy transition, digitalization, globalization, renewing social infrastructure and demographic change. • Collection of businesses in which they own a majority stake, influence the strategy and provide very active input. • Long term buy and hold strategy. 	<ul style="list-style-type: none"> • Private equity focus which could expose the portfolio to greater risk and volatility. • Relatively low gearing, however the underlying companies tend to have higher levels of gearing which could make them sensitive to rising interest rates.

FUND PERFORMANCE

Performance from 8th March 2007 – 31st May 2023



Pricing Spread: Bid-Bid • Currency: Pounds Sterling

Customise Columns	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
3i Investments 3i Infrastructure Plc Ord NPV TR in GB	-12.98	-2.67	18.77	8.09	17.50	22.19	15.84	15.19	16.26	20.14	15.36

Pricing Spread: Bid-Bid • Period: Month End (31 May 2023) • Currency: Pounds Sterling

Customise Columns	1m	3m	6m	1yr	3yr	5yr	10yr	Select
3i Investments 3i Infrastructure Plc Ord NPV TR in GB	-0.63	-0.16	-2.92	-6.47	25.26	63.50	238.80	<input type="checkbox"/>

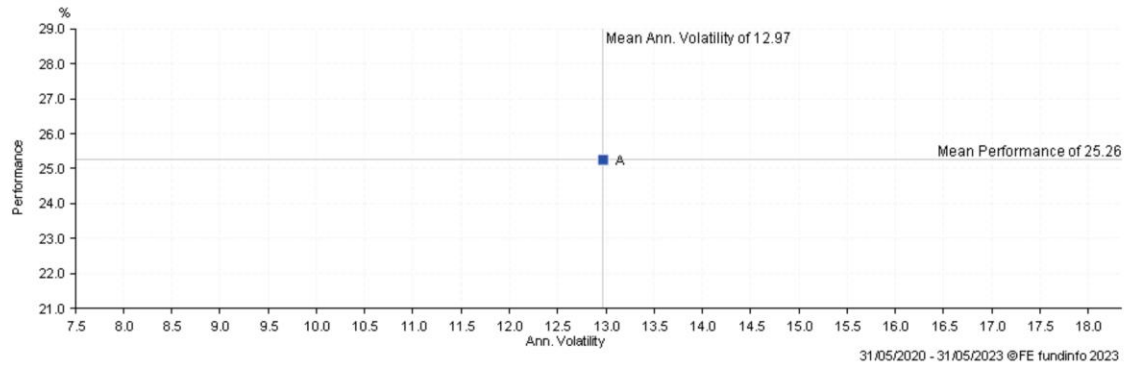
Fund Comparison Chart

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



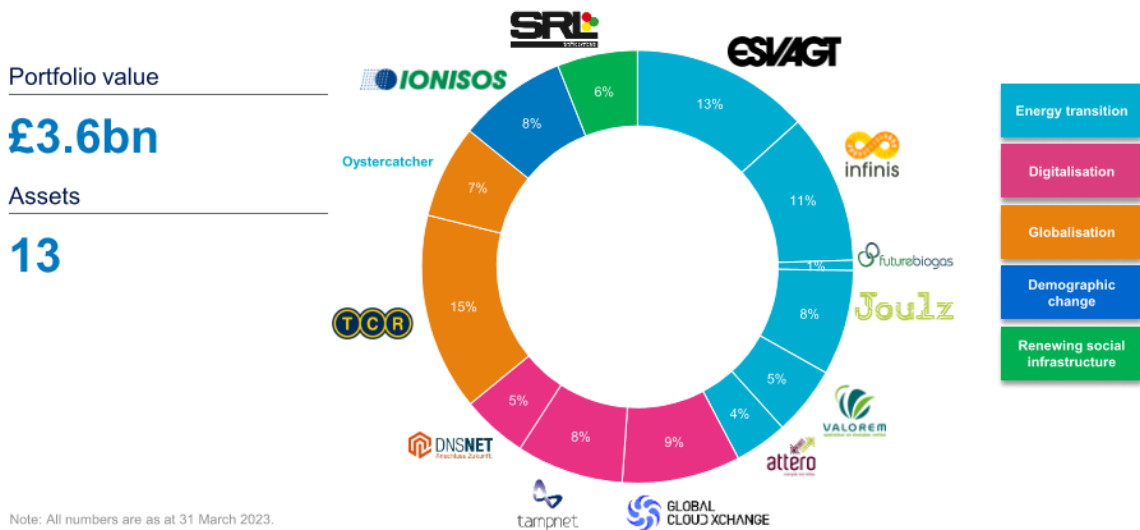
Key	Name	Performance	Annualised Volatility
A	3i Investments - 3i Infrastructure Plc Ord NPV TR in GB	25.26	12.97

LWM FUND ANALYSIS

As an overview, 3i is very different to other infrastructure funds:

1. It is akin to a private equity strategy.
2. The trust tends to have a majority stake in businesses.
3. They look to influence strategy and provide active input.
4. They will sell holdings where this is right for investor returns.

The strategy has a concentrated portfolio of holdings:



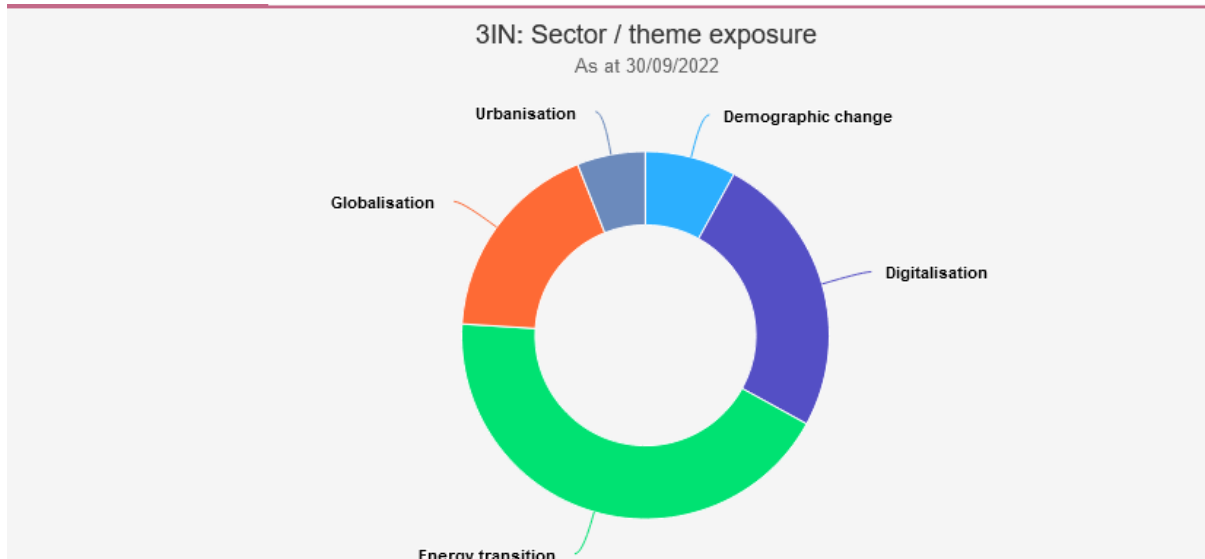
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This can bring additional risk to the portfolio due to the size of each holding. They are in the process of selling Atero which will generate cash for re-investment. Since their initial investment this has become a highly profitable renewables platform.

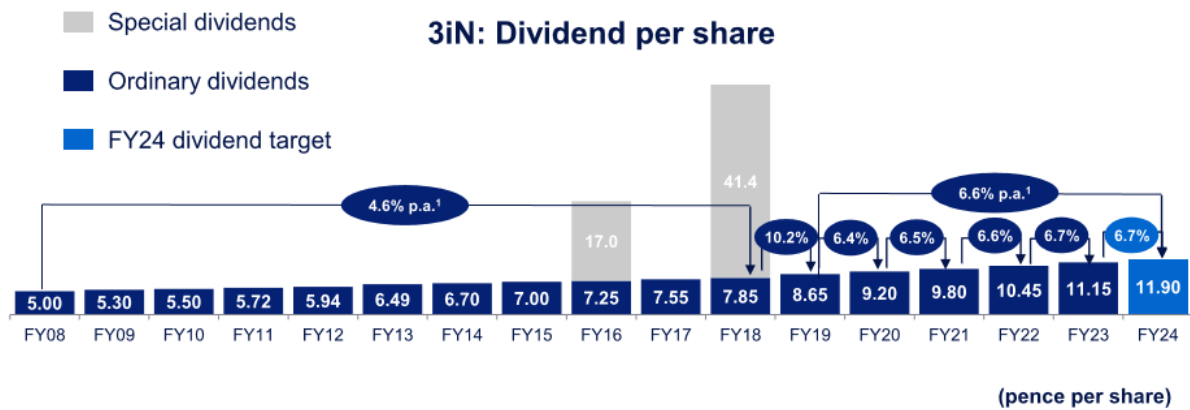
The strategy aims to deliver a return of between 8% and 10% p.a. over the medium term. Included within this is a growing yield which is currently circa 4% p.a. This has grown by 4.2% p.a. since its launch. Dividends are fully covered by cashflow.

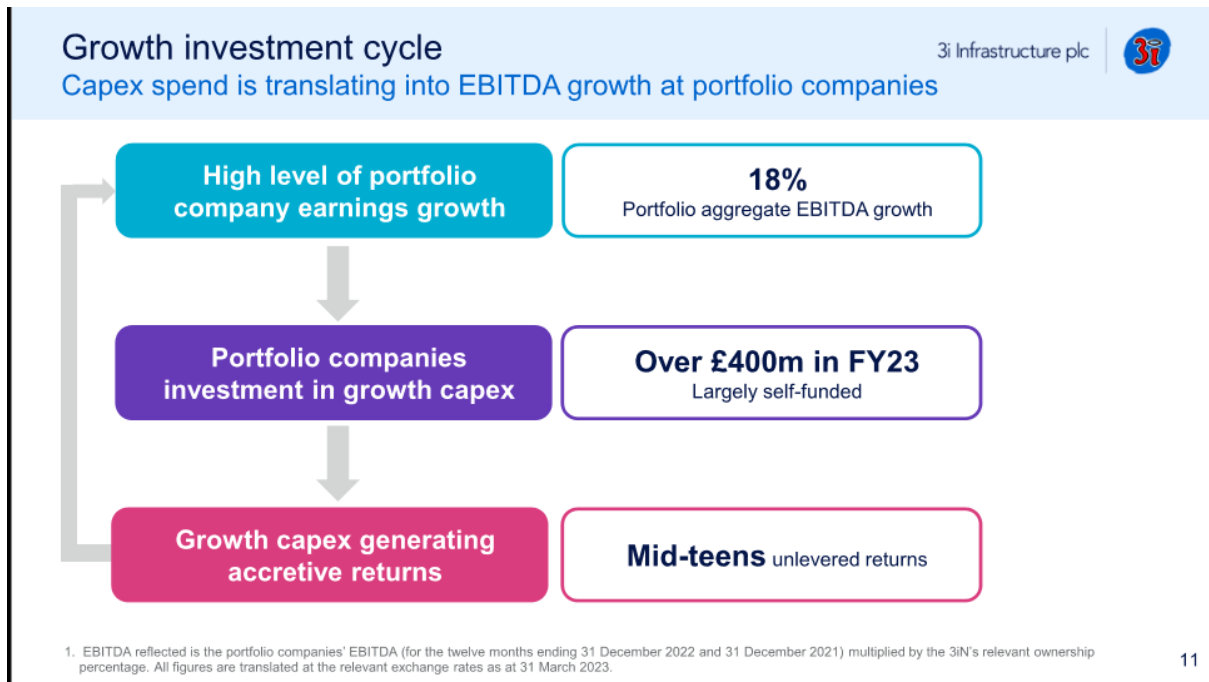
The strategy has exposure to “mega trends”:

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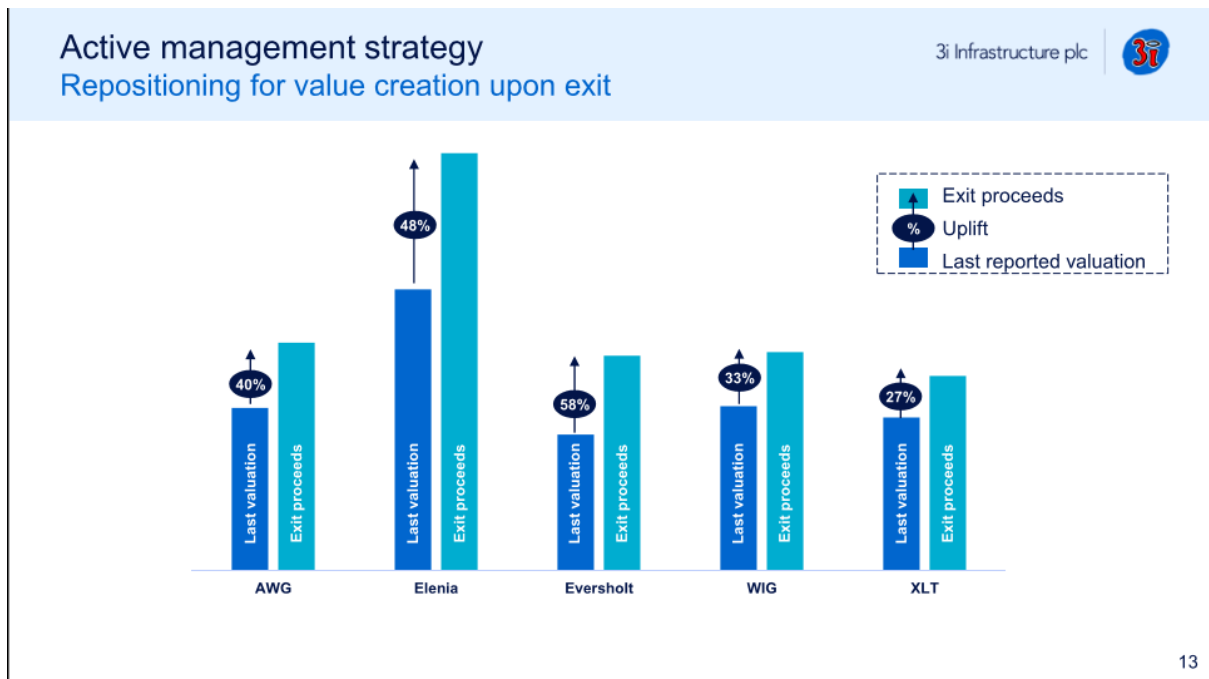
Companies they look to invest in will have strong market positions and supportive megatrends. 3i operate a buy and hold strategy and are active in the management of the assets. If they sell an asset the proceeds are recycled into other investments, although they have paid two special dividends in the past.





Effectively this is about fast-growing companies which can re-invest capital.

They talked about Attero, which follows the strategy of value creation before exiting:



A new holding for the strategy is Future Biogas. They have an 81% holding. They are the largest anaerobic digestion plant developers and biogas producers in the UK, operating 11 plants on behalf of institutional investors under long-term contracts. Biomethane allows the existing gas infrastructure to help meet the UK government's net zero and energy security targets.

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Other example holdings include Infinis, which is owned by 3i. They are the largest generator of low carbon electricity from captured methane in the UK. GCX is also owned by 3i and delivers fibre-optic subsea cable networks across the globe.

In terms of risks:

1. 95% of the portfolio gearing is fixed or hedged as of 31 March 2023, with the next review not due for 3 years.
2. The portfolio has a mix of direct indexation and pricing power at contract renewal.
3. Power prices have benefited energy generating assets.

New investment is currently focused on existing holdings.

In summary, this is not a normal infrastructure fund. It has more of a private equity feel, where the company are actively involved with the companies, they invest in. Ultimately, they are looking to create value and therefore exit when the time is right for shareholders. The strategy looks to deliver between 8% and 10% p.a. and within that is a growing dividend / yield which is currently around 4% p.a.

It is fairly shielded against inflation and interest rates, however the concentrated nature of the strategy means there is greater single asset risk.

The source of information in this note has been provided by 3i and is correct as of June 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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