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Breakfast Seminar

Infrastructure assets in a period of rising rates

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Jerry Moriarty
CEO, IAPF

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Breakfast Seminar

Infrastructure assets in a period of rising rates



INFRASTRUCTURE ASSETS IN A PERIOD OF RISING RATES

15 SEPTEMBER 2022

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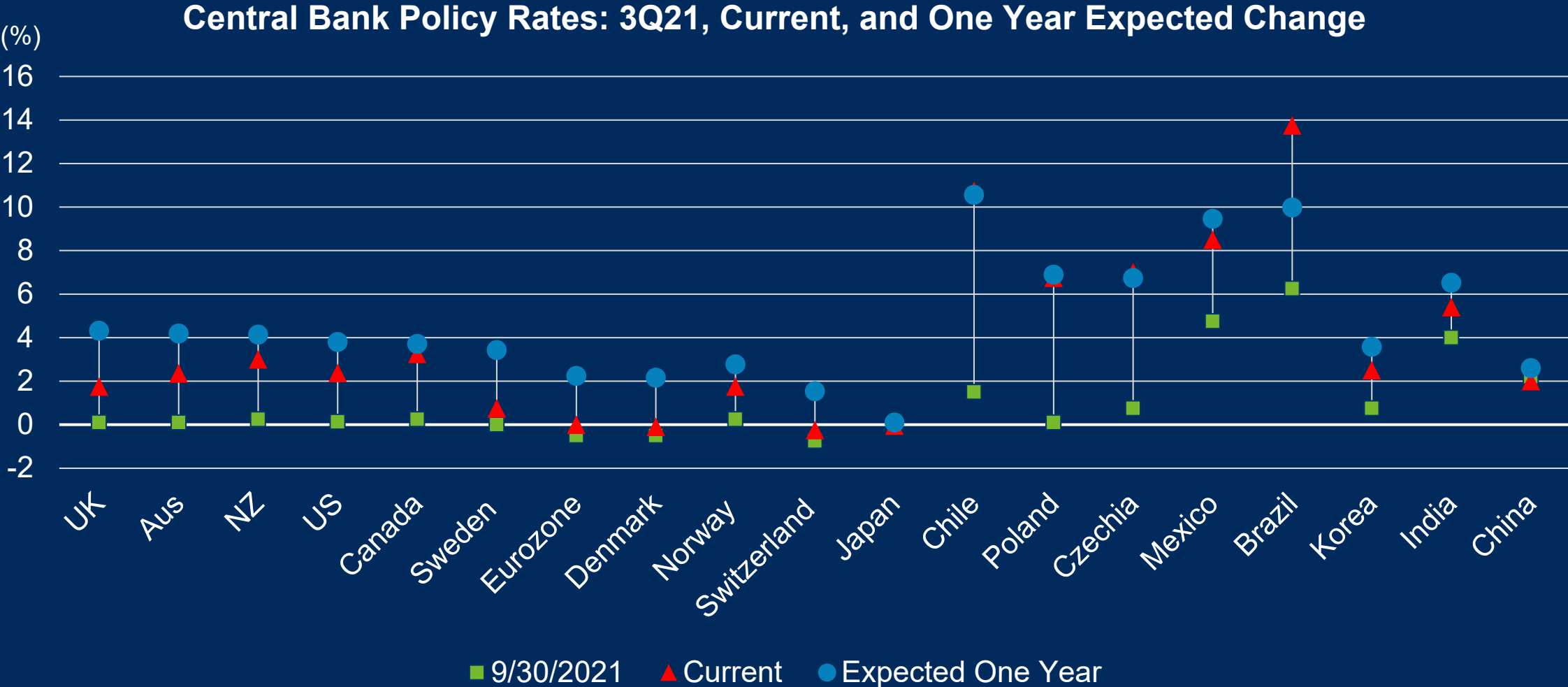
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Prepared at the request of IAPF.

Agenda

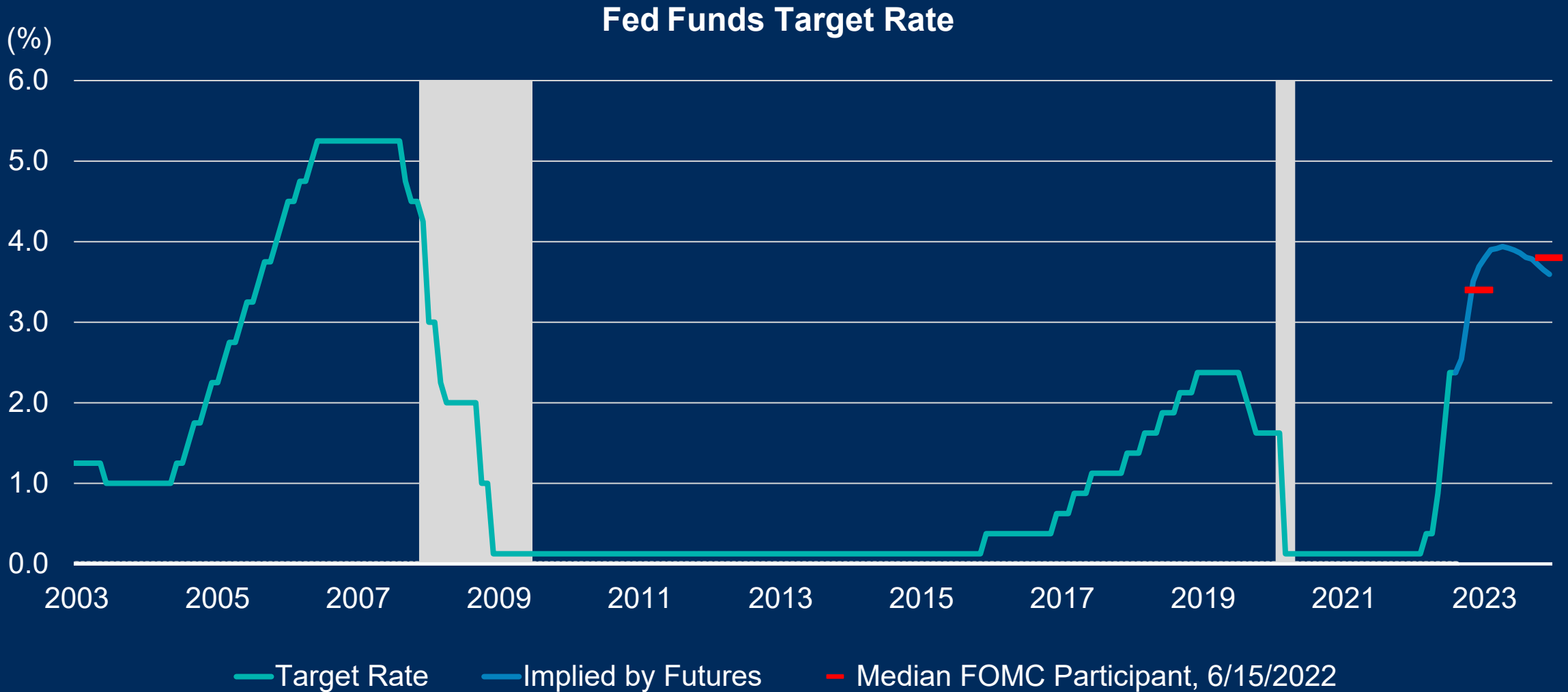
- A. The Investment Case for Infrastructure Real Assets**
- B. Liquid Infrastructure Solutions**
- C. Private Infrastructure Solutions**
- D. Appendix**

Monetary Policy Can't Wait, but Reflects Uneven Impacts



Data as of 7 September 2022
Source: Bloomberg

Fed Funds Futures Implies a Terminal Rate of ~4.0%



Data as of 7 September 2022

Forecasted or estimated results do not represent a promise or guarantee of future results and are subject to change.

Source: Federal Reserve Board, Haver Analytics, Bloomberg

Investment Objectives



Inflation Protection

Seeks to protect against a wide range of inflation drivers, such as:

- Rising commodity input prices
- Increasing production costs
- Loosening fiscal and monetary policy
- Surging demand



Diversification

- No single asset effectively protects investors against all potential sources of inflation
- The Real Assets strategy offers the ability to dynamically allocate across multiple liquid real asset segments



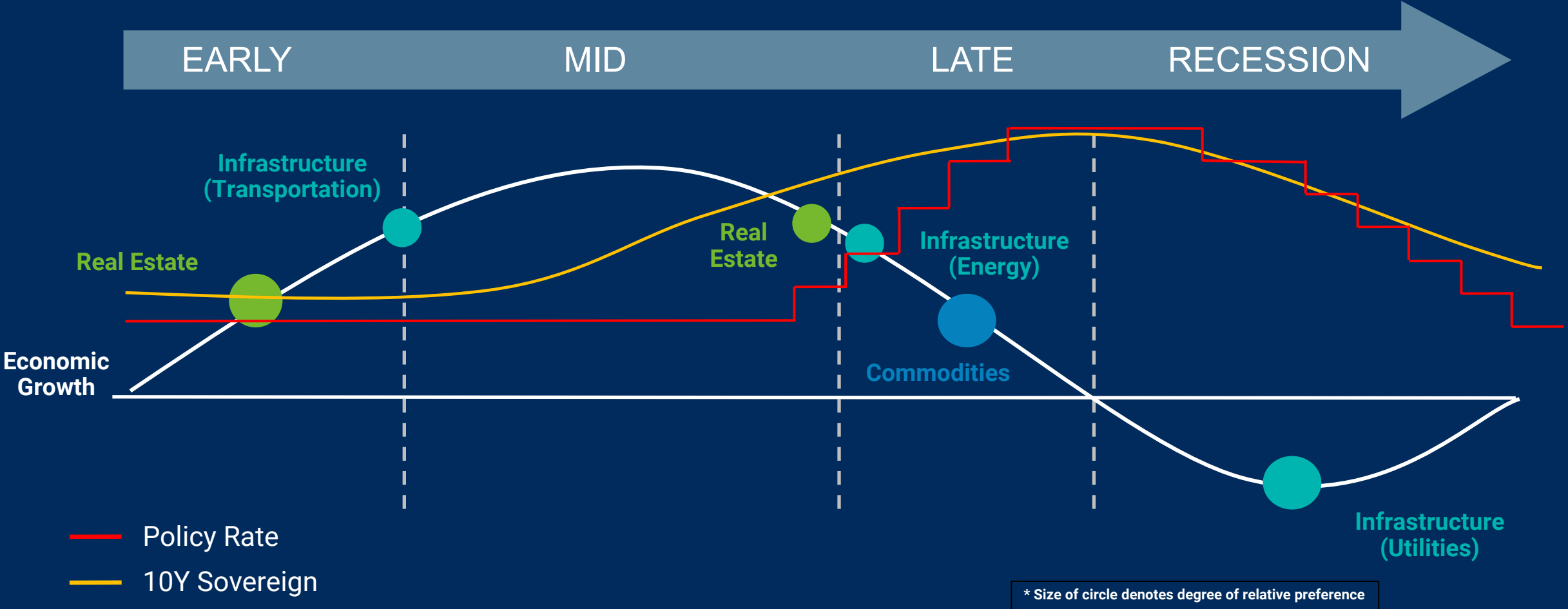
Positive Real Return

- Designed to generate a potential return that is equal to inflation plus a positive spread
- Current income + capital appreciation

Real Asset core objectives in a liquid vehicle

Real Assets Perform Through An Economic Cycle

Phases of Economic Growth and Typical Rate Environment



For illustrative purposes only. Not to scale.

Real Assets Offer Strong Diversification Benefits

Correlation Coefficient: December 2011 – December 2021

	Stocks	Bonds	Commodities	Agriculture	Energy	Industrial Metals	Livestock	Precious Metals	Energy Stocks	REITs	Infrastructure	Linkers	MLPs	Natural Resources
Stocks														
Bonds	-0.01													
Commodities	0.52	-0.03												
Agriculture	0.19	-0.02	0.40											
Energy	0.50	-0.02	0.97	0.26										
Industrial Metals	0.37	-0.08	0.47	0.21	0.37									
Livestock	0.20	0.00	0.33	0.16	0.28	0.15								
Precious Metals	0.15	0.41	0.24	0.16	0.18	0.32	0.15							
Energy Stocks	0.77	0.01	0.70	0.25	0.67	0.39	0.27	0.20						
REITs	0.70	0.33	0.40	0.17	0.40	0.22	0.18	0.26	0.60					
Infrastructure	0.78	0.24	0.55	0.21	0.53	0.34	0.26	0.29	0.76	0.80				
Linkers	0.24	0.69	0.30	0.16	0.28	0.22	0.10	0.54	0.32	0.42	0.48			
MLPs	0.67	0.16	0.60	0.21	0.58	0.34	0.32	0.21	0.84	0.61	0.76	0.41		
Natural Resources	0.80	0.03	0.71	0.26	0.68	0.45	0.27	0.29	0.97	0.61	0.79	0.36	0.84	

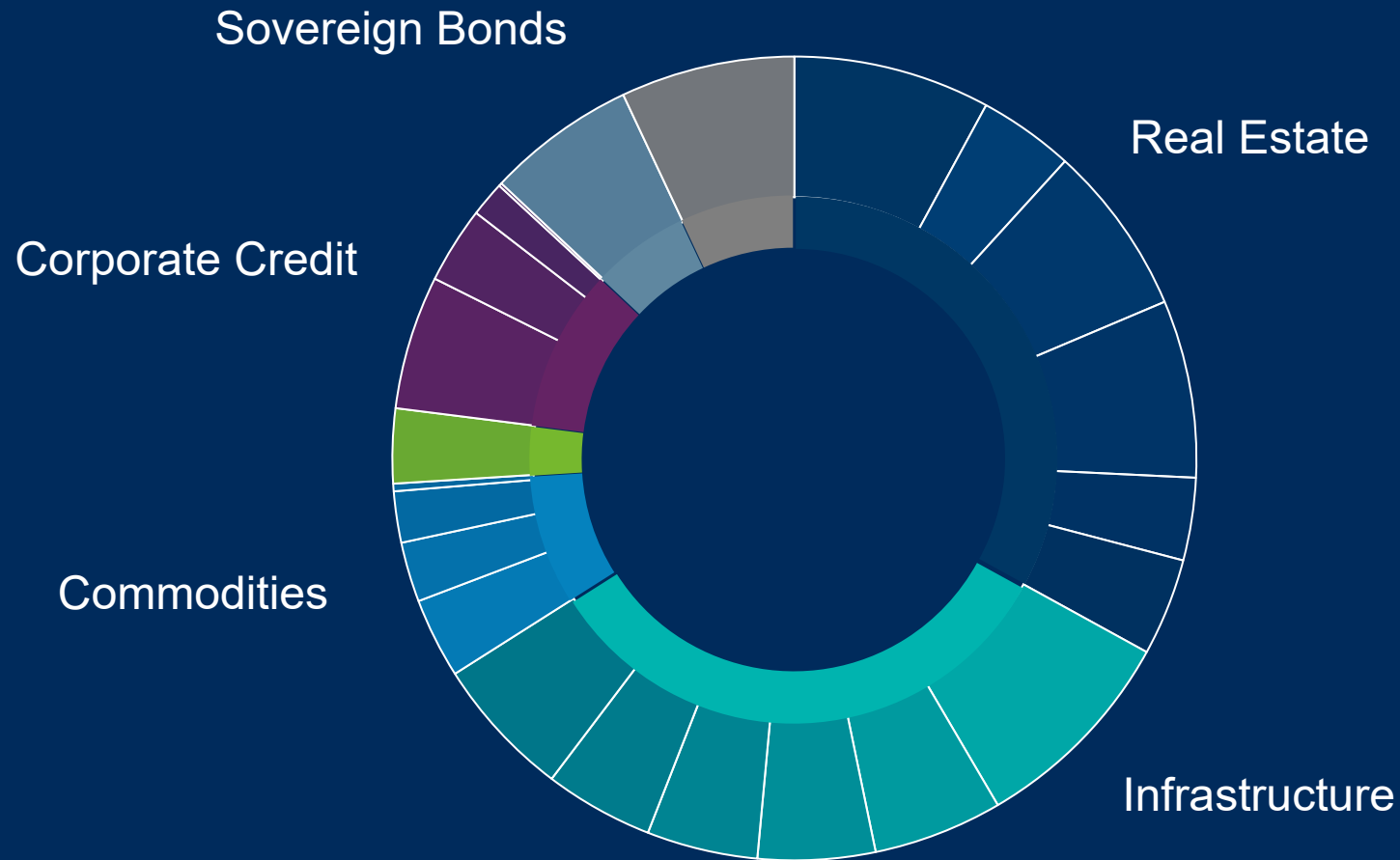
For illustrative purposes only.

Daily data in USD.

Equities = S&P 500 Total Return Index; Bonds = BB Barclays US Agg Total Return Value Unhedged USD; Commodities = S&P GSCI Total Return Index; Agriculture = S&P GSCI Agriculture Total Return Index; Livestock = S&P GSCI Livestock Total Return Index; Precious Metals = S&P GSCI Precious Metals Total Return Index; Industrial Metals = S&P GSCI Industrials Metals Total Return Index; Energy = S&P GSCI Energy Total Return Index; Energy Stocks = S&P Energy Sector Total Return Index; REITs = FTSE NAREIT All Equity Total Return Index; Infrastructure = DJ Brookfield Global Infrastructure Index Total Return; Linkers = BB Barclays Global Inflation-Linked Total Return Index Value Unhedged USD; MLPs = Alerian MLP Index; Natural Resources = S&P North America Natural Resources Sector Total Return Index.

Tailored Inflation Protection

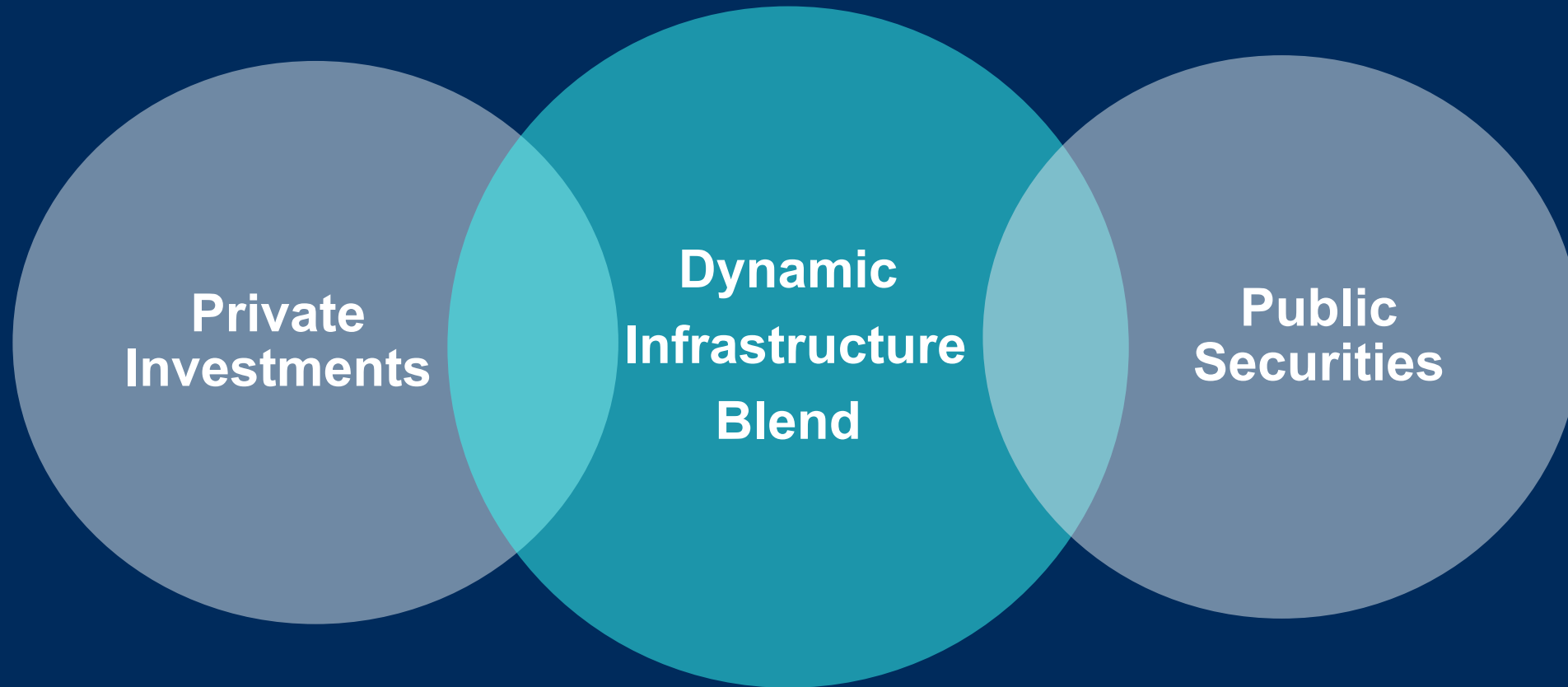
Example of a Proposed Asset Allocation



Not indicative of any present, future or preferred portfolio weighting. Infrastructure, Real Estate and Commodities sub-components use the Lazard Real Assets strategy weights as of 30 June 2022, scaled for a proposed breakdown. Allocations are subject to change.

Infrastructure Investments

Common Characteristics



Why Infrastructure?

- Powerful combination of accelerated capex to modernize existing infrastructure assets
- New and evolving infrastructure to reflect an increasingly connected, service-oriented economy
- Facilitate transition to a low carbon energy future

Investment Characteristics of Infrastructure Assets

Diversification

Low or even negative correlation to traditional asset classes and exposure to mega trends beyond GDP

Inflation Hedge

Revenues often linked to inflation through regulation, contracts or pricing power

Entry Barriers

Cost, complexity and regulation around infrastructure assets help retain competitive advantage

Stable Cash Flows

Essential nature of service, limited competition and inelastic demand result in stable cash flows resilient to economic downturn

Longevity

Assets are typically less susceptible to technology obsolescence and have long life spans

Infrastructure Investments

A Popular But Complex Thematic

INVESTMENT CHALLENGES



Society



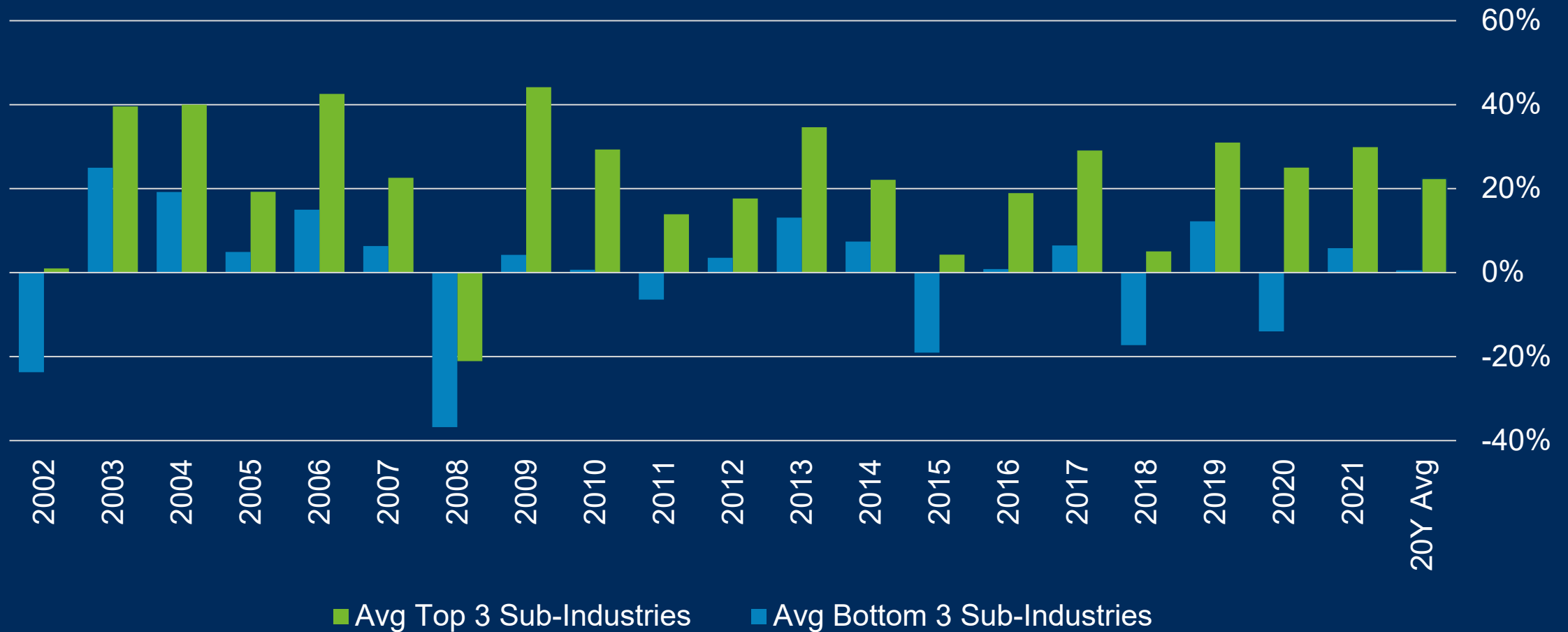
Sustainability



Complexity

Liquid Infrastructure: Active Opportunities

Wide Variation in Annual Top and Bottom 3 Infrastructure Sub-industries



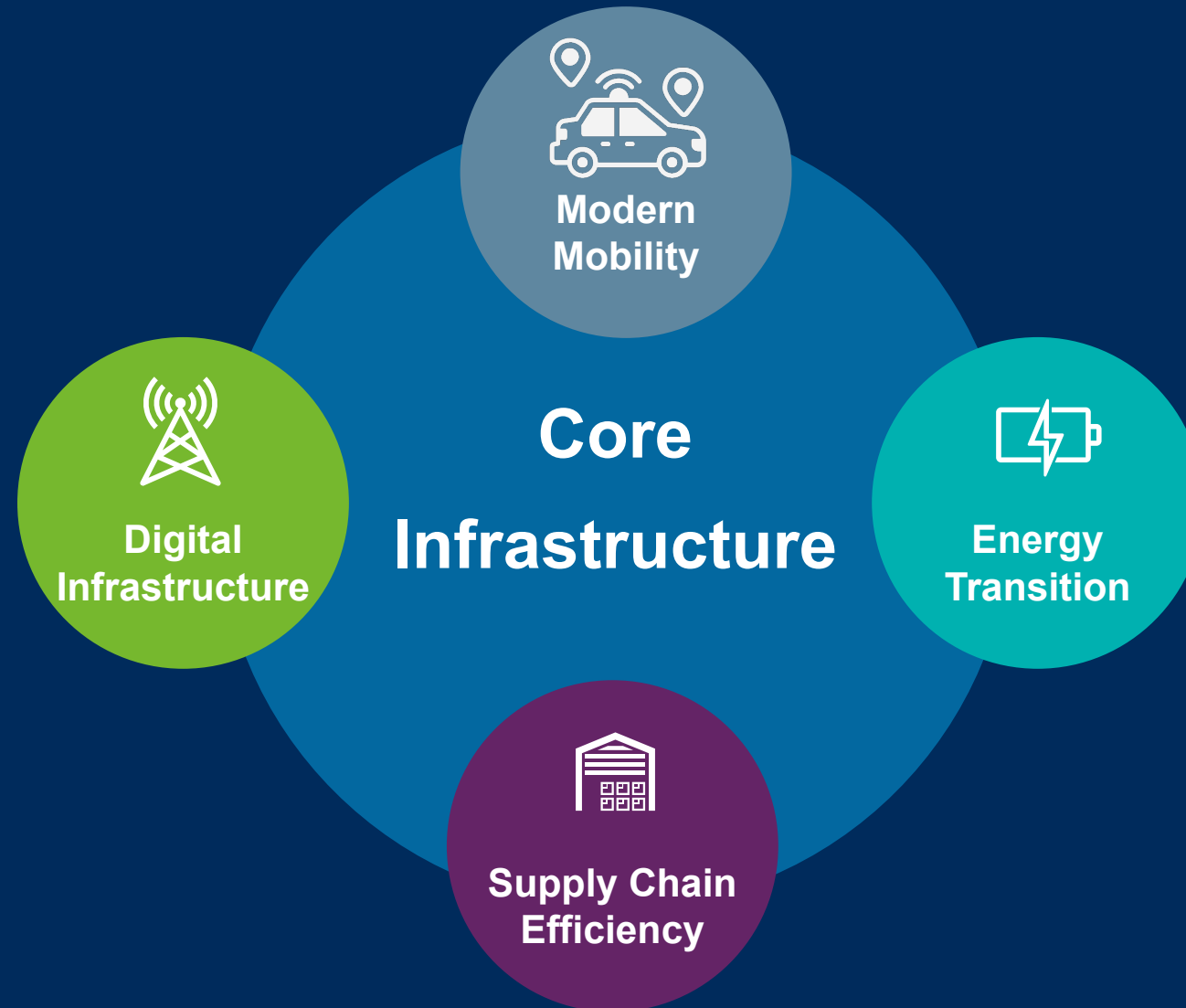
Data as of 31 December 2021

The performance quoted represents past performance. Past performance may not be indicative of future results. For illustrative purposes only

Source: FactSet

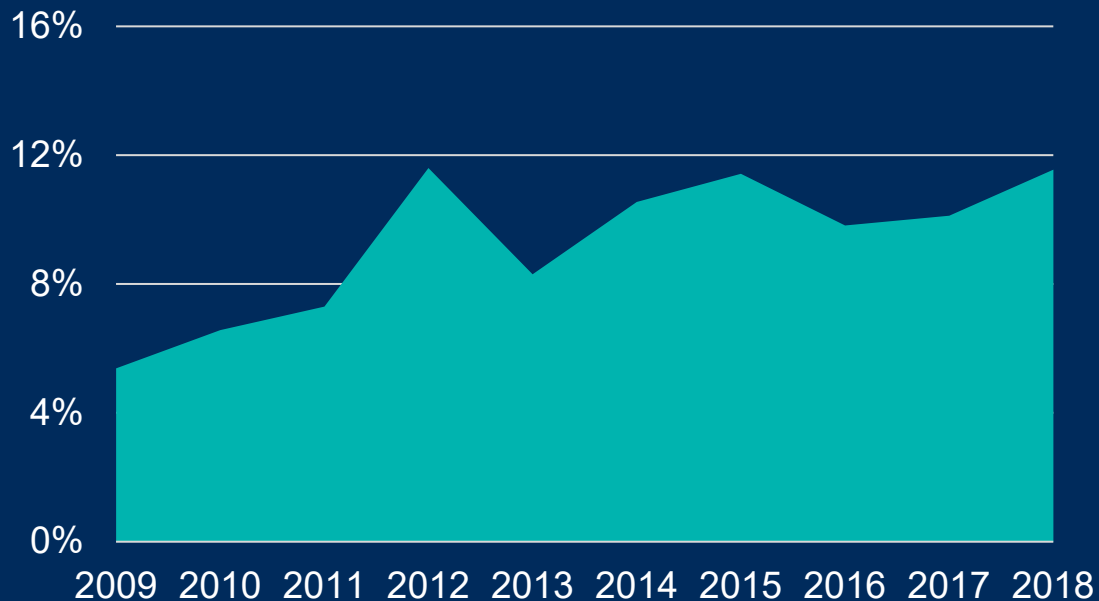
Liquid Infrastructure

New Portfolio Opportunities



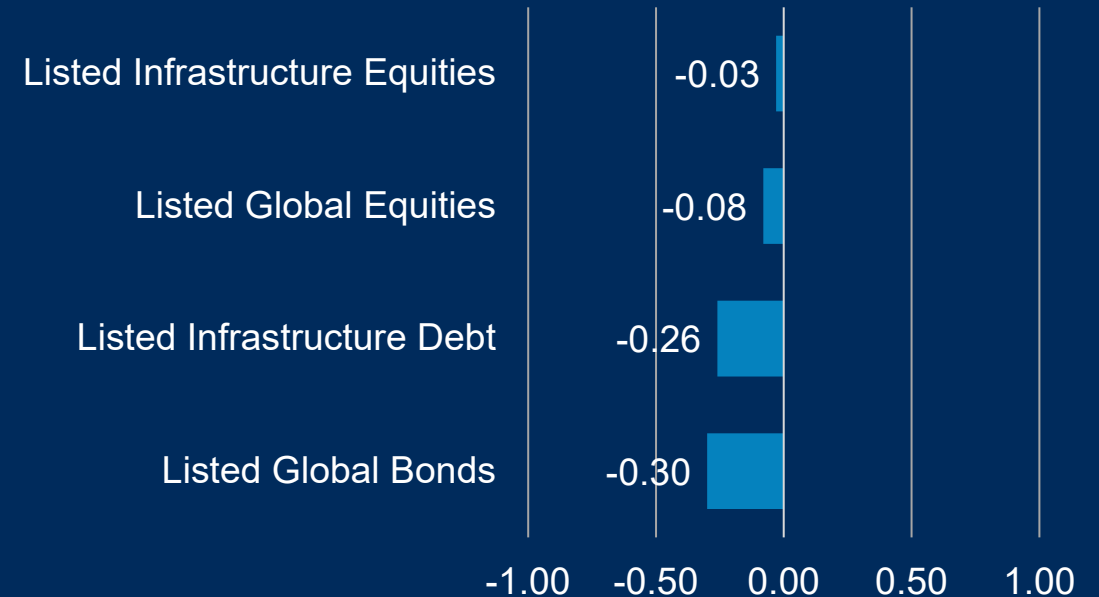
Private Infrastructure as an Asset Class: Key Highlights

Historically, private infra funds have delivered consistent returns¹



Performance by vintage year, net IRR since inception, 2009-18

Low correlation of private infrastructure with other asset classes²



¹ McKinsey Global Private Markets Review 2022; Private Markets rally to new heights. IRRs to September 2021

² Deutsche Asset Management – “Why Invest In Infrastructure?” (May 2017); correlation coefficient covers eight years to Q3 2016. Return profile reflects a range of investment strategies and risk profiles. For illustrative purposes only.

Investment Themes

Mega Trends Across Three Key “Buckets”...

Sustainability / Macro themes

- Decarbonisation
- Decentralisation
- Demographics
- Disposal
- Digitisation

Infrastructure Capital Themes

- Low / negative correlation to other asset classes
- Increasing allocations by institutional investors
- Segmented risk profile with increasing opportunities in mid-market
- Globalisation of investment market

Responsible Investing

- Stakeholder power
- Corporate ‘license to operate’
- Greater expectations of essential services
- Cleaner, Healthier, Safer, and Fairer

Today, Sustainability is Aligned with Financial Returns

Full **Investment Thesis** and **Sustainability Thesis**.....

Investment thesis

We seek to invest in companies identified as having attractive infrastructure risk-return profiles with strong yield and entry barriers






Sustainability thesis

Tangible plan for improving businesses, industries and communities for each investment



..... accountability for **returns** and **sustainable outcomes**

Potential for ESG and Financial Outperformance

		 Energy				 Transport			 Digital		 Social & Health			 Resources & waste		
		Clean Energy	Energy Storage	Energy Efficiency	Modern Utilities	Rail and Intermodal	Cold Chain	Clean and New Mobility	Networks	Data Centers	Health-Healthcare	Education	Social Care	Waste Management	Agriculture & Food	Water
Sustainability Macro Themes	Decarbonisation	✓	✓	✓	✓	✓		✓								
	Decentralisation				✓	✓	✓	✓	✓	✓					✓	
	Demographics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Disposal	✓	✓	✓	✓	✓								✓	✓	✓
	Digitisation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

How Do We Find These Companies?

Relationship-led

Utilise Investment team's personal and structured approach to origination

Investment Platform-led

LAM's 300+¹ investment professionals to easily share ideas and identify subject-matter experts for specific sectors

Data-led

Innovative Artificial Intelligence tools designed to identify mid-market opportunities

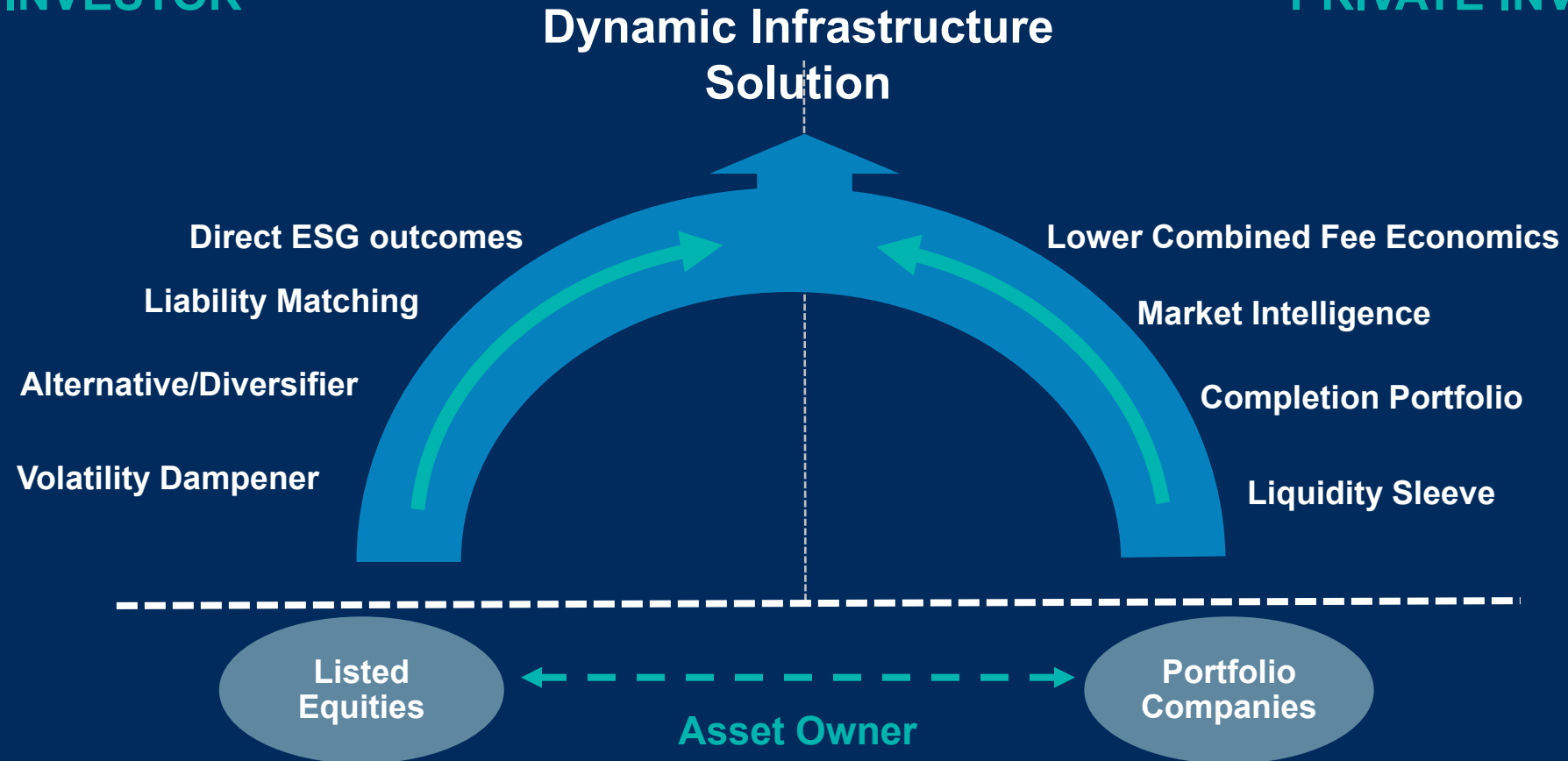
The Case for Infrastructure

- Demand for defensive, real assets in anticipation of rising inflation and interest rates
- Decarbonisation, demographics and circular economy to drive significant capital investment
- Standardisation of ESG & Sustainability reporting, e.g. EU SFDR Art. 8 vs 9
- Data capture and analytics to enhance investment origination and portfolio construction
- Successful asset owners require active engagement with a broad group of stakeholders
- Navigating markets through rising rate and inflation landscape requires a dynamic approach

Tailored Approach to Infrastructure

LIQUID INVESTOR

PRIVATE INVESTOR



Target asset class characteristics along a continuum of liquidity

APPENDIX

Infrastructure and Sustainability Are IN LAM's DNA

€207B

Assets Under Management¹

1,050+
Employees

350+
Investment
Personnel

19
Countries

1848
Lazard Frères &
Co. Founded

We have long history of investing in infrastructure...

Winner



Best fund
Global Infrastructure Funds:
2014, 2015, 2016, 2017, 2018



Category winner
Infrastructure Securities 2020

...and dedication to sustainability

Finalist



Best Sustainability &
ESG4 research paper

Active Contributor to



and many others...

Launched global listed
infrastructure strategy in

2006

AUM² in global listed infrastructure
and real assets strategies

€14.9bn

Started incorporating
sustainability into
investment decisions
across relevant
portfolios

2001

Dedicated ESG and
energy transition
experts supporting
investment teams³

17

Internal frameworks
on material human
and natural capital
considerations³

45

1. As of 30 June 2022, shown in Euros assuming USD 1.05 per Euro. Includes those of Lazard Asset Management LLC (New York) and its affiliates as well as those of Lazard Frères Gestion (Paris) or other asset management businesses of Lazard Ltd. 2. Assets Under Management as of 30 June 2022, includes Global Listed Infrastructure, Real Assets, Global Commodities and Sustainable Agriculture, shown in Euros assuming USD 1.05 per Euro. 3. As of April 2022. 4. Environmental, Social and Governance.

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Q&A

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Rupert Hope & Robert Wall

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UPCOMING EVENTS

DATE	EVENT
23 September	Trustee Training – Part 1
28 September	Trustee Network – Part 2
29 September	IAPF Webinar – The importance of securitised credit in modern pension portfolios
11 October	IAPF Webinar – Details TBC
25-27 October	IAPF Investment Conference