



In our experience,  
it's about **yours.**

NOVEMBER 2024

## Global Infrastructure Debt

# **Market Opportunity**

# The Case for Infrastructure Debt

Infrastructure debt can complement a broader portfolio

Attractive Risk-Adjusted Return	SPREAD PICKUP VS. SIMILARLY-RATED CORPORATE CREDIT
Stable Income	ESSENTIALITY OF INFRASTRUCTURE ASSETS AND OFTEN INFLATION-LINKED REVENUE STREAMS LEADS TO RESILIENT CASHFLOWS
Downside Protection	LOWER HISTORICAL LOSS RATES THAN CORPORATE CREDIT
Portfolio Diversification	DIVERSIFICATION GIVEN LOW CORRELATION TO TRADITIONAL EQUITY AND CREDIT MARKETS



## Tailwinds Driving Opportunity

Infrastructure investment opportunities are likely to persist given the need to replace aging infrastructure and to add new types of infrastructure to serve evolving needs

1

### Renewable Energy Transition

Based on environmental and geopolitical concerns, a massive shift is underway from coal and oil to cleaner sources of power such as solar, wind, biomass, hydrogen and hydro

2

### Greater Electrification

Efforts at decarbonization coincide with the movement to an all-electric economy, which is affecting power generation, transmission, and storage

3

### Transportation

Governments globally have made significant funding commitments following decades of underinvestment in bridges, roads, airports, and other critical transportation assets

4

### Increased Digitalization

The accelerated pace of digitization is driving demand for investments in data centers, cell towers, fiber optic cabling and other necessary building blocks of digital infrastructure

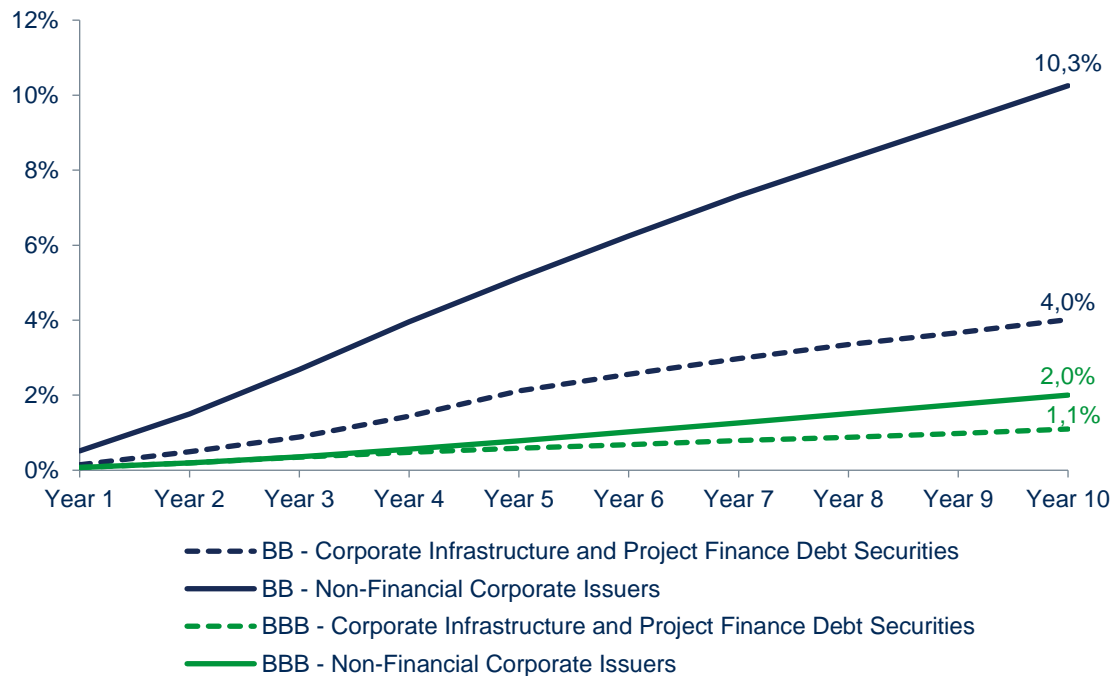


## Downside Protection

Barings Infrastructure Debt strategy has experienced **<0.1% loss rates** across the more than \$20 billion invested in more than 406 investments since 2013

Historically, infrastructure investments have experienced significantly lower credit losses compared to corporates

Cumulative BB & BBB Credit Loss Rates





## Current Market Dynamics Driving Even Greater Deal Flow



### Decline in Infra Equity Fundraising....

- 2023 was the **poorest fundraising year since 2015** for infrastructure equity funds
- Fundraising dropped from \$172 billion in 2022 to \$112 billion in 2023, **a 35% decline**
- Of the amount raised, most was concentrated with one GP accounting for almost 1/3rd of that total
- Signs of consolidation amongst the infra GP universe continue to increase potentially impacting future fundraising capacity



### ...while demand for capital from sponsors continues to rise....

- Deal sizes increasing: The **top 10 deals** in North America Project Finance market totaled **\$70 billion in 2023 compared to \$28.9 billion in 2021** (242% increase)
- *Need for capital in Renewables and Digital Infra continues:* **Renewables and Digital Infrastructure deals** increased from \$117.4 billion in 2021 to **\$133.5 billion in 2023**
- *And its not going to stop:* Cumulative capital spend on the energy transition would need to average **\$4.8 trillion per year from 2024 to 2030** to align with the Net Zero Scenario. This is almost 3x the total investments realized in 2023.



### ....and bank lenders are being pushed to their limits

- The **top 20 lenders** in 2021 totaled \$48.3 billion
- Those same lenders totaled **\$76 billion in 2023, a 157% increase**
- Significant issuance to the bank market combined with lack of participation from regional banks are **constraining resource and balance sheet capacity** at large banks

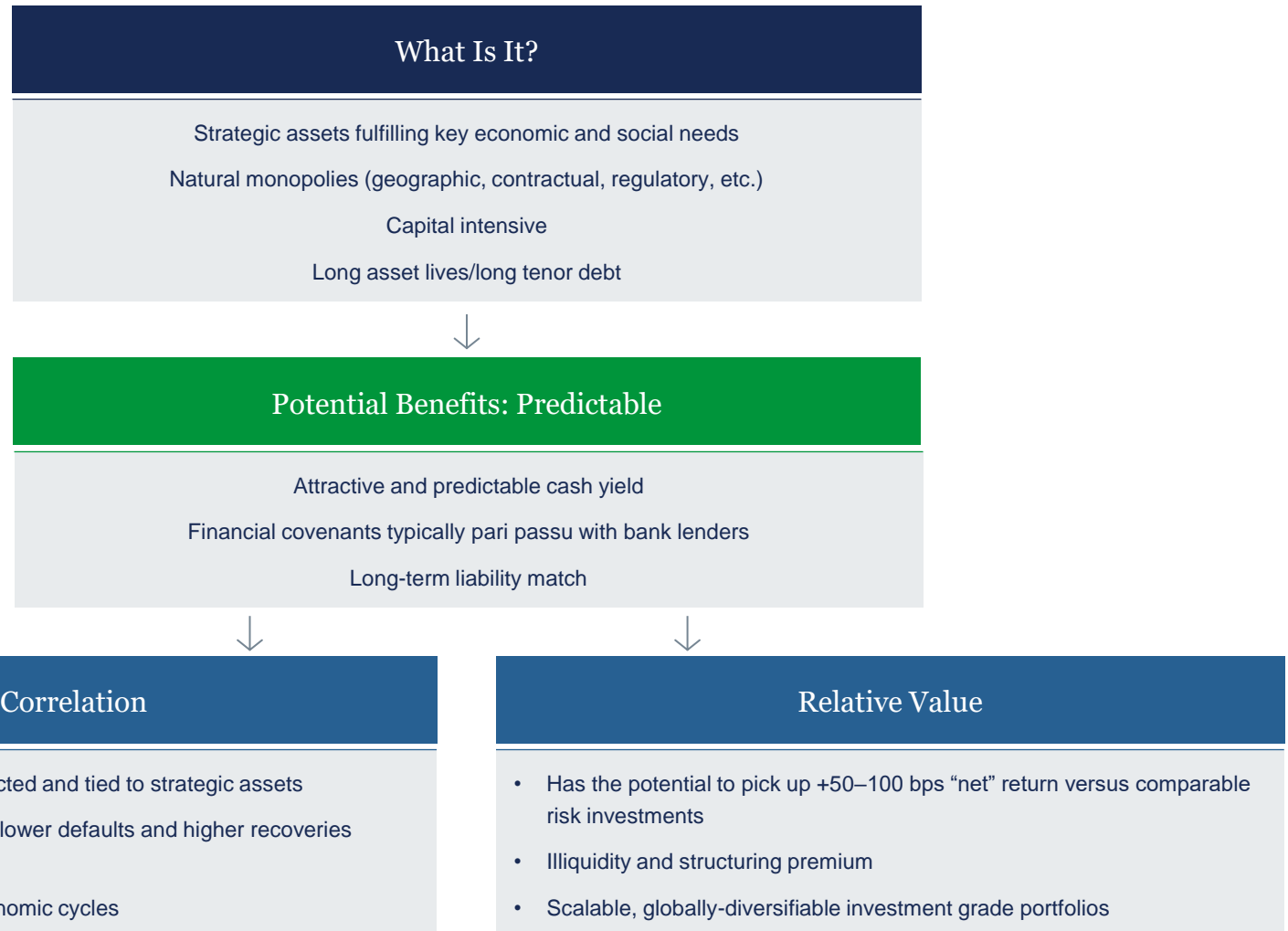


## Key Infrastructure Sectors That Are Essential To Support Global Trends & Demand

Energy Transition/ Renewables	Transportation	Digital Infrastructure	Utilities
Battery storage EV fleet & charging network Renewable power: wind, solar, biomass, EfW etc Green bonds/sustainability linked loans	Ports Rail Roads Airports	Fibre Telecom towers Datacentres	Transmission & distribution Water & sewage Gas Metering
Typically greenfield, smaller scale	Typically brownfield, large scale	Mixture of greenfield and brownfield, small or large scale	Mixture of greenfield and brownfield, large scale
Regional or national dependent on size of developer/operator	Regional focus: sector dependent on investment need	Regional focus: fibre, datacentres	Regional focus: most utility operators

# Infrastructure Debt: Characteristics & Benefits

Infrastructure debt can offer attractive risk adjusted returns with stable, diversified investment profile





# **Barings Global Infrastructure Debt Platform**



# Barings' Global Infrastructure Debt Platform

Long and proven track record across market cycles

**\$20B+**

INVESTED IN  
INFRASTRUCTURE  
DEBT

**24**

DEDICATED  
INVESTMENT  
PROFESSIONALS

**30-year**

TRACK RECORD

**<0.01%**

ANNUALIZED LOSS  
RATE SINCE  
INCEPTION



## Global Team Insight

Collaboration across private market teams provides insight into unique opportunities around the globe



## Robust Origination

Leveraging our wide-reaching network to generate attractive investment opportunities



## Aligned Interests

Significant capital invested from our parent, MassMutual, aligns our business with the best interests of our clients

As of June 30, 2024.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

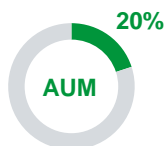
For investment professionals only

# Barings' Approach to Infrastructure



## SOCIAL INFRASTRUCTURE

- Social accommodation and PPP
- Government sponsored projects only

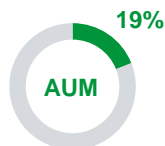


**3.1 BN AUM** in USD across  
**49 Borrowers** in  
**11 Countries**



## POWER GENERATION

- Solar, wind, hydro or gas power generation
- Contracted, minimal merchant risk

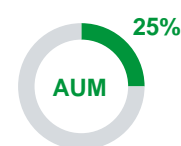


**2.9 BN AUM** in USD across  
**72 Borrowers** in  
**10 Countries**



## ECONOMIC INFRASTRUCTURE

- Toll roads, ports, airports, rolling stock
- Strategic assets with revenues linked to GDP

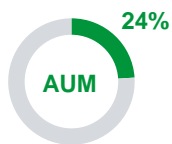


**3.7 BN AUM** in USD across  
**69 Borrowers** in  
**19 Countries**



## UTILITIES AND PIPELINES

- Distribution and transmission assets
- Regulated or unregulated
- Preference for “demand pull” assets

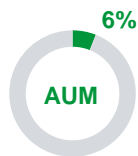


**3.7 BN AUM** in USD across  
**64 Borrowers** in  
**9 Countries**



## DIGITAL INFRASTRUCTURE

- Towers, fiber and data centers
- Proven technology with first class operators
- Only well understood markets or regimes

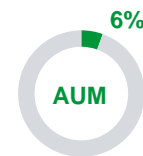


**1.0 BN AUM** in USD across  
**20 Borrowers** in  
**6 Countries**



## MIDSTREAM AND STORAGE

- Oil or refined product storage (incl non-energy)
- Strategic storage preferred, otherwise size matters
- Avoid commodity price risk



**0.8 BN AUM** in USD across  
**18 Borrowers** in  
**5 Countries**

# Barings' Global Footprint for Infrastructure Debt

**32**

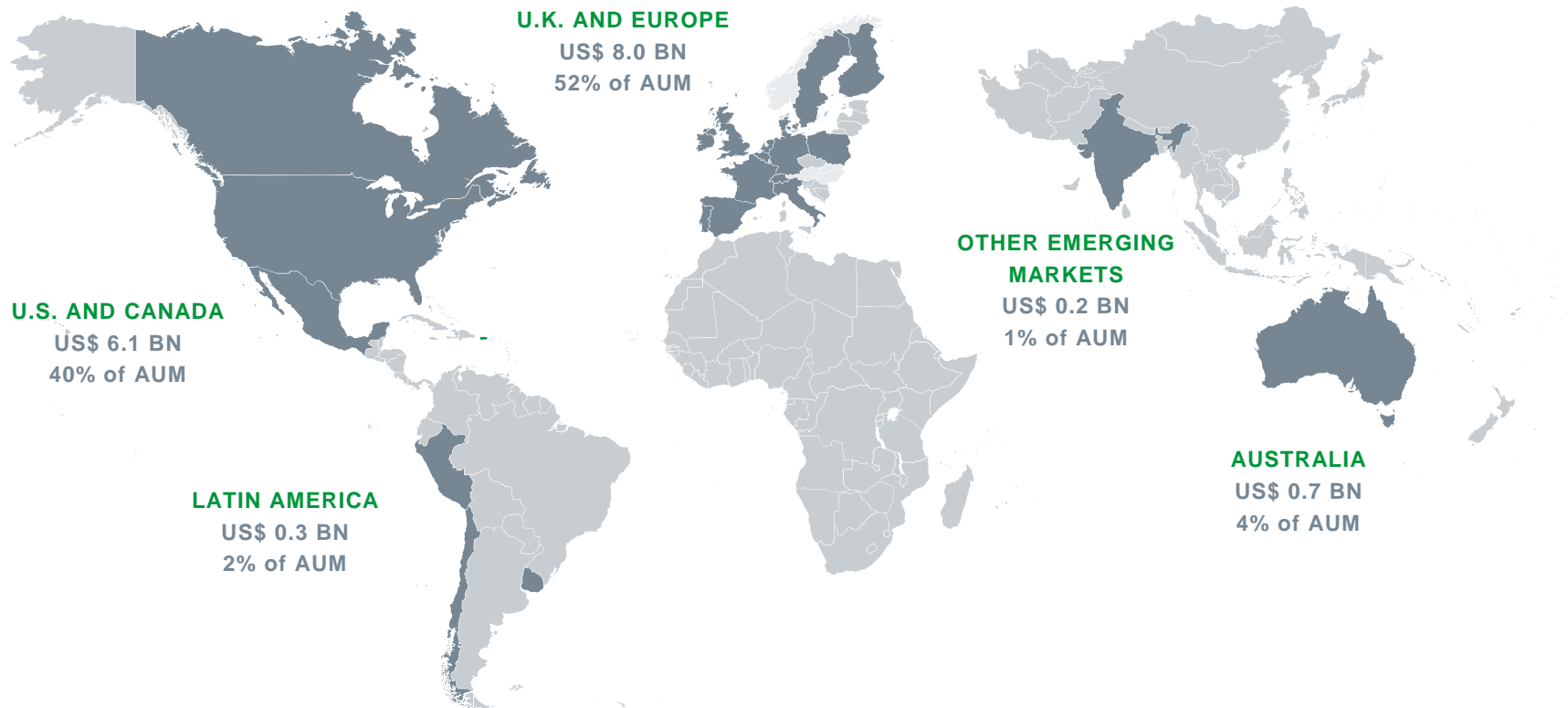
Number of countries, highlighted in dark grey, that Barings have invested in across **303** borrowers in the portfolio today.

**100**

Percentage of countries rated investment grade when investment was made: **99%** still rated that way with **92% AA-** or better.

**3**

Percentage of AUM based in emerging markets.



# **Barings Target Yield Strategy**



# Barings Target Yield Infrastructure Debt Fund 2

## Executive Summary



### Fund Highlights

**7–9% Unlevered**

**TARGET  
NET RETURN<sup>1</sup>**

- Infrastructure debt portfolio **diversified by geography and sector**
- Focus on **defensive, high-quality** assets geared towards principal preservation
- Seeks to generate **stable current income**, distributed quarterly



### Market Opportunity

**\$3–\$4 T**

**ESTIMATED ANNUAL INVESTMENT  
IN INFRASTRUCTURE<sup>2</sup>**

- **Substantial global funding need** driven by energy transition and decades of underinvestment
- **Lender-friendly environment** due to pullback of traditional infrastructure lenders
- Infrastructure debt can provide **diversification and downside protection** to a broader portfolio



### Barings Expertise

**30+ Year**

**TRACK RECORD INVESTING  
IN INFRASTRUCTURE**

- Barings has **deployed \$20 B+** in infrastructure debt since 2014
- Dedicated team of **24 investment professionals** leveraging Barings' \$80 B+ private credit platform
- **<0.01% annualized loss rate** since inception of the strategy

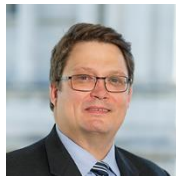
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1. Investors should bear in mind that these are return targets, rather than actual returns, and the investment may experience substantial loss. There can be no assurance that such return targets will be achieved. Full market cycle is defined as average over a 7–10 year timeframe.

2. Source: Oxford Economics.

# **Presenter Biography**

# Presenter Biography



## Pieter Welman (19)

### MANAGING DIRECTOR, HEAD OF GLOBAL INFRASTRUCTURE

Pieter Welman is responsible for the overall management of Barings' infrastructure investment teams across London and New York. Based in London, Pieter chairs the Barings' Global Infrastructure Investment Committee, manages the global portfolio and is responsible for the overall strategy of the infrastructure business within Barings Private Assets. Pieter is also a member of the Private Placement Investment Committee. Prior to joining the firm to set up Barings' European Infrastructure team in 2015, Pieter worked in the Infrastructure EMEA team in Credit Agricole Corporate and Investment Bank with responsibility for originating, structuring and executing non-recourse financings and prior to that at Barclays. Pieter is a member of the Institute of Chartered Accountant in England and Wales and the Chartered Institute of Management Accountants. Pieter holds a Bachelor's degree in commerce from University of Stellenbosch, South Africa.



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