Alternatives Unlocked Introduction to Private Infrastructure

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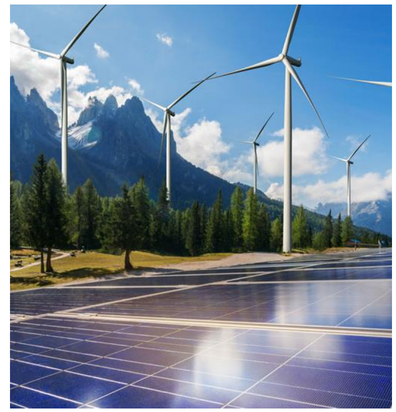
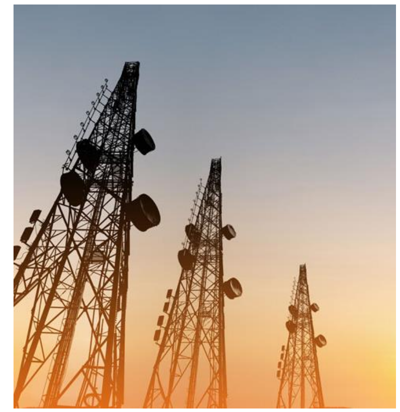
What is Infrastructure?

Infrastructure assets are an important part of a functioning society and economy because they facilitate people's basic needs and services across sectors and geographies

Common Infrastructure Characteristics

- Assets vital to the local market
- Essential services supported by hard assets
- Visibility of long-term cash flows
- Well-established market positions

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Illustrative Infrastructure Sectors and Risk/Return Spectrum

Illustrative Infrastructure Sectors

Digital
- Communications Towers
- Fiber Optic Cable Networks

Industrial & Social
- Education Facilities
- Healthcare Facilities

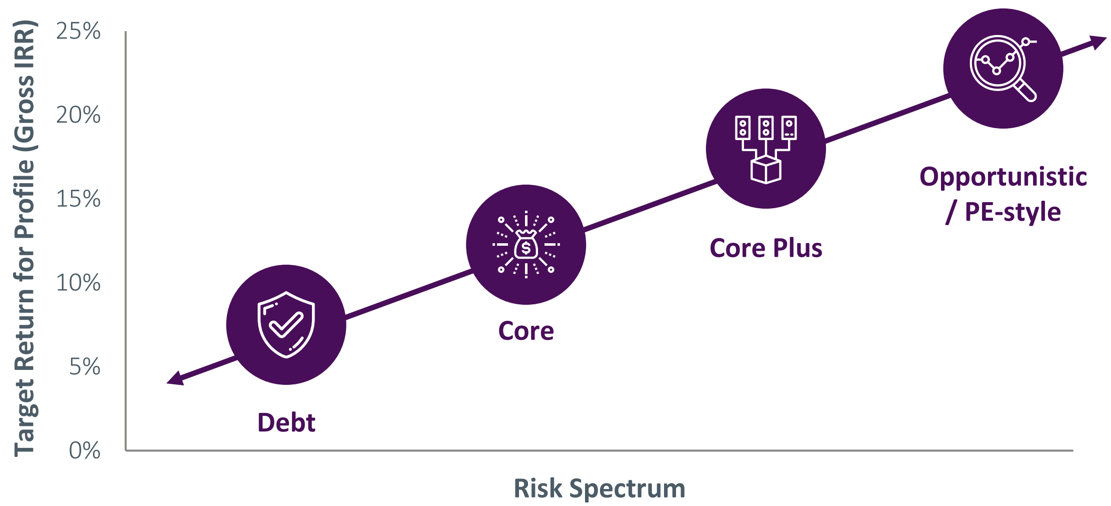
Energy
- Midstream Networks (Pipelines, Processing and Storage Facilities)

Utilities
- Electricity and Gas Distribution & Transmission
- Water & Wastewater

Transportation
- Toll Roads, Bridges & Tunnels
- Airports, Ports & Container Terminals
- Rail & Mass Transit
- Parking

Power
- Renewable Power (including Hydro, Wind, Solar, Distributed Generation & Storages)
- Conventional Generation
- District Energy Systems

The Infrastructure Risk/Return Spectrum



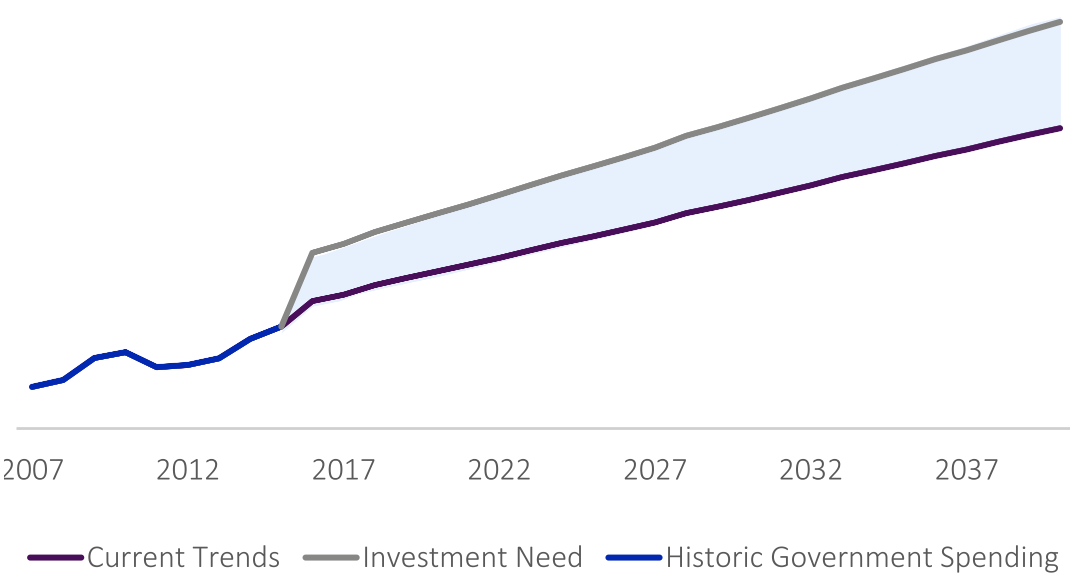
Typical Risk Characteristics	Debt	Core	Core Plus	Opportunistic / PE-style
	• Infrastructure debt or liquid securities that generate consistent yield with low volatility	• Mature, cash yielding operating businesses • Developed OECD • Regulated and contracted cash flows	• Global exposure to Infrastructure opportunities that drive returns through complexity and active asset management	• Distressed sellers, development, significant redevelopment, financial engineering, emerging sectors/ markets, commodity price, greenfield, merchant risk

Note: The risk-return profile above is KKR's general reflection of market risk with respect to the Infrastructure asset class and is not meant to be a prediction of performance of any KKR managed fund or illustrate any specific investment. For illustrative purposes only. Target performance is not necessarily indicative of future results, and there can be no assurance the targeted returns will be achieved. Please refer to the Important Information section at the beginning of this section for additional disclosure regarding target returns. An investment in the strategy involves a high degree of risk that can result in substantial losses.

The Role of Private Infrastructure Financing

Governments increasingly need private capital to repair and build new infrastructure

The Public Funding Gap



$15 trillion

investment gap between what the world needs and what governments can be expected to spend based on current trends between now and 2040

To Source: G20 Global Infrastructure Outlook. As of March 2018.
Note: The estimate of investment need is based on an analysis of how much countries would have to spend if they wanted to match the performance of their best-performing peers by income group, controlling for economic and demographic differences and the quality of current infrastructures.

Why Private Infrastructure?

Infrastructure, invested well, has the potential to provide an attractive opportunity

A Potential Buffer Against Economic Shocks[1]	Exposure to essential services required through market cycles and with strong market positions
Historically Consistent Yields	Long-term contracts or regulated revenues support consistent yield and favorable risk-adjusted returns
A Potential Hedge Against Inflation	Infrastructure assets' revenue profile may benefit from contracted prices with inflation adjustments, regulated return frameworks, pricing power, the ability to pass-through operating costs and real asset values that naturally rise with inflation
Potential for Diversification[2]	Low correlation to traditional asset classes and a complement to other real assets
Upside Opportunity[3]	Investment in thematic trends that may benefit from sustainable, long-term industry tailwinds

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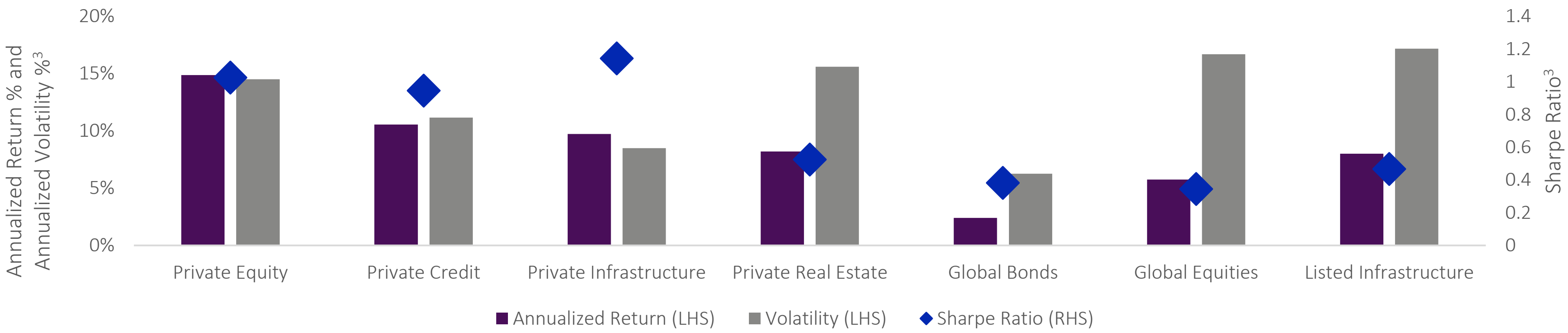
1) Downside protection is no guarantee against future losses.
2) Diversification does not guarantee returns or capital preservation.
3) There is no guarantee that trends will continue.

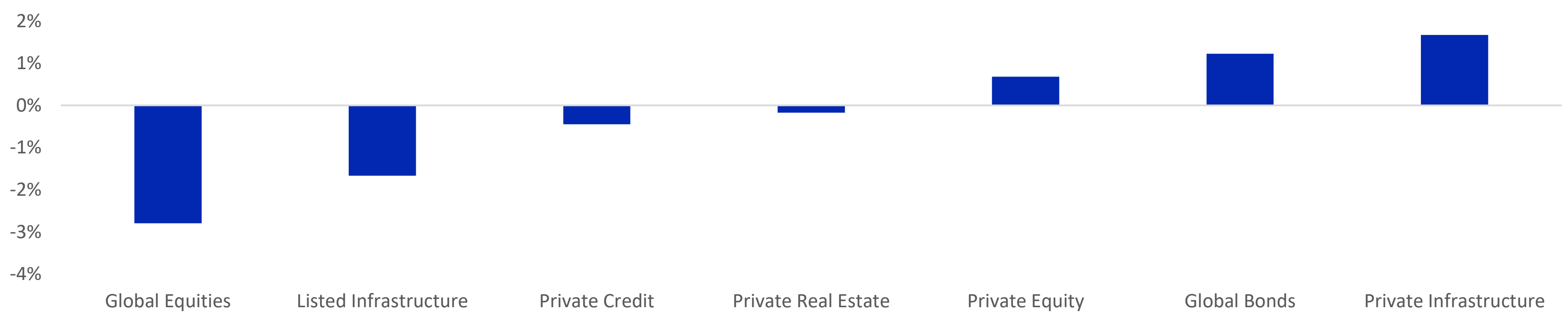
Compelling Risk-Adjusted Return and Long-Term Track Record

Infrastructure assets exhibit lower volatility even when broader markets are turbulent and dislocated

Annual Asset Class Return and Volatility (2004-2023)[1]



Average Quarterly Return 1 Year Prior To-And-During Recessions (2004-2024)[2]



1. Data as at 12/30/2023. Private Real Estate modeled using the Cambridge Associates Real Estate Index. Private Infrastructure modeled using the Cambridge Associates Infrastructure Index. Private Equity modeled using the Cambridge Associates Private Equity Index. Private Credit modeled using the Cambridge Associates Private Credit Index. Source: KKR GBR.
2. Note: Analysis taking the average of the quarterly returns from 1Q04-2Q24 4 quarters before or in quarters defined as recessions by the National Bureau of Economic Research. Private Equity, Private Infrastructure, Private Credit, and Private Real Estate refer to the respective Cambridge Associates Benchmark Index and are quoted in net return. Global Equities refers to the MSCI World Index. Listed Infrastructure refers to the S&P Global Infrastructure Index. Global Bonds refers to the Bloomberg Global Agg Index. Global Equities, Listed Infrastructure, and Global Bonds are gross returns. Source: NBER, Bloomberg, MSCI, Cambridge Associates, KKR GBR analysis.
3. See Volatility, Sharpe Ratio and benchmark definitions on slide 11.

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How Does Infrastructure Generate Returns?

Cash flow from infrastructure depends on multiple factors

Revenue Model	**Independent pricing**	**Concession** (Tolling Model)	**Concession** (Availability Model)	**Contracted Assets**	**Regulated Assets**
Illustrative Assets	Parking garage	Bridges, Tunnels & Toll roads	Mass Transit	Cell towers	Electricity & Natural Gas Distribution
Cash Flow Characteristics	Market Sets Price	Government grants rights; revenue based on usage	Government grants rights; regular fixed payments	Revenues set by long-term contracts	Government sets rates based on "acceptable return" for investors

Less Predictable ⟷ **More Predictable**

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Global Private Infrastructure Demand Drivers

There are four key forces supporting the growing demand for private-sector infrastructure investment

DIGITALIZATION

Global IP traffic is expected to increase by **26%** CAGR.[1]

Representative investment opportunities:

- Fiber Optic Networks
- Cell Towers
- Data Centers

DECARBONIZATION

Estimated cost of decarbonization efforts is **$1.5-$2T**.[2]

Representative investment opportunities:

- Solar & Wind Technology
- Water/Waste Management
- Electric & Gas Assets

TRANSPORTATION

By 2050, global passenger and freight volumes are expected to grow **2x+.**[3]

Representative investment opportunities:

- Public Transit
- EV Charging Stations
- Electrical Grid

DECONSOLIDATION

50% of private investment is from industrials and corporates that own non-core infra assets.[4]

Representative investment opportunities:

- Corporate Carve-Outs
- Sale-Leaseback
- Asset Leasing

1. Credit Suisse, April 2020
2. BP Statistical Energy Review (2020 and 2015), US Bureau of Labor Statistics
3. OECD International Transport Forum Outlook 2021
4. PwC, 2017

Accessing Private Infrastructure

Historically only available to institutions or ultra high-net-worth investors, new structures are now providing Accredited Investors with access to the benefits of private infrastructure

	Evergreen Structures	Traditional Open-End Infrastructure	Traditional Closed-End Infrastructure
Structure	Open-ended with no defined end date		Closed with a fixed number of shares issued during the initial public offering
Capital Deployment	Continuous with monthly or quarterly subscriptions; Evergreen allows for recycling of capital after an exit		Capital is initially committed and drawn down over investment period
Liquidity	Continuous inflows and outflows of capital, allowing for limited periodic liquidity		Typically allows redemptions only at end of fund's life or through secondary market sales
Investment Horizon	Long-term		Fixed term, often around 7-15 years with possible extensions
Accessibility	Typically mass affluent; may be available to Accredited Investors[1] depending on structure		Typically, Qualified Purchaser[1]
NAV and Valuation Process	Dependent on Structure		Typically, Quarterly

Note: The above schedule is for hypothetical discussion purposes only.
1. See slide 11 for definitions of Accredited Investor and Qualified Purchaser.

Disclosures

Benchmark Definitions

Cambridge Private Equity Index: A specific benchmark within Cambridge Associates' private equity dataset, used to evaluate the performance of private equity portfolios against peer groups of similar strategies and vintages.

Cambridge Private Infrastructure Index: Measures the performance of private infrastructure investments, focusing on returns from closed-end infrastructure funds globally, benchmarked against comparable peers.

Cambridge Private Credit Index: Tracks private credit fund performance within Cambridge Associates' dataset, serving as a benchmark for investors evaluating direct lending and other credit-focused strategies.

Cambridge Private Real Estate Index: Evaluates private real estate fund performance globally, comparing net returns from value-add, core-plus, and opportunistic real estate funds.

MSCI World Index: A market-capitalization-weighted index that represents the performance of large- and mid-cap companies across 23 developed market countries, providing a broad measure of global equity market performance.

S&P Global Infrastructure Index: Tracks the performance of the 75 largest publicly traded companies in the global infrastructure sector, covering industries like energy, transportation, and utilities.

Bloomberg Global Aggregate Index: A broad measure of the global investment-grade fixed-income market, including government, corporate, and securitized bonds across developed and emerging markets.

Standard Deviation: Measures the volatility of returns by quantifying the degree to which individual returns deviate from the average return over a specific period. When the returns of an investment are more spread out (i.e., have a higher standard deviation), it indicates that the investment experiences larger fluctuations in value, which reflects higher volatility. Conversely, a lower standard deviation suggests that the returns are closer to the mean, indicating more consistent and stable performance. This helps investors assess the risk associated with an investment, as higher volatility often implies a greater potential for both significant gains and losses.

Sharpe Ratio is a measure that evaluates the risk-adjusted return of an investment by comparing its excess return (the return above the risk-free rate) to its standard deviation (volatility). A higher Sharpe Ratio indicates a more favorable risk-return profile, suggesting that the investment has generated higher returns per unit of risk taken.

Qualified Purchaser is defined as an individual or entity that meets certain financial criteria established by the U.S. Securities and Exchange Commission (SEC). Generally, to qualify, an individual must own at least $5 million in investments, while entities may need to have $25 million or more in investments. The concept is primarily aimed at ensuring that investors have sufficient financial sophistication and resources to engage in higher-risk investments.

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