

2020 Annual Conference
Private Markets – Isabelle Demir

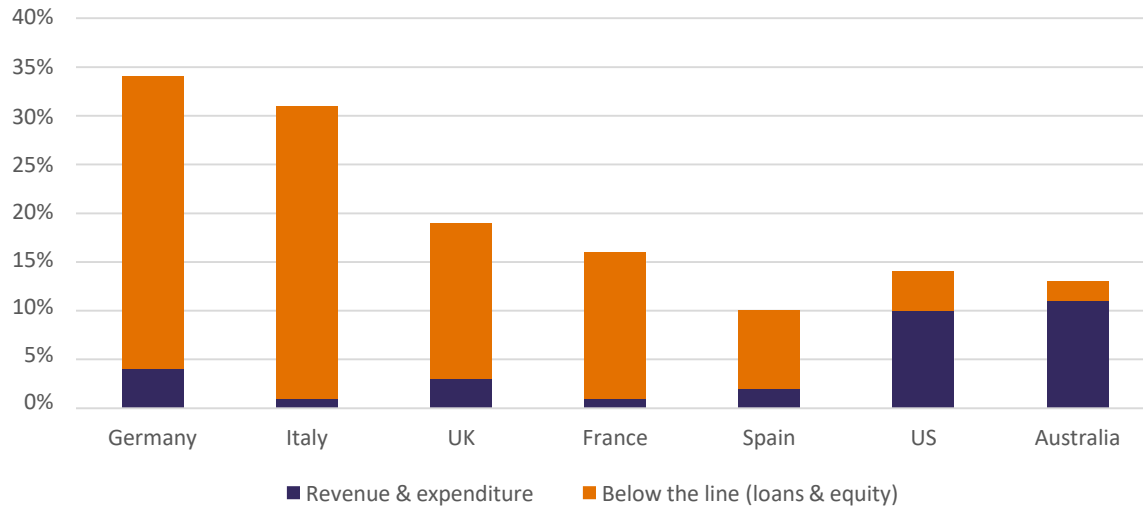
COVID in context – the great lockdown

The impact of COVID on markets and economies has been severe – although duration of the crisis remains unknown

- Most severe economic contraction since WW II
- Highest unemployment rate since the Great Depression



Fiscal measures adopted in response to COVID-19 (% of 2019 GDP)



Source: World Bank, BBC

COVID-19 impact on valuations

Markets have been down and up, but disconnect between listed and unlisted markets remain

| | | Q1 | Q2 | YTD2020 |
|----------------|----------------|--------|--------|---------|
| Infrastructure | Unlisted | -6.2% | ~0% | -6% |
| | Public markets | -20.3% | +7.9% | -12% |
| Private Equity | Unlisted | -10.0% | ? | > -10% |
| | Public markets | -21.0% | +19.7% | -1% |
| Real Estate | Unlisted | -1.1% | -5.7% | -7% |
| | Public markets | -35.2% | +19.6% | -15% |

Infrastructure: FTSE Developed Core Infra 50/50Index
 Private equity: MSCI World Index
 Real estate: ASX 300 Property Index

Infrastructure – “rethink defensiveness”

Infrastructure

- 6%

Infrastructure portfolios must be diversified across all key value drivers, including revenue profile



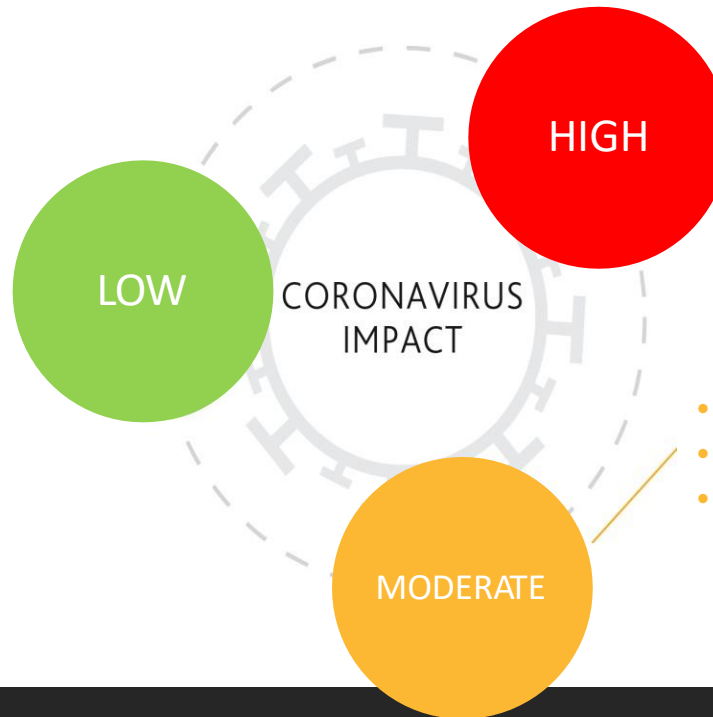
Telecomms
+ 2.5%

vs

Airports
-12.5%



- Telecommunications
- Regulated electric and gas utilities
- Regulated water utilities
- PPPs
- Contracted power generation (incl. renewables)



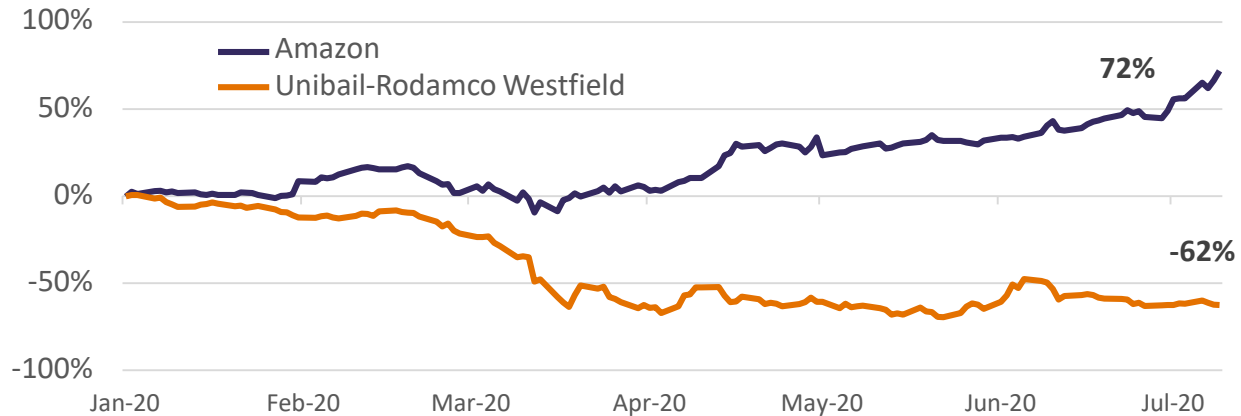
- Airports
- Toll roads
- Car parks

- Seaports
- Uncontracted power generation
- Midstream

Real Estate – “acceleration of structural trends”

Secular themes of demographics, urbanisation and technology driven disruptors as an insulator against macro-sensitive real estate

Real Estate
-7%



Retail
-16%



Office
-1.5%



Logistics
+5%

vs

vs

Private Equity – “digitalisation, de-globalisation & de-leveraging”

Investment horizons for existing portfolios likely to extend by 1-3 years as portfolio companies stabilise and return to a predictable business cycle

Private
Equity
>[- 10%]



Source: Campbell Lutyens

COVID-19 impact on investor sentiment

Return premium (over bond yields) provided by private markets remains attractive for most clients

Liquidity



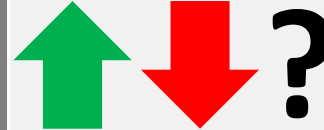
LPs

- Emphasis is on stress testing and liquidity management
- Liquidity constraint for Supers from the Australian Government's Early Access Release Scheme

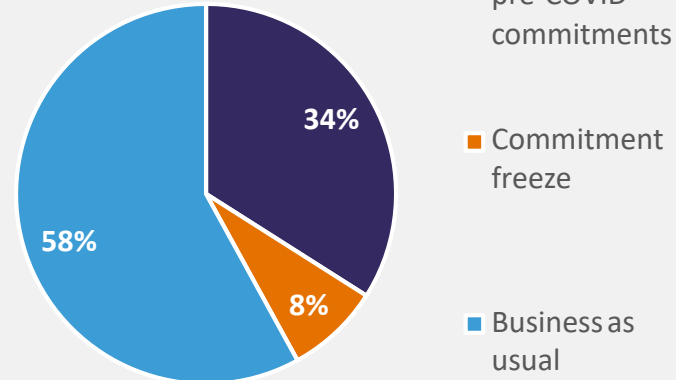
Lenders

- Debt priced with higher margins

Investment



LPs



GPs

- Slowdown in investments and exits
- Focus on existing portfolio
- Fundraising extended to 2021

Allocation to private markets

Largely unchanged

- Low interest rate environment
- Low expected returns from major asset classes
- Yielding assets increasingly attractive

Chart source: Campbell Lutyens

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