Infrastructure Debt – High Yield Credit

Targeting attractive returns from a stable, cash flow generative asset class

The Fund (IDP HY) aims to invest in a diversified portfolio of private high yield unitranche, subordinated, and asset back credit instruments in infrastructure companies and projects. The Fund targets mid-sized infrastructure projects in Europe with a target gross return of 8-9%[1]. The Fund will be managed by a dedicated and experienced team with a successful track record and a leading position as direct lender in mid-market infrastructure.

Characteristics of infrastructure assets

Infrastructure assets are the facilities and structures essential for the orderly operation of an economy. Infrastructure assets are typically long-term in nature, benefit from high barriers to entry and have limited exposure to economic cycles, offering a resilient and stable source of cash flows. They generally belong to one of the following categories:

- Transportation: airports, ports, roads, rail, logistics
- Utilities: water, gas and power networks, district heating
- Telecommunications: telecom networks (towers, fiber), satellites, data centers
- Energy: conventional and renewable power generation, energy storage
- Social: waste management, healthcare and education

The case for private HY credit in infrastructure

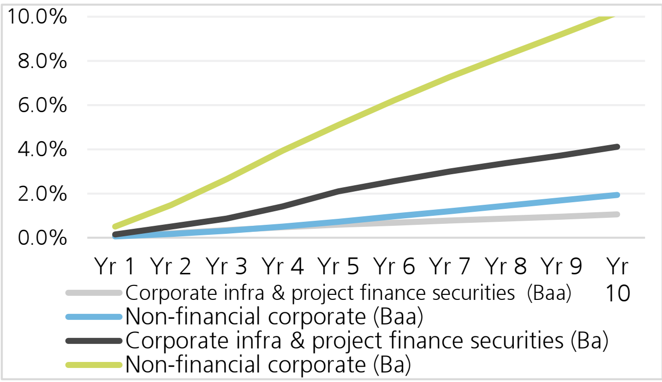
There is a steady demand for HY infrastructure credit driven by the borrowers' desire to improve returns, cover temporary liquidity needs, optimize the capital structure, and monetize illiquid holdings or to cover other more opportunistic needs.

Europe is facing an economic slowdown, combined with higher inflation. Historically, earnings for infrastructure companies have outperformed the wider market in similar environments[1].

The energy crisis in Europe has pushed inflation higher, causing long-term borrowing base rates to rise.

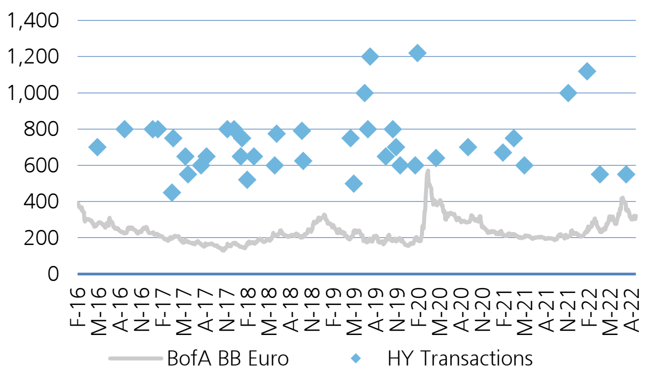
Infrastructure HY offers an attractive spread of 550bps over Euribor/ Euro-Mid-Swap, corresponding to a c. 8-9% all-in return[1], with a risk profile mitigated by strong credit protections and substantial equity buffers. This offers an attractive risk-reward opportunity compared to similar corporate debt exposure and corporate HY benchmarks, as highlighted in the charts below.

Chart 1: Average Ba-rated cumulative credit loss rates, 1983-2020



Source: Moody's Infrastructure default and recovery rates,1983-2020 UBS Asset Management, Real Estate & Private Markets (REPM), June 2023

Chart 2: European HY Index / selected infrastructure HY credit transactions, 2016-2020



Source: Bloomberg, UBS Asset Management, Real Estate & Private Markets (REPM), June 2023

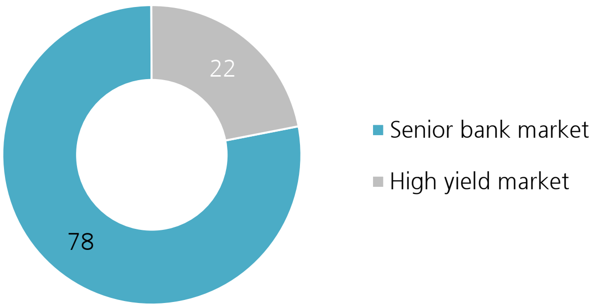
1 Bloomberg: EBITDA for MSCI Europe (wider market) and Infrastructure is a blend of EU Energy, EU Transport and EU Utilities indices. Annual YoY based on median annual data for 2006-2019.

A well-defined investment strategy

Our strategy seeks to provide investors with attractive returns and stable yield investing in infrastructure HY credits.

Investment opportunities will be sought in European countries. Typically we will focus on mid-sized and small-sized opportunities where there is less access to capital and potential returns are higher. In line with our track record, we would seek bespoke credits requiring structuring capabilities and allow for capturing market dislocations more effectively.

Chart 3: European infrastructure credit market, EURbn, 2019-2020 annual average



Source: UBS Asset Management, Real Estate & Private Markets (REPM); Bloomberg; InfraDeals; November 2022; Data showing annual average of 2019-2020 private infrastructure financing.

Focus on value creation and risk mitigation

We aim to add value by emphasizing particular transaction attributes, in particular, leveraging access to proprietary deal flow, enhanced by the strong reputation as a leading mid-market lender. In addition, we will target primary bilateral transactions where we can influence the deal structure, mitigate risks and earn additional income (arrangement and structuring fees) and potentially share some upside with the equity sponsors.

An experienced team

Investments will be identified, analyzed and monitored by a six people strong dedicated investment team, further supported by UBS Asset Management's infrastructure investment platform of over 40 experienced professionals spread across debt, equity and research.

The dedicated infrastructure debt investment team has over 90 years of combined experience in infrastructure finance, with strong complementarities to execute the investment strategy: structuring expertise, in-depth credit analysis, special situation lending, rating analysis, M&A, and portfolio management. The extensive network of relationships of the team members (composed of five different nationalities and speaking seven European languages) is key to support our direct origination strategy, complementing our well-established reputation as a lender in mid-market infrastructure.

Why UBS AM

Proprietary sourcing	Specialist origination skills focusing on bilateral and negotiated primary transactions, leveraging well-established reputation in the mid-market space.
Dedicated structuring	Direct involvement to identify and mitigate risks, influencing key structural transaction/credit features, and avoiding intermediation costs maximizing returns for investors.
Access to UBS-AM infrastructure platform	Access to the wider UBS-AM infrastructure capabilities, ensuring additional support from sector experts as well as "equity view" on the investments and a fully dedicated research team.
Active monitoring	Each investment is actively monitored through its life, through periodic business updates, meetings with management and an annual review of the internal credit rating (using a model designed by Moody's), ESG scoring and Solvency II treatment.

New offering – private HY infrastructure credit

HY infrastructure credit targets to build a portfolio of opportunistic unitranche, subordinated and asset backed credit instruments providing a target gross return of c.8.0%, comprised of ongoing yield (base rates + c.550bps margin) plus non-recurring income form arrangement and structuring fees[1]. The investment strategy will continue to focus on private market, mid-sized opportunities and will seek to build a diverse portfolio of assets across European countries. Envisaged HY credit structures can include, *inter alia*, senior construction financing, unitranche debt, junior and HoldCo financings, financing of capex plans delayed by COVID-19, event-driven credit/bridge financings, re-leveraging of under-levered assets, and other bespoke structures across the infrastructure sector.

Simulated portfolio

Asset	Country	Type	Currency	Amount, millions	WAL, years	Expected rating	IRR	Est SCR
Renewable portfolio	DACH	Subordianted / HoldCo	EUR	35	5.0	BB	5.5%	9.4%
Telecom business	CEE	Subordianted / HoldCo	EUR	30	4.0	BB-	6.6%	7.5%
Telecom business	France	Subordianted / junior	EUR	48	3.5	BB-	8.7%	6.6%
Renewable portfolio 2	Benelux	Subordianted / HoldCo	EUR	20	6.2	B+	11.2%	10.8%
Energy from waste	Benelux	Subordianted / HoldCo	EUR	40	3.0	BB+	7.6%	5.6%
Energy portfolio	Iberia	Senior/ opportunistic	EUR	25	5.0	BB	8.6%	9.4%
District heating	Nordics	Subordianted / HoldCo	EUR	42	5.0	BB+	8.9%	9.4%
EV infrastructure	France	Senior / construction bridge	EUR	20	7.0	B+	8.9%	11.6%
Toll road	Iberia	Subordianted / HoldCo	EUR	30	7.0	B+	12.4%	11.6%
District heating	Benelux	Subordianted / HoldCo	EUR	10	5.0	BB-	8.8%	9.4%
				300	**4.8**	**BB-**	**8.6%**	**9.3%**

Source: UBS Asset Management, Real Estate & Private Markets (REPM), September 2023

Chart 4: Simulated balanced portfolio across sub-sectors

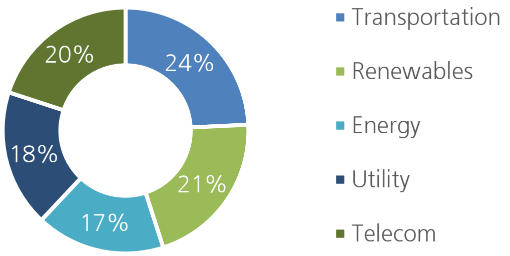
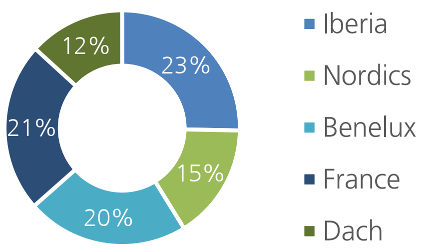


Chart 5: Simulated geographic diversification



Source: UBS Asset Management, Real Estate & Private Markets (REPM), September 2023

Key features

AIFM	UBS Fund Management (Luxembourg) S.A.
Target fund size	EUR 300-500 million
Underlying assets	Instruments: unitranche, junior and HoldCo credit instruments Sectors: transport, utilities, digital, energy and social infrastructure
Geography	European countries
Target portfolio rating	Ba area
Target spread	550bps over Euribor / Euro Mid-Swap, corresponding to c.8.0-9.0% all-in return per annum[1]
Fund maturity	7 years
Target diversification	10-12, Single transaction <20%, Single country <25%, Single sector <35%
Target portfolio duration	3 years
End of investment period	2 years after final close
Fund term	7 years after final close
Leverage	The Fund is unlevered. Borrowing is allowed to facilitate settlement of transactions
Hedging	Hedging of currency risk allowed to hedge non-Euro investments
Currency	Euro
Liquidity	Closed-ended
Management Fee	75bps based on invested capital
Carried interest	15% with a hurdle rate of 4.0%
ESG policy	Aligned with Article 8 of the EU SFDR Signatory of the UN Global Compact and PRI Investment ESG status assessed with a ESG scorecard
Solvency 2 treatment	9%-11% expected SCR, targeting investments in eligible infrastructure credits [2]

Source: UBS Asset Management, Real Estate & Private Markets (REPM), September 2023

Client suitability

(1) Archmore Infrastructure Debt Platform – High Yield Credit is only available for institutional, professional or qualified investors

(2) Prospective investors needs to duly consider the suitability of an investment in the fund
- Any investment into this fund shall be consistent with the client's overall investment objectives and the client's net worth.
- The total allocation into Infrastructure Credit investments with restricted liquidity should be put in the context of the client's total bankable assets and risk appetite.

(3) Prospective investors should examine the prospectus fully before considering an investment and consult specifically the terms and conditions before making a subscription or redemption in the Fund

(4) Prospective investors must be aware of the restricted liquidity to redeem any investment in the fund.
- The Fund has a 7-year Fund term, starting after the Final Closing date (which can be extended to a maximum of nine years)

(5) The information contained herein is only a summary of some of the fund's aspects and risks. For complete information about the fund, including the risks of investing, applicable fees and other important information, prospective investors are advised to request a copy of and read the full prospectus

Notes:

1 All-in return based on June 23 Euribor/ Euro Mid-Swap rates; the target return presented herein is hypothetical, has been prepared for illustrative purposes only, and does not constitute a forecast of future returns. The target return is presented on a gross basis and, accordingly does not reflect Management Fees or transaction costs or other expenses to be borne by the investors, which will reduce returns and in the aggregate are expected to be material.

2 SCR based on spread risk capital charge only, investments assumed to be "Qualifying infrastructure corporate investments" as defined in EU Regulation 2015/35

Additional risks

Fund characteristics or objectives:

- Any decision to invest should take into account all the characteristics or objectives of the fund as described in its prospectus, or similar legal documentation. Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company.

Costs or currency

- If all or part of the total costs to be paid is different from your reference currency, the costs may increase or decrease as a result of currency and exchange rate fluctuations. Commissions and costs have a negative impact on the investment and on the expected returns. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency and exchange rate fluctuations

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Source for all data and charts (if not indicated otherwise): UBS-AM or one of the Fund's portfolio companies.

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