Infradebt Investment Philosophy

Purpose

This statement sets out some of the fundamental principles that underpin Infradebt's investment approach. The principles set out below are intended to be universal to the funds, mandates and strategies that Infradebt manages. They are not limited to the ESG screened funds that Infradebt manages such as the Infradebt Ethical Fund. These statements are statements of principle/approach – each fund/mandate will then have its own investment strategy and investment mandate which will impose additional restrictions.

Investment Values/Philosophy

Core investment values of Infradebt are:

- **Transparency**. Australian infrastructure projects provide the opportunity for a direct connection between investors and underlying projects. That is, infrastructure projects are tangible assets that individual stakeholders – whether they be investors, or in the case of a collective investor like a superannuation fund – their underlying investors – can have a direct connection with. For example, a wind farm or airport or tollroad – that stakeholder might visit or even use. A core value is providing investors with transparency of the underlying projects that they are exposed to.
- **Responsible Investment is Good Risk Management**. In our view good ESG is simply good risk management. That is considering how a project operates, how it is managed, who are its stakeholders and what is its upstream and downstream impacts. In our view, significant negative externalities, in terms of adverse environmental and societal impacts, present a key risk to any investment that should be consciously considered as part of any investment decision. Similarly, good management and governance is essential to maximising the value (and mitigative potential risks) to any project or asset.
- **Avoid Stranded Assets**. As a specific extension of the principle above, we avoid stranded assets. As a lender, a key focus of our risk assessment is the consideration of potential downside risks. Stranded assets (or the potential for an asset to become a stranded asset) is a key downside risk.
- **Balance Environmental/Economic Outcomes.** While consideration of ESG issues and, in particular, potential environmental externalities is a key focus of Infradebt's investment process – we are pragmatists. Modern economies necessarily involve a range of polluting/extractive activities. There needs to be a sustainable balance between economic activity (which supports societal income and wellbeing) and the interests of the environment/society. Thus, our focus is on identifying/mitigating situations of unstainable externalities rather than avoidance. For example, solar panels, wind turbines and batteries source materials from extractive industries – no motherhood statements will avoid this fact. However, the most compelling opportunities, in our experience, are those which combine an improved environmental/societal outcome and a cost saving. Renewable energy is a case in point. Twin benefit projects such as these are potentially self-financing from a cost saving perspective and, hence, are particularly exciting for an infrastructure manager such as Infradebt. These investments deliver an excellent risk adjusted return as well as a good outcome for the environment and/or the community.
- **Be willing to be unconventional.** What sets Infradebt apart relative to our peers is that we are willing to be consciously unconventional. Investing is a competitive process. Conventional assets and projects with conventional risk attributes will be highly sought after and have their returns competed down. Part of long-term superior risk adjusted returns comes from be willing to be unconventional. This should be a conscious decision – where we acknowledge we are acting differently – but where on the basis of thoughtful analysis, we conclude this offers our clients an attractive risk adjusted return.

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