

## Looking Ahead - Beyond COVID-19

18 December 2020

Dear Investors,

Not only were we confronted with an unprecedented global pandemic that changed the world, but InfraRed also completed the partnership that saw Sun Life acquire a majority stake in our business. As the year draws to a close, I wanted to take this opportunity to provide you, our investors, with a review of how we have performed and share our thoughts on some interesting trends for 2021.

### Supporting our clients, our assets and our people

As an international investment manager, InfraRed witnessed at first hand through its portfolio the impact of the pandemic on communities. We manage well over 100 social infrastructure projects in the UK, Europe, North America, and Asia that provide critical services, including healthcare facilities, for use by our public sector clients. Our first priority has been to support these clients, our assets and the people who continue to be reliant on them for their health and wellbeing during the COVID crisis.

Throughout the pandemic, all InfraRed staff displayed enormous commitment to all our stakeholders in delivering on our investment strategies and vision “**Investing in real assets with real purpose for a sustainable future**”. InfraRed’s sustainability report available [here](#) summarises the company’s sustainability achievements in 2020 and our objectives for 2021.



### A partnership with Sun Life

Over the course of 2020, we have also made sure that investors and other stakeholders are aware of the current situation for each fund that we manage and for the InfraRed business itself. As such, we announced the completion of our partnership with Sun Life, a leading international financial services organisation ([see link for further details](#)). Sun Life shares our values, and we are excited to leverage the resources made available to InfraRed to start a new chapter of growth, capturing expansion opportunities around our core competencies in both Europe and the Americas.



## A year of achievements

Alongside this change, InfraRed achieved some successes during the year:

- **200 employees.** We have continued to focus on developing a diverse range of talent, promoting into new positions and adding with external recruits and the hiring of specialist skills into all parts of the business.
- **New London headquarters.** We successfully relocated InfraRed’s London office to a new BREAM environmental and sustainability rating of ‘Excellent’ building on time and budget in July 2020.
- **Service delivery.** All our 200+ assets delivered resilient services throughout the pandemic.
- **\$1bn+ new capital raised.** Successful capital raising demonstrated the continued trust investors show in InfraRed’s strategies.
- **\$1bn+ of equity invested.** Our team originated and executed 11 investments into a range of resilient and financially attractive sectors, reflecting our ability to source opportunities in the most adverse of situations.



Despite the pandemic and the continuing low interest environment, InfraRed has continued to keep the value-add programmes for our capital gain funds on track and to create strong and stable performance sought for by the investors in our income focused funds.

## Key trends – an ever-growing Sustainability Agenda in a post-COVID world

Alongside supporting our existing assets, our teams continuously and systematically review market sectors to identify new potential investment opportunities. 2020 has seen a reinvigoration of initiatives to support zero carbon goals in Europe and North America as well as continuing ambitions to develop digital infrastructure; and we have deployed capital that addresses both themes. Looking at the year ahead, InfraRed believes that new opportunities will arise in these sectors, supported by governments seeking to simultaneously tackle climate change through decarbonisation and provide their economies with the financial stimulus required to recover from COVID. We have structured new funds to capture these opportunities.

### Greener investments at the heart of societies and policy makers

As governments prepare for life after COVID, sustainable and clean energy investments have risen high in their agenda to tackle climate change and decarbonise their economies. This is the case across the UK, EU and increasingly the US, with governments expected to address this challenge to our societies through new and more ambitious policy goals.

Some of these initiatives were already in train before the pandemic. In December 2019, the EU launched the **European Green Deal**, setting targets including no net emissions of greenhouse gases by 2050, and will be launching in 2021 the **EU Taxonomy** with the aim to achieve the United Nations Sustainable Development Goals (“SDGs”).

The UK government recently announced a new programme named **Build Back Greener** with the aim to position the UK as a leader in green energy. The country will also be hosting the United Nations Climate Change Conference (COP26), rescheduled for November 2021.

However, it is possible that the most significant change will come from the US, following the recent election of President-Elect Biden. Biden’s energy policy includes a **Clean Energy Revolution** which aims to invest \$1.7 trillion over ten years with the long-term goal to reach net zero emissions by 2050.

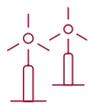
In addition to addressing the impending climate change risks, we expect governments to launch infrastructure programmes to boost their economies and employment in light of the economic crisis caused by the pandemic. In the US, for example, the incoming Biden administration is predicting that over 10 million jobs may be created in the clean energy industry. Notwithstanding the changing political situation in the US, the energy sector is witnessing renewable generation rapidly gaining a competitive pricing edge over traditional fossil fuels as the driver for change. Combined with supporting policies, this creates strong momentum for rapid transformational change in the US energy sector.

Governments will need the support of the private sector to reach their goals. InfraRed has contributed to positive, sustainable change since 2006 when we made our first renewables investment and we are well-positioned to capture new opportunities.



**90% of new power capacity in the World from renewables in 2020**  
(source IEA)

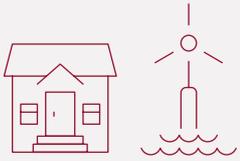
### Sectors to look for in 2021



Renewable energy investments, such as onshore windfarms and solar panels, have been popular for some years. As the industry continues to mature, technological advancements have led to the emergence of distinct renewable energy subsectors.

This is especially the case for offshore windfarms, where the EU and the UK have both recently set out their strategies for the sector. The US may currently lag the EU and the UK, with only one offshore windfarm, however the market, supported by the new administration policies, is expected to reach \$70 billion in the next decade, with thirty projects currently in development.

In 2020, we added two offshore windfarms to our portfolio of operational projects: the 396MW Merkur project in Germany and the 714MW East Anglia One project in the UK. We have now invested \$900m across 4 projects that will power over 1.5 million homes.

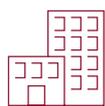
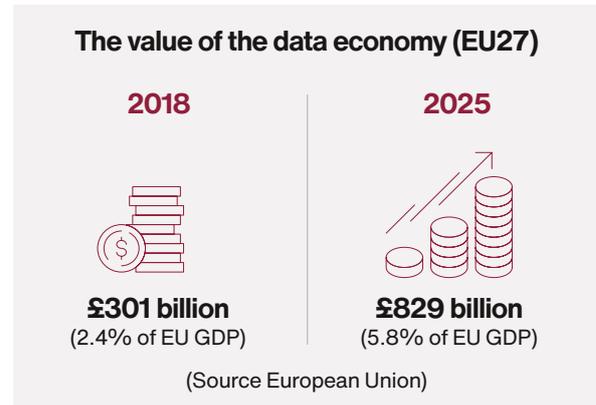


**Over 1 million homes in Europe powered by two new InfraRed offshore windfarms**



COVID has thrust the importance of modern digital infrastructure up the agenda of the global economy. Of course, this theme has been embedded for some years: in 2019 alone, data usage across OECD countries increased by more than 25%. However, the necessity to support sectors such as healthcare and education has given a greater urgency and clear imperative to accelerating the enhancement of digital infrastructure, whether through 5G, fibre or data centres. It provides large opportunities for private investors and, similar to renewables, will be a boost to economies and jobs post-COVID.

As part of this transformation, InfraRed invested in a fibre business in Germany in 2020 and is actively reviewing greenfield and brownfield investment opportunities.



Within real estate markets, the pandemic has accelerated structural trends already at work for some time such as the transfer of retailing from shops to the internet and increasingly flexible office working. The establishment of working-from-home as the new norm has forced the radical digitisation of the workplace and workflows. In the same way as shops need to offer a compelling element of experience and convenience to survive, office buildings need to provide attractive spaces allowing collaboration, training and team building to compete effectively. Across sectors the presence of robotics, software and communication networks will increase. Whilst poorly located and configured assets may face increased risk of obsolescence opportunities are also arising to offer sustainable real estate formats that match the evolving needs of living, working and leisure.

To meet the demand caused by the pandemic and by the structural trends, InfraRed invested successfully throughout the year in last-mile logistics assets.



To achieve net zero emissions by 2050, other clean sources of energy will also need to be considered. Hydrogen has seen a growing interest in the last years, with (for example) the UK Government launching its Hydrogen Advisory Council in Summer 2020. Green Hydrogen, produced using electricity from renewable energy sources, has the potential to decarbonise a number of industries and can also be used to store energy and therefore balance electricity generation and distribution. Although at too early stage for our current strategies, due to its flexibility of use, InfraRed is monitoring the development of the sector closely. Technological improvements and costs reductions along with governments incentives may accelerate the commercialisation of Green Hydrogen.

## Conclusion from the CEO

This has been a milestone year for InfraRed. The challenges we have all faced over the course of 2020 have accelerated changes and are creating countless new opportunities, preparing the stage for a new investment cycle.

Amid all of this, I am immensely proud of the dedication and resilience shown by all of my colleagues throughout 2020 and our successes in both managing our investments to a high standard and sourcing attractive new investments. Our tightly knitted teams have honed our collaboration models and achieved exceptional productivity while working from home. Colleagues cared and looked out for each other's and our stakeholders' wellbeing, adding much to the grounding of our team based caring corporate culture. Across the business we organised several exemplary community support projects and funded charitable initiatives to support those who found themselves in a less favourable position than we.

As I look ahead to 2021, I am confident that with our partnership with Sun Life complete, we are well-placed to take advantage of opportunities in our markets. While we expect economic and political uncertainty to continue, InfraRed's resilient business model will deliver long-term outperformance for our investors and stakeholders. We will also continue to deliver on our sustainability objectives, a project we have pursued systematically since 2014 and consider to be of paramount importance.

We will raise capital for income strategies we have identified this year, being North American renewables and income generating European infrastructure. We will also finalise the investment strategy for our latest sixth-generation infrastructure development strategy and continue our co-investment programme whenever opportunities arise.

I trust you and your families have been able to stay safe and well over the course of the pandemic, and I look forward to seeing you either virtually or hopefully in our new office in London in the coming year. In the meantime, I wish you all the very best for the festive season.

Sincerely,



**Werner von Guionneau**  
Chief Executive