

# How to capture growth with private markets?



March 2024

# Capture growth with private markets

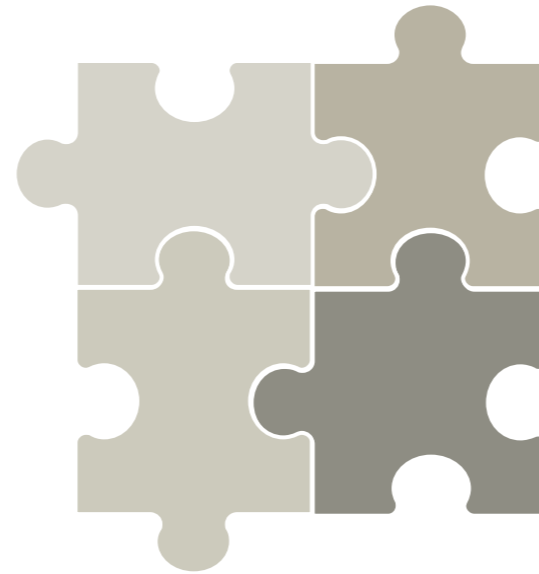
## Building a better portfolio

### Considering the investor's situation

- Understand investor risk profile, preferences and constraints
- Consider needs for liquidity, flexibility and cash-flows, in particular

### Building a portfolio

- Modular approach to facilitate portfolio construction
- Portfolio construction and customization also takes into account implications on income and cash-flows and investor preferences and beliefs, such as sustainability, asset preferences, other financial assets



### Capturing opportunity

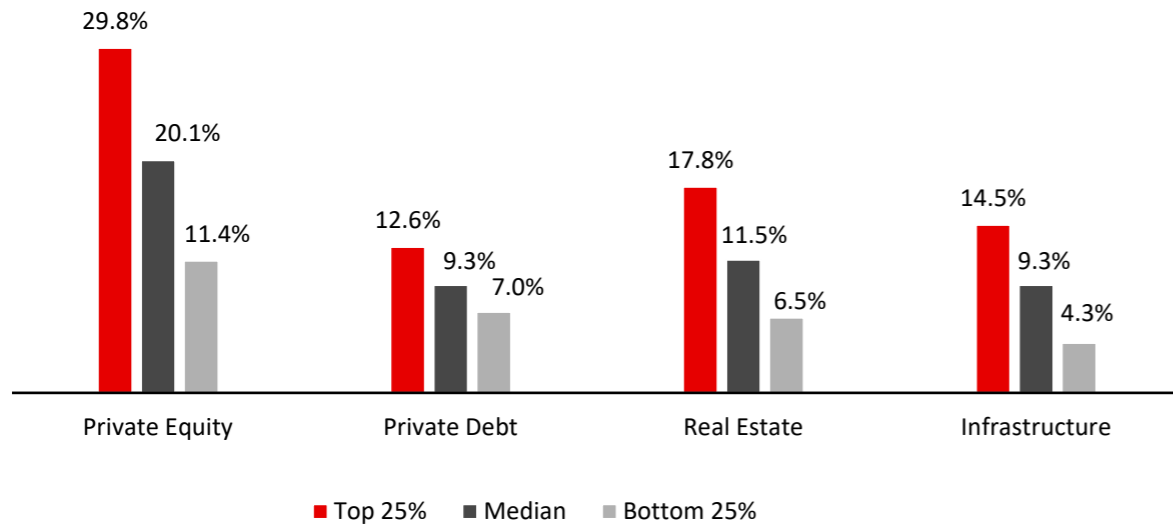
- Seek return opportunities across asset classes and active strategies
- Seek assets across different risk and return drivers of different traditional and alternative asset classes

### Adding private markets

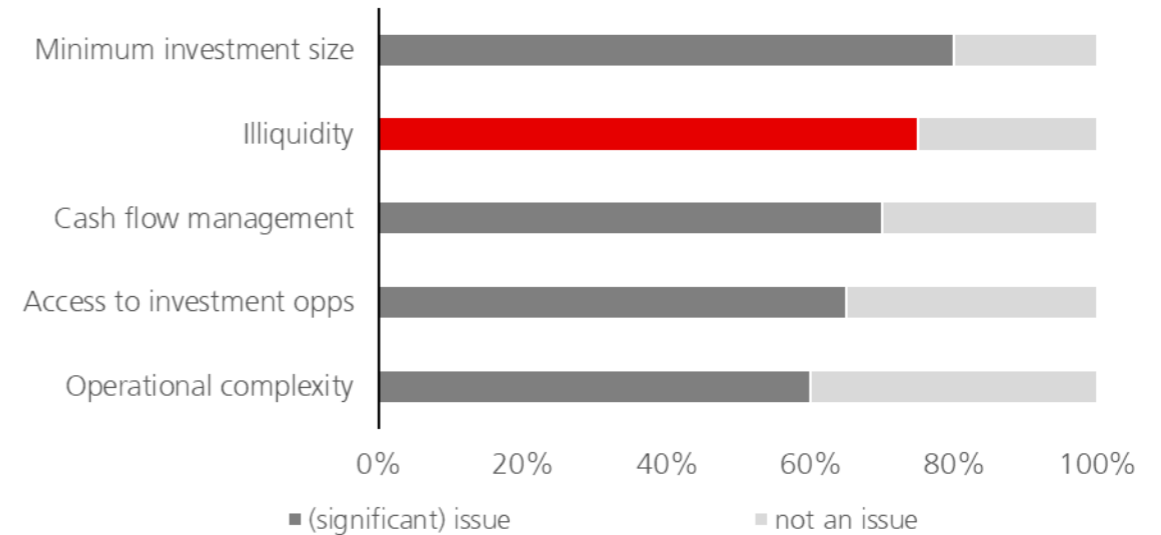
- Seek alternative investment opportunities underrepresented in traditional asset classes
- Consider liquidity needs, and *include semi-liquid assets* according to the investor's preferences on cash-flows, illiquidity, foregone flexibility if investment beliefs or circumstances change

# Why build a portfolio with multi-manager and semi-liquid building blocks?

Dispersion of returns by number of funds invested



Distributors' response to the question about the key hurdle(s) for private investors



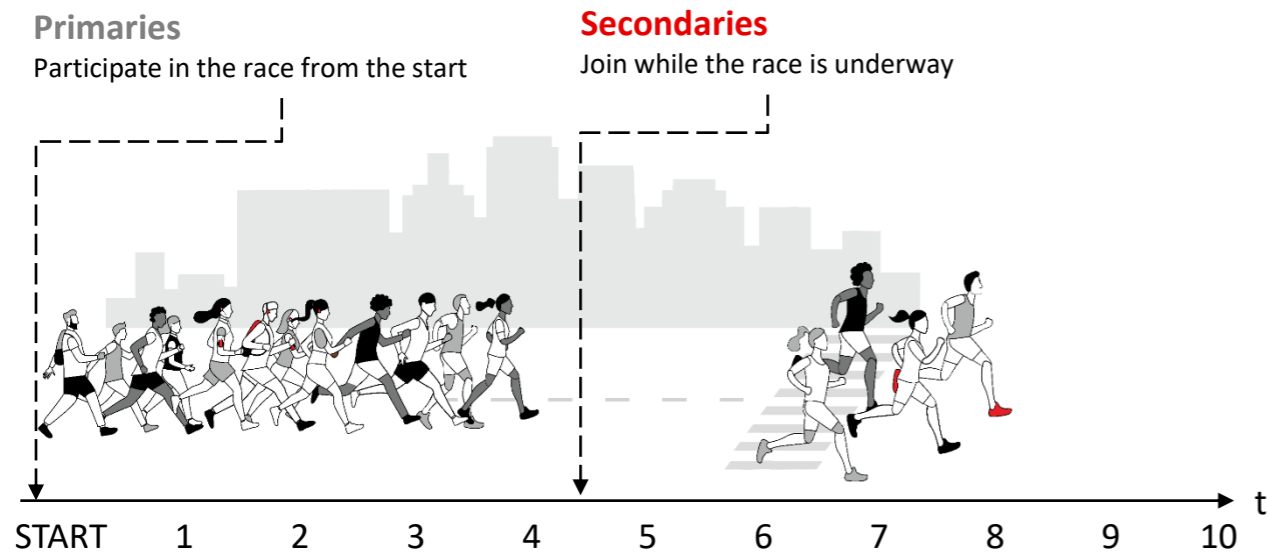
**Diversification improves the likelihood of outperformance:** Better risk-return profile by committing to at least 5 funds per year

## Semi-liquid funds solve your challenges

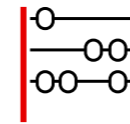
- Provide idiosyncratic liquidity
- Come in regulated structures
- Broaden target client universe

Source (from left to right): net IRR for vintages 2009-2019; March 2023 McKinsey & Company report, UBS Asset Management, Real Estate & Private Markets (REPM); March 2024. Oliver Wyman Analysis; 2021. Data in trillion USD. 1 Private Markets include private equity, real estate, private debt, venture capital, and infrastructure. 2 Survey among UBS Asset Management distribution partners, 2022

# Why invest in private equity secondaries?



## Benefits of private equity secondaries



### Accelerated path to liquidity

At the time of purchase, some of the underlying investments are close to being sold again, thus shortening holding periods for secondary buyers



### Risk reduction

Limited “blind pool” risk and ability to price purchases at discounts to reported net asset values



### Faster capital deployment

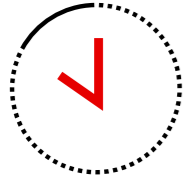
At the time of purchase, acquired positions are typically fully or close-to-fully invested and committed



### Instant portfolio diversification

Secondaries allow a portfolio to be quickly diversified by investment strategy, sectors and vintage years

# Why invest now in Private Equity Secondaries?



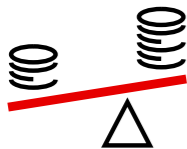
## Slower exit activity

- With rising volatility and declining valuations, managers might choose to **slow down exit activity** until market sentiment improves
  - GPs and LPs can use the secondary market to **generate liquidity**
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## Volatility

- Public market volatility usually translates into **better pricing power** for secondary buyers
  - Open commitments will be invested at more attractive valuations
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## Denominator effect

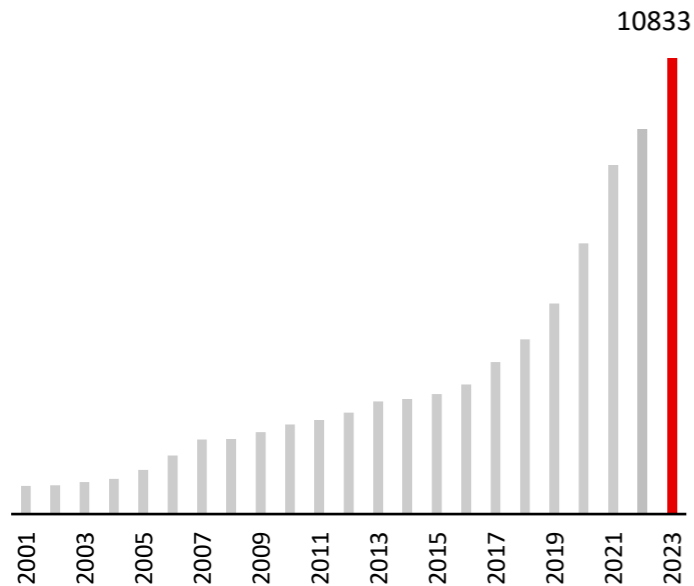
- Public market declines increase Private Equity quotas
- This forces some investors to **re-align portfolio allocations via asset sales** to comply with Strategic Asset Allocation and free-up investment capacity

Source: UBS Asset Management, Real Estate & Private Markets (REPM); March 2024.

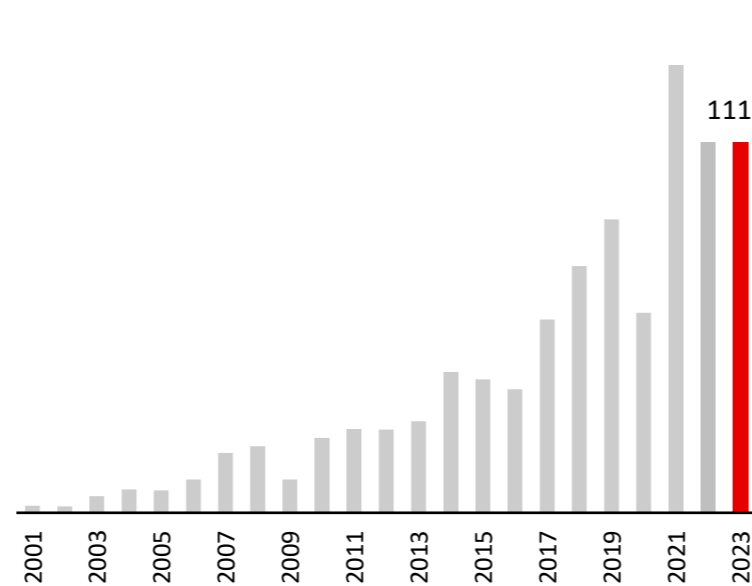
# Ample buying opportunities ahead

The rapid growth of PE AUM since 2017 will ‘filter through’ to the secondary market in the coming years

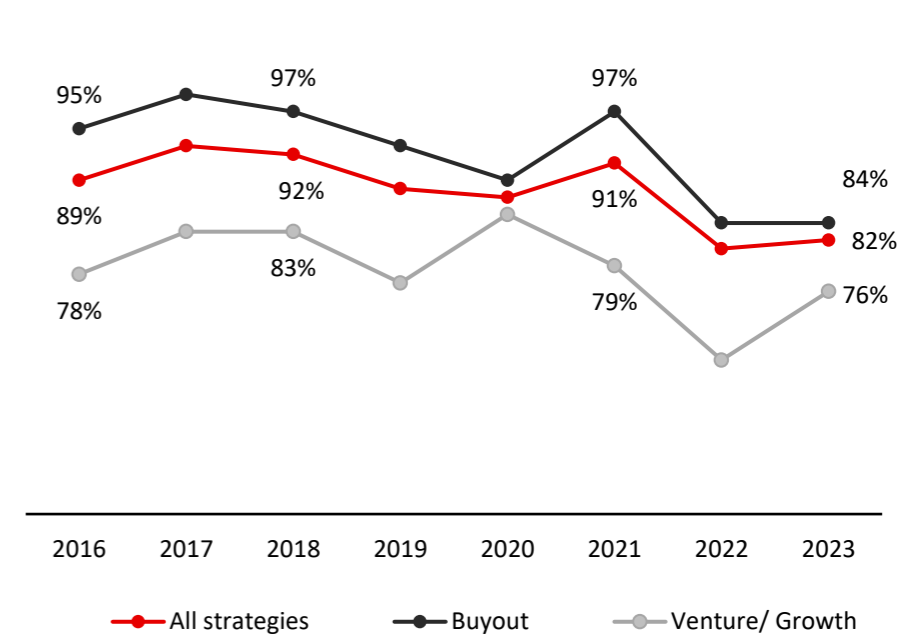
**PE AUM (in \$bn) have grown dramatically since 2017**



**Transaction volumes (in \$bn) are now solidly over \$100bn each year**



**While average pricing as % of NAV is attractive discounts across the asset class (Pricing as % of NAV)**



Source: Preqin data extracted as of February 2024. Data is continuously updated and subject to change.

Source: Greenhill Global Secondary Market Review Full Year 2023

Source: Greenhill Global Secondary Market Review Full Year 2023

Source: UBS Asset Management, Real Estate & Private Markets (REPM); March 2024; Charts and scenarios are for illustrative purposes only. Historical performance and forecasts are no guarantee for future performance. Please see important disclaimer and risk information at the end of the document.

# Key highlights of investing in private equity secondaries

1

## Focus on Secondaries

Most liquid sub-asset class of private equity ideally suited for private wealth clients

2

## Focus on high quality small (LP) deals and preference for SMEs

Least efficient part of the market with best value for investors

3

## Fully paid-in

100% of the capital is called upon subscription of the fund

4

## Semi-liquid structure

Efficient liquidity management through monthly and/or quarterly subscriptions and redemptions

5

## Investor-friendly

Low minimum investment sizes allow private wealth clients to access investment universe otherwise

6

## Comfortable onboarding

Simplified onboarding process through a nominee setup or availability on fund distribution platforms

Source: UBS Asset Management, Real Estate & Private Markets (REPM); March 2024; The board of directors have resolved to allow for monthly subscriptions waiving the 14 CD notice period until the end of December 2024. For illustrative purposes only and returns are not guaranteed.

# Four reasons to invest in unlisted global infrastructure

1



## Stability

Valuations not subject to listed market volatility. Prices determined by asset fundamentals compared to listed market pricing

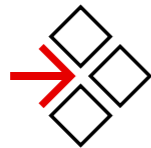
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## Deep investment universe

Access a large pool of infrastructure assets, supported by the world's needs to invest an average of USD 3.7 trillion in these assets every year through 2035 in order to keep pace with projected GDP growth

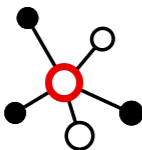
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## Preferred access

Target unique investment opportunities with distinctive return drivers that are not readily available in listed markets

4



## Diversification

Strengthen and diversify portfolio returns and navigate the environment of heightened macroeconomic uncertainty by benefitting from low correlation to economic cycles and other asset classes

Source: UBS, Real Estate & Private Markets (REPM); March 2024.

Note: Based on McKinsey Global Institute, October 2017, Bridging infrastructure gaps: Has the world made progress?



# How to capture growth with private infrastructure?

Energy



Transportation



Communication



Social infrastructure



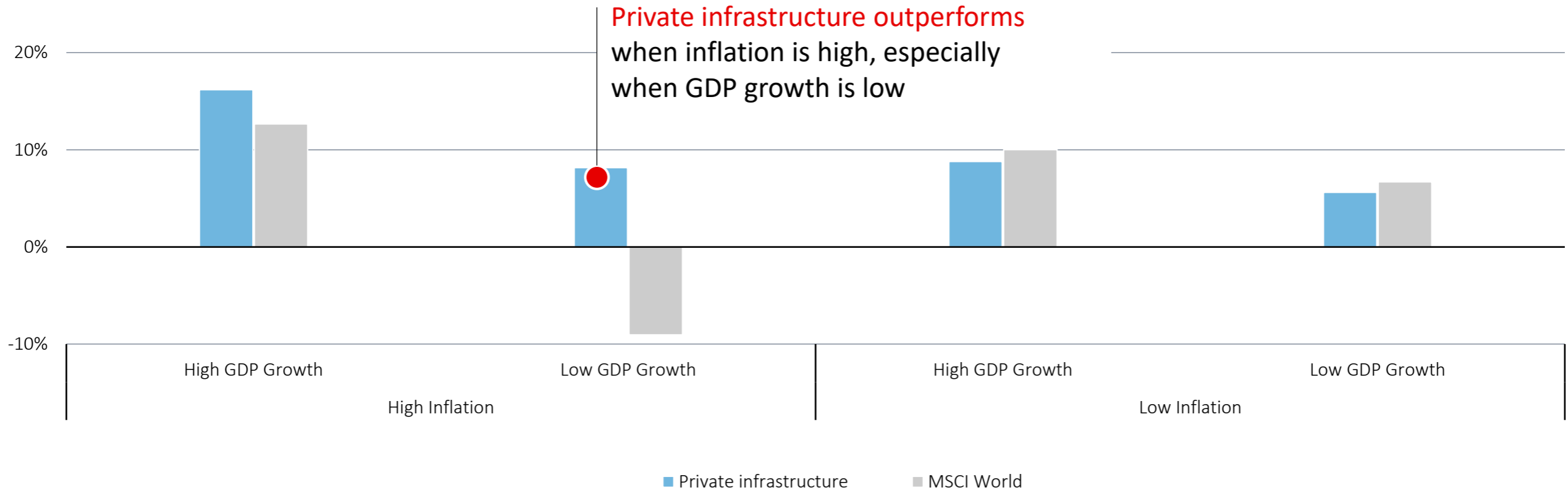
Attractive to investors

- Benefit from low correlation to economic cycles and other asset classes
- Secure long-term stable cash flows
- Participate in sustainable secular trends
- Protect your portfolio against Inflation

Sources: UBS Asset Management, Real Estate & Private Markets (REPM), Cambridge Associates, Bloomberg, MSCI, OECD; March 2024

# Infrastructure assets are well positioned in the current market environment

Performance of developed markets in GDP/inflation environment (1Q05-4Q22)



Sources: UBS Asset Management, Real Estate & Private Markets (REPM), Cambridge Associates, Bloomberg, MSCI, OECD; March 2024. Notes: Data based on quarterly Y/Y data; unlisted infrastructure based on Cambridge Associates data; GDP and CPI data based on OECD countries; threshold for high vs. low GDP and CPI are both ~2% (based on median quarterly data of observation period). Past performance is not indicative of future performance.

# How to capture growth in private infrastructure investing?

## Decarbonization



- Renewable and storage platforms
- Clean transport and low carbon fuels
- Green buildings and built innovation

## Digitalization



- Ultra fast fiber networks
- 5G telecommunications towers
- Data centers and digital services

## Demographic change



- Ageing population and focus on healthcare
- Changing patterns in how society lives
- Deteriorating public finances

## Deglobalization



- Transportation and logistics
- Energy security and robust domestic supply
- Acceleration of onshoring and local investments

Source: UBS Real Estate and Private Markets; March 2024

# The important role of infrastructure assets in driving sustainability



## Clean energy

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Providing reliable and sustainable access to clean power generation while enhancing operational efficiency and bottom line

## Reduction of CO<sub>2</sub>

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Decreasing the carbon footprint and meeting environmental goals by optimizing energy efficiency and utilizing renewable energy sources

## Digital networks

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Enabling seamless connectivity, enhanced data management, and empowering businesses to thrive in the digital age

## Circular economy

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Recycling of waste, optimizing resources, and decoupling economic growth from environmental degradation

## SFDR Article 8

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SFDR Article 8 vehicle showcasing the products sustainability characteristics

Source: UBS Asset Management, Real Estate & Private Markets (REPM); March 2024

# Key highlights of investing in private infrastructure

1

## Focus on experience and track record

Invest with an experienced manager and benefit from a proven track record across all infrastructure sub-sectors

2

## First-class investment selection

High quality investment selection with regional and sector specialization along our proven due diligence process

3

## Privileged access

Access to exclusive non-listed funds and co-investments due to long-standing relationships with experienced fund managers worldwide

4

## Stable dividends from ongoing cash flows

Stable returns via focus on yield generating assets

5

## Investor-friendly access and convenient onboarding

Investment minimum requirements set at the needs of private wealth clients

6

## Drive positive change

Consistent integration of ESG aspects in the entire investment process

Source: UBS Real Estate and Private Markets (REPM); March 2024

Note: Liquidity is not guaranteed. Liquidity subject to 5% NAV per quarter, or a cumulative 15% of NAV p.a. 1 Target return is presented as IRR over an investment cycle, net of underlying fund fees, taxes and expenses but gross of fund-of-funds fees and distributor fees. **This does not constitute a guarantee by UBS Asset Management**

# Thank you

Any questions?

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