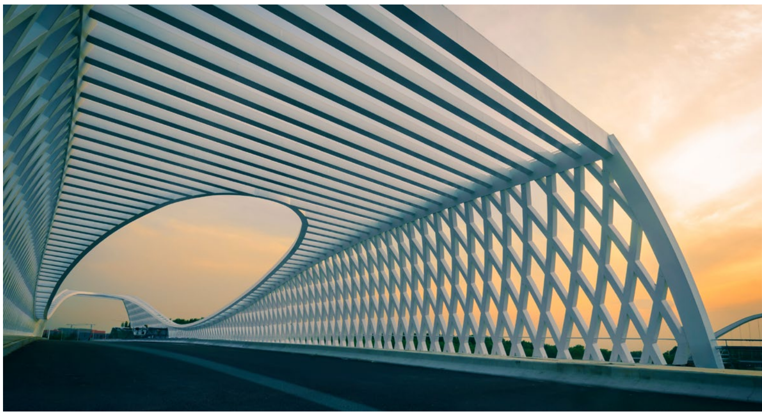
The growing importance of infrastructure investment to stimulate the real economy



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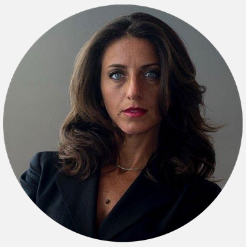

Stefania Pisu is part of the specialized Generali Global Infrastructure (GGI) Investor Relations team. With 20 years' experience in the industry, before joining the GGI team Stefania was Senior Investor Relator at AXA IM Real Assets Paris. During the course of her career she has held positions at well-known financial institutions such as MSCI Barra in London and Lyxor AM in Paris. She holds a political science degree from the University of Cagliari.

How has the crisis affected the infrastructure market?

Infrastructure is highly counter-cyclical. It's a solid asset class and one of the few, especially at times of economic uncertainty, that can combine public and private investment to inject immediate momentum into the economy and bring about long-term financial and extra-financial benefits. For governments around the world, the current market environment presents an excellent opportunity to accelerate important structural changes, like energy transition and digitalization, that go hand in hand with infrastructure investment.

In spite of the crisis, the market has remained active, with a solid pipeline of investment opportunities – some of them more profitable than before the pandemic hit – in essential infrastructure sectors such as renewable energy, telecommunications, and social infrastructure.

Between now and 2035 the European Union will need an estimated €2 trillion in infrastructure funding, yet public finances are weakened and banks are less and less able to support such needs. Private capital, therefore, is indispensable while offering substantial returns.

Infrastructure assets that provide essential goods or services have proven to be quite resilient. This is especially true of public services (water, gas, and electricity), renewable energy projects backed by contracts or subsidies, social infrastructure, and telecommunications networks. In general, these are assets that benefit from long-term contractualized or regulated cash flows and that enjoy privileged competitive positions within their setting.

Most project financing of solid assets that was initiated before the crisis has come to fruition under good conditions, and in some sectors we note a fair number of new deals and projects.

On the other hand, deals involving exposure to construction risk and the industries hardest hit by the crisis, such as transportation, have experienced a certain slowdown, with some exceptions for assets that are already operational and diversified and have solid track records.

We believe that by focusing on core defensive assets, and remaining extremely selective, we can continue to offer investors diversified portfolios with attractive risk/return profiles.

In this context, what does GGI feel are the best investment opportunities to support economic recovery?

Infrastructure investments stimulate important economic and social dynamics in that they not only create new jobs but, through a multiplier effect, increase a country's long-term competitiveness.

The industries that are turning out to be crucial for economic revival and considered as pillars of the various European recovery plans are telecommunications, renewable energy, and social infrastructure.

To combat the Covid-19 crisis we favour industries and assets with solid ESG credentials, which can have a positive impact on accelerating the sustainable recovery of European economies.

To that end, in both Italy and the rest of Europe, we plan to make sizeable investments to reduce the gap between existing and necessary infrastructure.

Our strategy is geared particularly towards fostering the **energy transition** through investments in renewable energy, **sustainable mobility, accelerating digitalization** by investing in fibre optic networks and telecom towers, and last but not least, **social infrastructure.** The latter involves investing in the healthcare system to create modern new hospitals, and in the schools and universities that are crucial to sustainable growth.

What is Generali Global Infrastructure's investment strategy?

We invest in core infrastructure, which is basically infrastructure that operates within a highly regulated monopolistic or quasi-monopolistic market. We prefer projects that are mostly untethered from economic cycles, the public markets, or trends in raw material and energy prices. We invest in infrastructure based on stable assets that feature regular, predictable cash flows and low volatility.

In the current market scenario, we have focused on the industries that have proved to be more defensive and resilient, such as regulated assets, renewable energy, telecommunications, and social infrastructure. We also consider the transportation industry, but only where traffic risk is limited.

Our investment universe covers a wide range of industries and geographies across the entire debt capital structure. This approach stems from the conviction that a well-diversified strategy is key to providing our investors with attractive risk/return profiles.

In addition, the use of a proprietary ESG methodology designed to select assets with a positive impact on the economy is wholly integrated into our investment process, so we can choose investments for sustainability as well as returns. We select investments that make a positive contribution to the United Nations Sustainable Development Goals, and all our portfolios are built to be compatible with the Paris Agreement and the commitment to limit global warming to below 2°C.

The strategy and highly selective approach we have adopted to date have protected our investors from exposure to the industries that were most badly hurt by the pandemic.

We have invested in deals throughout Europe, primarily investment grade (IG) projects, but the support of recovery plans and the strength of our platform allow us to seize numerous opportunities to actively contribute to the sustainable recovery of Italy and the other European economies including through higher-yield investments that can offer diversification, stability, and resilience in the long term.

Generali Global Infrastructure

Generali Global Infrastructure (GGI), part of the multi-boutique platform of Generali Investments, is an independent asset management company based in Paris that focuses mainly on infrastructure debt investing.

GGI invests in infrastructure debt across a wide range of geographies and industries and selects investments according to strict credit quality and ESG (environmental, social, and governance) criteria. GGI was formed in 2018 as a partnership between the Generali Group, which holds a controlling share, and Philippe Benaroya, Alban de La Selle, and Gilles Lengaigne, three professionals with solid experience in infrastructure investment.