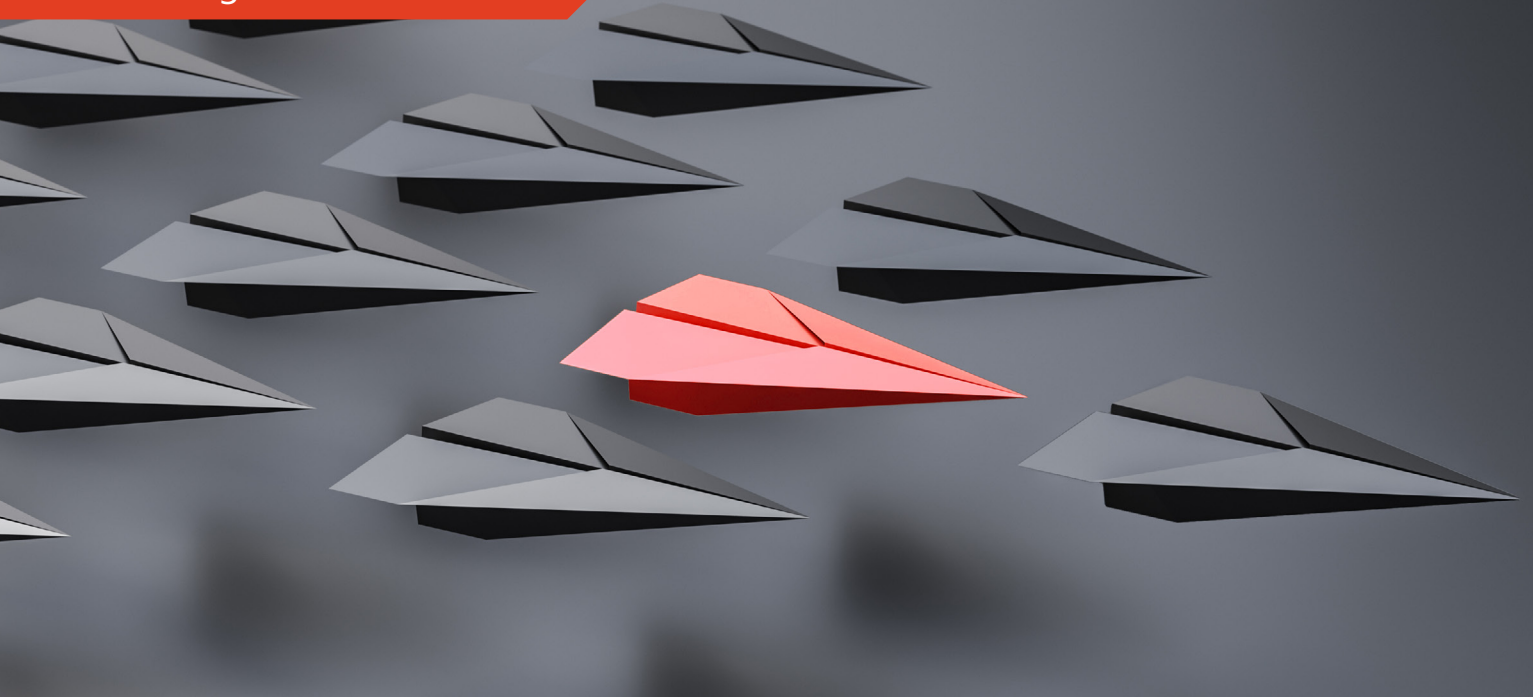


# Asset Manager Selection

## Our Services

[www.stirlinginfrastructure.com](http://www.stirlinginfrastructure.com)



## OUR EXPERTISE

At Stirling Infrastructure, our team consists of global leaders who hold subject matter expertise. Specialising in infrastructure, our teams have built up years of experience operating within the infrastructure asset sector. Having dealt with institutional investors, sovereign wealth funds, pension funds and multilateral investment banks, we combine intellectual analysis with commercial transactional experience to provide a unique service to our clients.

Furthermore, knowing that our clients are each unique, our portfolio allocation process is designed to understand and implement the goals and objectives of our clients in a detailed and streamlined manner. Our services include the monitoring and assessment of ongoing investments against the relevant performance benchmarks. Our teams operate in separate sectors across the industry maintaining integrity and eliminating any conflict of interest in order to remain entirely objective in our recommendations.

Our operations include providing allocation advice to listed companies, institutional investors, private companies, and project sponsors. Our reputation has been established in advising pension and sovereign wealth funds on allocations of capital into the infrastructure asset class.

This report brief outlines the processes of analysing the interests and needs of clients when shortlisting funds for investment. As of January 2022, there were over 260 unlisted infrastructure funds seeking investment. Each asset manager operates funds in distinct regions and specialises in certain sectors within the infrastructure asset class, making them unique to potential investors. With a diverse array of asset managers available, understanding each of the requirements of a client is key to shortlisting the most effective managers for investment.

## UNDERSTANDING CAPITAL ALLOCATION OBJECTIVES

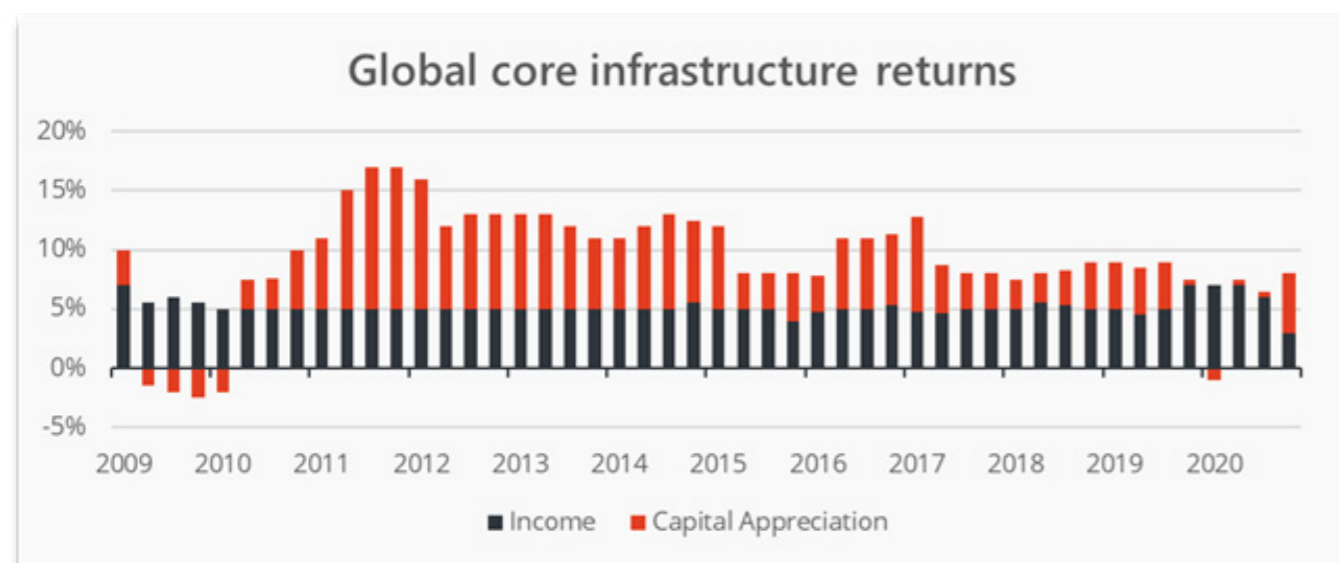
Firstly, the desired timeline of a client's investments and returns will dictate the most appropriate investment strategies. Whether a client holds long term liabilities or is seeking to make short term gains will determine the types of returns and the strategies targeted. As well as understanding the timeline, clients may have specific targets to meet regarding environmental, social, and corporate governance (ESG) standards. We pride ourselves in providing promising ESG oriented capital allocation advice, with a strong positive impact that guarantees strong returns.

## UNDERSTANDING PORTFOLIO DISTRIBUTION

Understanding the distribution of a client's portfolio is also important when considering the risk associated with certain investments. In order to ensure that an investor is not exposed to undue risk, it may be advisable to invest in one region over others and hedging strategies may also be considered. Specifically, investors ought to consider the correlation between different asset sectors when calculating their exposure to risk. The importance of maintaining a diverse portfolio of investments with regard to both asset sectors and regions will motivate the choices of investments. Our team operates in a wide variety of markets and sectors around the globe. Employing our business network in our operations we are able to offer comprehensive strategies to secure greater returns for less risk for our clients.

## EXPLAINING THE RANGE OF STRATEGIES

Having addressed temporal, social and risk requirements established by the client, desired investment strategies can then be considered. There are two distinct types of return - capital gains and income. With each region, the tax laws regarding these methods of income will vary. Alongside this, the levels of risk and reward associated with each type of return are distinct. Capital gains are a much more volatile source of returns than income. Investment strategies can be divided up into four separate groups – core, core plus, value add and opportunistic. The risk and the potential returns of each strategy increase respectively with core strategies involving the least risk. Understanding the client's preferences and attitude to risk will determine which funds to consider investing in and which strategies to prioritise. Our analysis is tailored specifically to our clients' needs and therefore, we are able to select the highest performing funds given the preferred strategies.



## SHORTLISTING THE INVESTMENT STRATEGIES

The second part of this process regards the investigation of infrastructure asset managers. Initially, the client's criteria are compared against a database of asset managers. With each preference outlined by the client, this helps to narrow down the pool of potential managers. Following this initial research, asset managers can be contacted and assessed in greater detail.

## DETAILED DUE DILIGENCE AND COMPARATIVE ANALYSIS OF MANAGERS

Carefully shortlisting the best managers, the opportunity can then be taken to consider the strategies and approaches of each manager and to conduct due diligence on any of their previous investments. At this stage the fee structure, performance and corporate governance requirements of each asset manager can also be considered in close detail. Following this, our advisors will come forward with their own recommendations.

## FINAL SELECTION

In summary, the final recommendation will consider each of the client's preferences with regard to geography, ESG and risk while also considering other important factors such as portfolio diversification and risk mitigation. The recommended asset manager will suit these qualities, employing strategies that make competitive returns and which effectively meet the investors criteria. By the end of the selection process, everything will have been considered from the denomination of funds, investment strategy, returns strategy, the location of the fund and the maturity of investments.

Following this, asset managers would be sorted with regard to the corporate governance and finance practices of funds as well as the liquidity of investments and the data provided by funds. The process concludes with the formation of an investment committee. The investment committee includes representatives from our advisory board along with the client's representatives and evaluates the data from the final sample of the asset managers in order to make a capital allocation decision.

## FOR FURTHER INFORMATION

This paper provides an overview of how Stirling Infrastructure supports institutional investors to make an informed investment decision into allocating capital into the infrastructure asset class.

As part of our services, we also monitor the performance of the capital allocated and benchmark it against key performance indicators.

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## DISCLAIMER

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