

Unlocking private infrastructure

The Mackenzie Northleaf Private Infrastructure Fund

In our latest Fall Exchange Event Series event, Jamie Storrow, Managing Director, Northleaf Capital Partners and Allan Seychuk, Senior Investment Director, Mackenzie Investments discussed the potential benefits of private infrastructure and how it can fit into your clients' portfolios.

Infrastructure refers to tangible fixed assets that provide essential public goods or services critical to the functioning and growth of the economy. Infrastructure can offer very attractive investment characteristics and is in high demand from investors.

There are two main investment approaches to gain exposure to infrastructure: direct private and indirect public. These are very different:

- Direct investment in private infrastructure refers to the actual ownership of specific infrastructure projects.
- Indirect investment refers to buying the publicly traded stock of companies that build, own or manage infrastructure, and potentially have other operations as well.

The key differences between the two are related to risk, valuations and correlation:

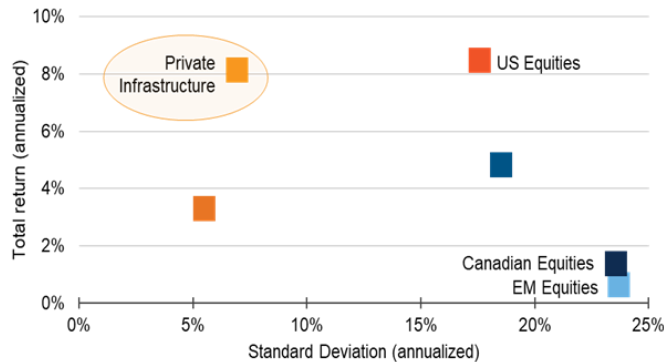
- The **risk** of a direct private investment in an infrastructure project is ring-fenced and exists only at the physical project level – for example, operational, developmental or demand-related risk related to the specific asset. In contrast, the risk of indirect investment in publicly traded stock includes those physical asset risks, as well as risk at the corporate level (mergers, acquisitions, earnings, etc.) and as broad stock market-related risk.
- The **valuation** of direct investment in private infrastructure is based on long-term discounted cash flow models specific to each asset. Valuation is performed semi-annually or annually, usually independently verified and characterized by low volatility. In contrast, the valuation of publicly traded stocks is also influenced by business and market factors, changes daily and has demonstrated much higher volatility.
- Direct private infrastructure investment has demonstrated low **correlation** to other traditional asset classes, while publicly listed infrastructure has demonstrated high correlation to other publicly listed investments across multiple asset classes.

Private infrastructure investment has demonstrated attractive investment characteristics:

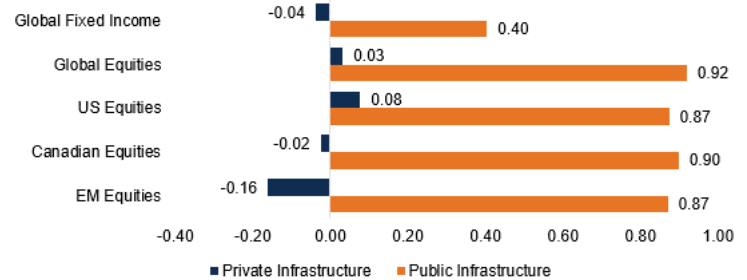
- Over the 2008-2020 period, total return was generally equivalent to US equities while annualized volatility was generally equivalent to global fixed income
- Private infrastructure assets benefit from inelastic demand, high barriers to entry and a lack of available substitutes, helping to create scarcity and insulate returns from broad market risk
- Population and economic growth have led to increasing utilization of infrastructure assets and rising valuations
- Direct investment in private infrastructure has demonstrated very low volatility
- In many cases, cashflows can be protected against inflation
- Possibly most importantly, private infrastructure has offered very low correlation to traditional asset classes

As a result, infrastructure has emerged as a major investment opportunity. Private Infrastructure is at the intersection of today's major secular investment themes: clean energy, decarbonization, sustainability, post-pandemic government stimulus, low interest rates, rising inflation and elevated institutional investor demand for real assets.

Total return vs. risk, 2008-2020



Correlation to Traditional Asset Classes



Source: Private Infrastructure: Preqin Quarterly Infrastructure Index, Public Infrastructure: S&P Global Infrastructure TR, Canadian Equities: S&P/TSX Composite TR, US Equities: S&P 500 TR, Emerging Markets: MSCI EM IMI NR USD, Global Fixed Income: Ice BofA Gbl Brd Mkt TR, Global Equities: MSCI World NR. Quarterly data. Time period, 01/01/2008 – 12/31/2020. Note: Returns are in US dollars and are gross of fees which would impact some returns materially.

Northleaf infrastructure program

Northleaf Capital Partners is a global private markets investment firm focused on mid-market investing. Private infrastructure makes up one of Northleaf's three areas of expertise, along with private equity and private credit.

Northleaf's infrastructure program has provided investors with strong, stable results through a diversified portfolio of mid-market infrastructure investments in OECD jurisdictions. The program was established in 2010 and currently holds US\$4.3 billion in capital under management in 41 assets.

Northleaf focuses on key subsectors: sustainable infrastructure, such as renewable power generation; communications infrastructure; tank storage; and concessions/PPPs (such as toll roads).

Northleaf's key differentiators include:

- Sourcing – Northleaf is focused and buys/invests differently, with partnerships and industry experts, often outside of auction
- Active ownership and value creation – Northleaf is an active owner and target investments with potential upside through active value creation initiatives
- Established institutional track record – Northleaf has been investing with institutional clients for over a decade and has delivered a net IRR of 10% across its full infrastructure investment program *

The opportunity

The **Mackenzie Northleaf Private Infrastructure Fund** is an open-ended private infrastructure fund launched September 30, 2021 and available to accredited investors via offering memorandum.

The fund's core is comprised of Northleaf's most recently closed private infrastructure portfolio, which has raised \$US1.4 billion in investor commitments (including from Mackenzie) and currently holds six assets. The Mackenzie

Northleaf Private Infrastructure Fund is expected to grow to 10-12 assets by 2023 and thereafter will continue to co-invest in private infrastructure projects alongside Northleaf's investors throughout the life of the portfolio.

The Mackenzie Northleaf Private Infrastructure Fund includes a liquidity sleeve that will typically comprise approximately 20-25% of the total assets. Northleaf's private infrastructure holdings will typically comprise 75-80% of fund assets.

The liquidity sleeve is designed to facilitate ongoing capital calls by Northleaf for new infrastructure investments as they arise, as well as vastly improved access and liquidity terms for investors compared to investing directly with Northleaf Capital Partners. The sleeve is currently expected to consist of cash, short-duration fixed income investments and the Mackenzie Global Infrastructure Index ETF (symbol QINF).

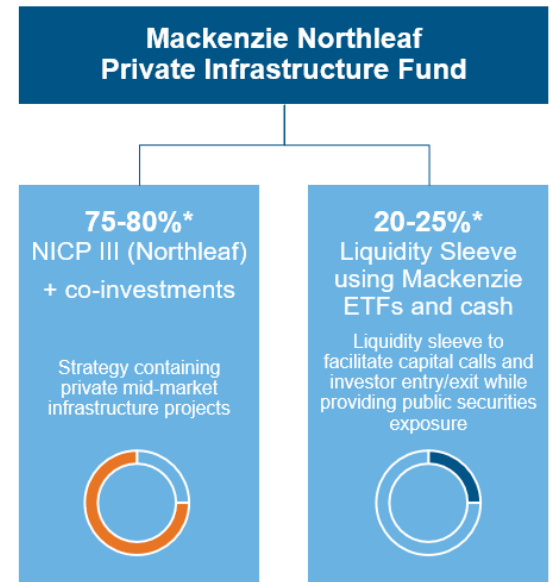
Based on the mix of private infrastructure and the liquidity sleeve and their expected returns, our fund aims to deliver long-term capital appreciation, with low correlation to other traditional investments, driven mainly by Northleaf's expected double-digit return on its private infrastructure projects.

Part of the Fund's return is expected to come in the form of capital gain and part in the form of yield. We currently expect a gross yield of 5-6% per year over time from the fund.

The fund offers accredited investors the opportunity to participate in the long-term value creation potential of private infrastructure with monthly purchases at an initial purchase of \$25,000, and annual withdrawals, with a notice period of 120 days. Please see the full term sheet for additional information.

Mackenzie Northleaf Private Infrastructure Fund

Investment teams	<ul style="list-style-type: none"> Mackenzie Multi-Asset Strategies Team in partnership with Northleaf Capital Partners (underlying private infrastructure investments)
Investment objective	<ul style="list-style-type: none"> The Fund seeks to achieve long-term capital appreciation and income mainly through exposure to private and public infrastructure assets and securities globally
Investment strategy	<ul style="list-style-type: none"> The Fund will achieve its exposure to the Private Portfolio by investing in Northleaf Infrastructure Capital Partners III (NICP III), co-investing in Northleaf Infrastructure Capital Partners private infrastructure investments, and will achieve its exposure to the Public Portfolio by investing in Mackenzie Funds, ETFs and holding cash. Long-term target exposure allocation: 75-80% private, 20-25% public; will fluctuate with committed capital levels. Maintain primary exposure to private infrastructure; supported by liquidity sleeve consisting of publicly listed infrastructure equity, public investment-grade fixed income ETFs, and cash.
Currency strategy	<ul style="list-style-type: none"> Unhedged
Benchmark (TBA)	<ul style="list-style-type: none"> 5-year rolling average Canadian Consumer Price Index ("CPI") plus 300 basis points per annum
Risk level	<ul style="list-style-type: none"> Medium
Expected gross yield	<ul style="list-style-type: none"> 5-6% per annum (following ramp-up)



*Long-term target exposure. The Fund will be subject to a ramp-up period and is not expected to achieve the target asset allocation or yield for a number of quarters. Please refer to the Fund's Offering Memorandum for full details of the Fund's terms. Actual portfolio construction may differ from that shown above from time to time and over time. Expected gross yield calculated as average gross trailing yield over the previous 12-month period. There can be no guarantee that the Fund will achieve a similar yield to that shown above. During ramp-up period yield will be lower than indicated.

Key terms

Fund term	Mackenzie Northleaf Private Infrastructure Fund
Vehicle type	Trust
Private investment	Northleaf Infrastructure Capital Partners III & co-investments*
Public investments	Mackenzie Funds, ETFs & cash
Private to liquid asset ratio (target, following multi-month ramp-up period)	~75-80% Private / ~20-25% Public
Investment minimum	Accredited: CAD \$25,000; Non-accredited: CAD \$150,000
Purchase frequency	Monthly
Redemption frequency	Annual
Redemption request	120 days prior to redemption date
Redemption gate	10% aggregate at the fund level
Soft lock	5% penalty if redeemed before 3 years
Fees*	A: 2.55%, F: 1.55%. Admin fee: 0.15%
Distribution	Quarterly, variable
Registered tax plan status	Not eligible. Available only to Canadian residents for tax purposes.

* NISP III charges a performance fee which will flow through to the Fund. Please refer to the Fund's Offering Memorandum for full details of the Fund's terms. Actual portfolio construction may differ from that shown above from time to time and over time

* Northleaf's infrastructure investment program includes all infrastructure investments made by Northleaf's pooled funds, separately managed accounts and co-investment vehicles. Net IRR: (i) represents the interim annualized return to investors net of Northleaf fees, expenses and GP Ownership Interest; and (ii) is not included to indicate the future results that might be generated by the Fund or any of its holdings.

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Due to the illiquid nature of private assets, the Fund is subject to a "ramp-up" period that is expected to last many months meaning its asset allocation will differ from any target asset allocation. This period will also impact performance/yield assumptions and results.

Past performance is not necessarily indicative of any future results. There can be no assurance the Fund will achieve its objectives or avoid incurring substantial losses. Performance may be volatile and may vary materially on a monthly, quarterly or annual basis, and over the course of a market cycle. The Fund is not intended as a complete investment program.

The past performance information shown herein regarding Northleaf's investment program is general in nature and subject to various limitations. The performance of the Fund will differ from the performance of the underlying private infrastructure assets. Such performance information is not included to indicate the future results that might be generated by the Fund or any of its holdings. **Expected performance and yield information is based on certain assumptions that could change without notice or prove to be incorrect. Different assumptions would produce different results. Fees and expenses of the Fund reduce gross performance and yields. Readers should: (i) recognize that any future performance will likely be inconsistent with, and distinct from, that shown; and (ii) not base any investment decision solely upon such information.**



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The forward-looking information contained herein is current only as of November 8, 2021. There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

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