All returns cited are for the trailing one-year period.

By Risk Classification

→ **Core,** comprising 84.1% of the Portfolio, delivered solid mid-teen returns. Global Diversified Infrastructure comprised about half of the Core portfolio, with almost 20% US Power & Energy, and less than 10% each in US Transportation, Global Transportation, and Global Communications.

→ **Value Add,** comprising 12.3% of the Portfolio, posted high-teen returns. These investments are predominantly diversified commingled funds, at approximately 80% of the Value Add portfolio, with a new communications fund investment representing the balance.

→ **Opportunistic**, comprising 3.6% of the Portfolio, posted negative low-teen returns. This category comprises one diversified commingled fund investment.

Sectors

→ **Global Diversified Infrastructure** comprises 55.5% of the NAV and delivered high single-digit returns.

→ **US Power/Energy** represents 18.3% of the Portfolio, and delivered low-teens returns.

→ **Global Communications**, a sector where the Portfolio made several new investments, comprises 9.7% of the Portfolio, and performance is not yet meaningful.

→ **US Transportation** accounts for 9.3% of the portfolio and posted extremely strong double-digit returns.

→ **Global Transportation** is 7.3% of the portfolio, but performance is not yet meaningful.

→ **US Diversified Infrastructure** and **International Transportation** together make up less than 0.1% of the Portfolio.

Net Income

→ The Portfolio's **one-year net income** is down at 1.8% compared to 2.8% a year ago. For several reporting periods it has remained below Staff's long-term expectations of annual income between 3% and 5% over the long term. The continuing lower levels of income are primarily due to lower levels of distributed income at certain transportation assets, including in particular airports which experienced significant decreases in passenger traffic for a protracted period, and still have yet to fully recover. See for example the chart showing Total US Domestic and International Flights in the Appendix. This period, the Portfolio's net income was dragged down further by several asset- and fund-specific factors, including those related to fund J-curves, foreign exchange effects, and variability of income production from selected businesses. Not surprisingly, given the 14.7% total return for the trailing one-year period, in light of the low net income, appreciation represents the preponderance of the total return.

Conclusion

We continue to believe the Portfolio's performance for all trailing periods has been solid and representative of the asset class, consistently delivering low- to mid-double digit net returns, except for the 18 month to two year period where COVID depressed economic activity and created some medium-term revenue contractions and valuation write-downs. During that period, the Portfolio overall was resilient, buttressed by good diversification, defensive investments, and some early recovering assets. The Portfolio has also participated in the broader economic recovery, with its one- and three-year trailing returns now well above those posted a year ago.

The Portfolio's development and its current position remains appropriate and consistent with applicable policies and guidelines:

→ *Risk*—Exposures are within the classification policy ranges;

→ *Geography*—Exposures are within the categorical ranges;

→ *Partner Relationships and Direct Investments*—Exposures are well below the maximums allowed; and

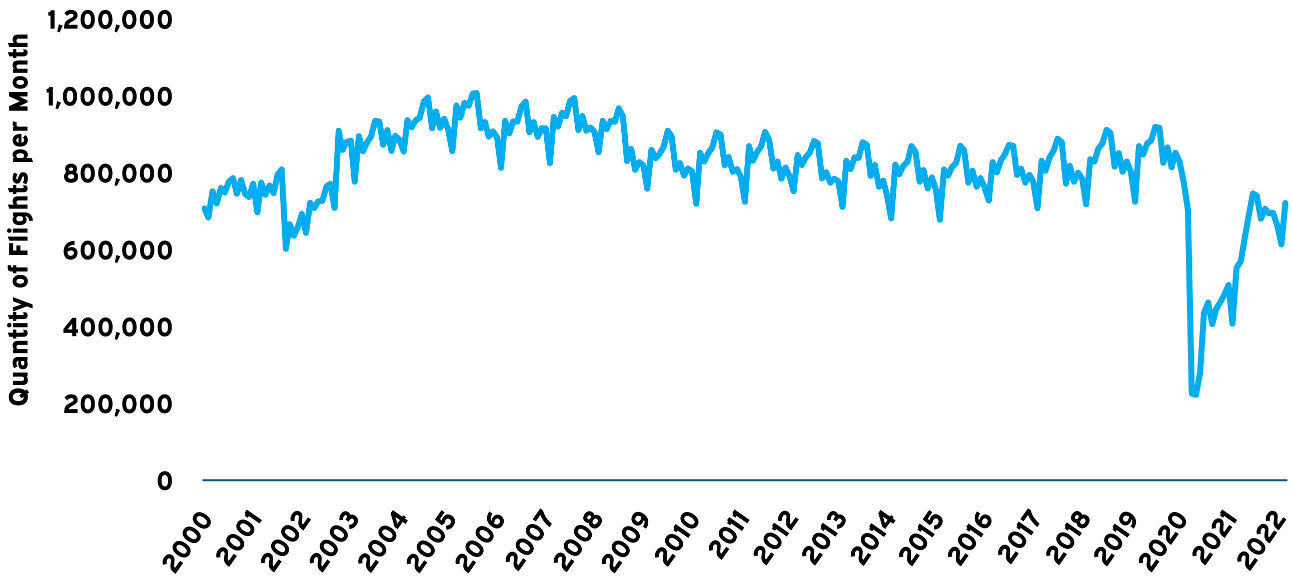
→ *Leverage*—Metrics are comfortably compliant.

As observed last reporting period, the Portfolio is an increasingly important part of the Real Assets Program, consistent with its Strategic Plans, now sitting at 16.6% of the Program. In the first half of 2022, approximately $2.1 billion in new or follow-on investments closed made through separate accounts, commingled fund commitments, or via co-investment. We expect to see the Portfolio continue to grow over the coming quarters and years, with follow-on and new acquisitions through existing managers and commitments to new partners. The growing and diversifying manager roster and asset base supports Portfolio construction goals of inflation-linkage, continued resiliency, and strong total returns.

Please do not hesitate to contact us if you have questions or require additional information.

SPM/EFB/jls

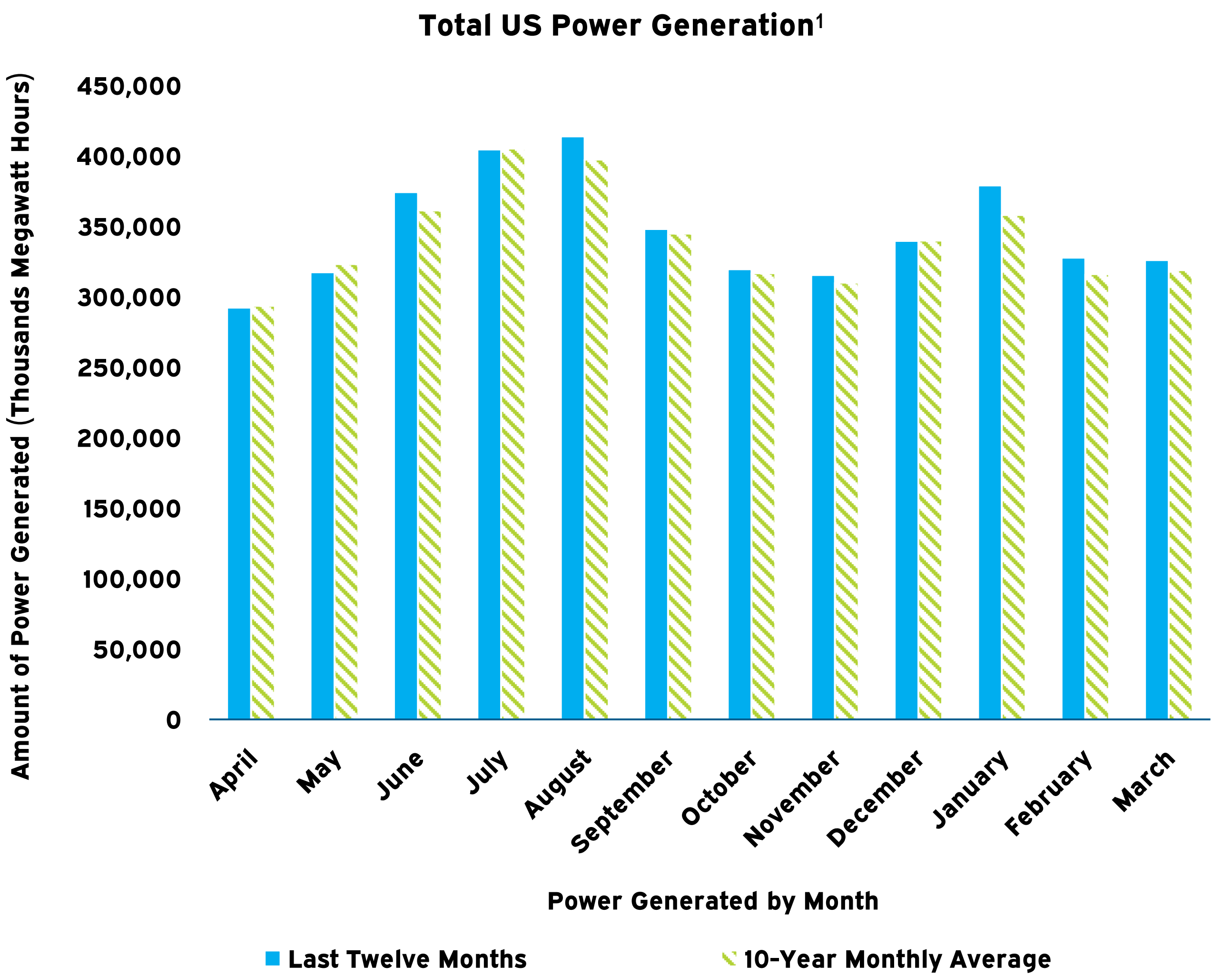
Total US Domestic and International Flights[1]



The chart above presents all US domestic and international flights, excluding foreign point-to-point flights by month. Historically, air traffic is cyclical with peaks in the summer months and troughs in the winter months.

There were 0.5 million more flights during the first quarter of 2022 over same period in 2021, representing a 36% increase. In addition to the number of flights, the total number of passengers travelling on US and international airlines increased by 158% for the 12 months ended March 2021 over the prior 12 months.

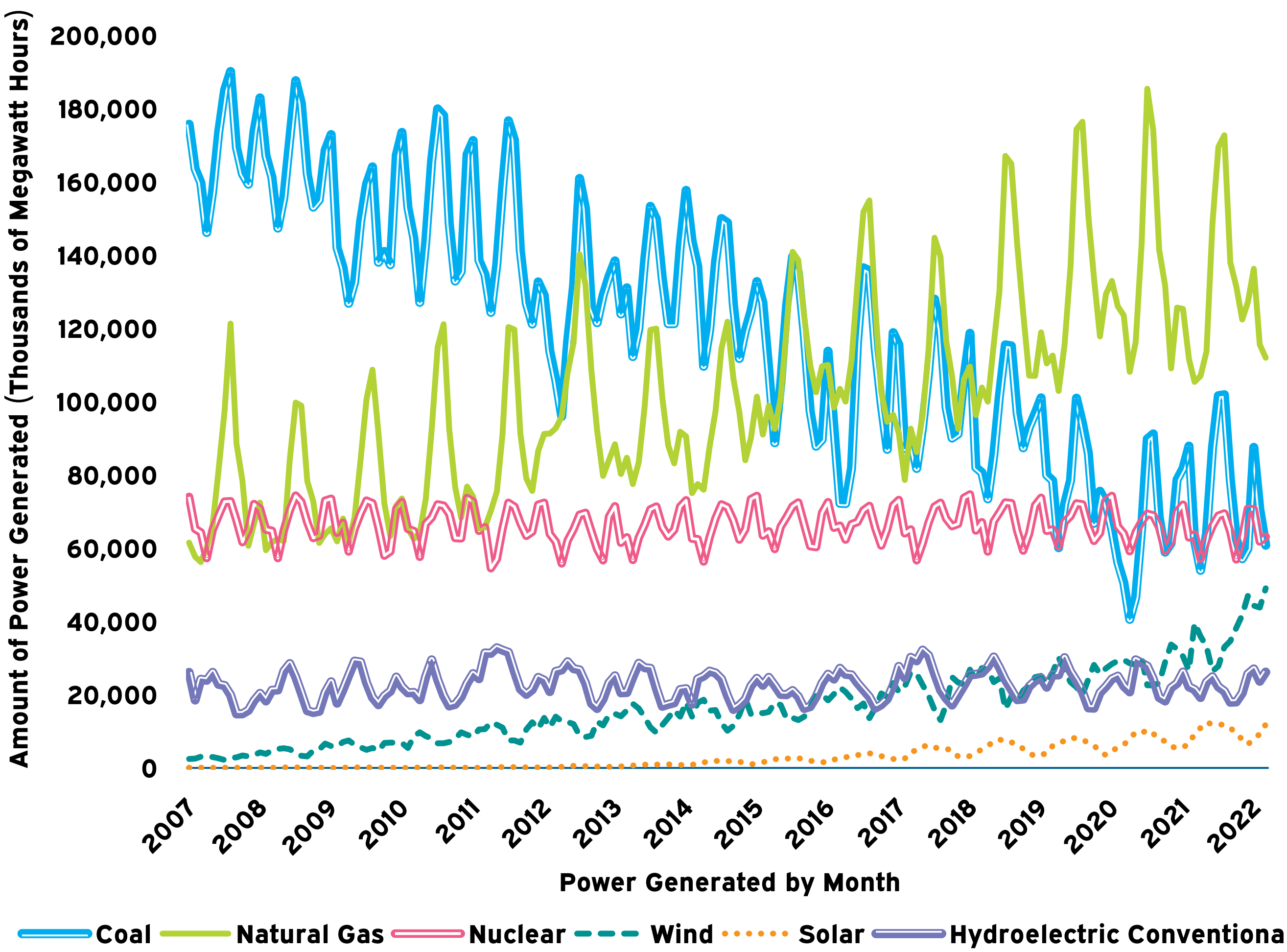
[1] Source: Bureau of Transportation Statistics: Flights, All US, and Foreign Carriers.



The graph above presents the total net generation for the past 12 months compared to the 10-year average for each month. Net energy generation in the US remained flat with an increase by 1.4% during the first quarter, compared to the same period in 2021.

[1] Source: US Energy Information Administration: Electric Power Monthly, March 2022.

US Power Generation by Source[1]



In the first quarter 2022, total US power generated increased by 5% over the same time period in 2021 with the largest increase from the renewable sources and natural gas. Wind and utility-scale solar continue to make up a small portion of total net energy generation in the US, accounting for only 11% and 3% of energy generation, respectively. Natural gas, coal, and nuclear accounted for 38%, 21%, and 19%, respectively. However, the growth of wind and solar as sources of energy generation continues to increase at a faster rate than coal and natural gas, especially over the last several years.

[1] Source: US Energy Information Administration: Electric Power Monthly, March 2022.