Important Information about Investments in Private Infrastructure

We have prepared this document to help you understand the characteristics and risks associated with investing in private infrastructure to assist you in making a more informed decision when buying or selling these securities. This document is compiled for your information and is intended to be a conversation starter between you and your Baird Financial Advisor or other appropriate experts, such as your tax or legal advisors. Your Baird Financial Advisor is available to address your questions and discuss the features, characteristics, costs, and risks of any particular investment. Investing in private infrastructure can pose liquidity concerns and involve other risks. As a result, private infrastructure investments may not be suitable for all clients.

Characteristics of Private Infrastructure and Private Infrastructure Funds

Private Infrastructure

The concept of private infrastructure has modernized from the traditional government sponsored role, evolving into opportunities for private investors seeking diversification. An investment in private infrastructure provides an investor the potential for steady returns and lower volatility beyond traditional markets via access to assets that provide essential services. Private infrastructure assets typically boast attractive features such as long-term contracts or operate in a supportive regulatory environment.

Private infrastructure assets include physical assets, structures, facilities, and other systems required for economies and civilized societies to function, including but not limited to transportation (i.e. bridges and roads) power energy, and utilities (i.e. drinking water and wind farms), and other industrial, social, or digital infrastructures (i.e. cell towers, schools, or healthcare facilities).

Infrastructure assets can operate as a hedge against inflation because essential services such as water, power and transportation are consistent necessities in our modern civilization even during economic downtowns. These assets can also provide for enhanced stability and stable cash flows/income streams to investors due to their extended lifespans and their nature. These assets also have a historically low correlation to other traditional investments, thereby adding diversification to an investor's portfolio.

Private Infrastructure Funds

Private infrastructure funds are pools of actively-managed capital that invest in private infrastructure assets. Private Infrastructure funds are often structured similar to private equity funds as limited partnerships that are professionally and actively managed by a general partner or manager that sources and vets potential investments and has the discretion to make investments for the fund. As a result, private infrastructure funds share many of the common characteristics and risks of an investment in private equity funds.

Private infrastructure funds usually have an investment objective or strategy focus on infrastructure assets in certain sectors, industries, geographic regions, size ranges or stages of development or operations and often include government contracts within the assets. These funds can vary based upon their underlying strategies, risk tolerances, and investment objectives.

Private infrastructure funds raise capital by selling interests to investors. Private infrastructure funds are generally exempt from registration as investment companies under the Investment Company Act of 1940, although some may be so registered. In addition, interests in private infrastructure funds are commonly issued in private placements rather than in public offerings so as to avoid registration under the Securities Act of 1933. In order to rely on such exemptions, private infrastructure funds often limit the number and type of persons that may invest in them. Most private infrastructure funds are only available to persons or entities who meet certain qualification and minimum investment requirements. Often, only high net worth persons and institutional investors are eligible to invest.

Although there are several types of vehicles and structures for an investment in private infrastructure assets, interests in a private infrastructure fund are commonly not listed on an exchange or otherwise transferable. In limited circumstances, some private infrastructure funds will repurchase interests from investors, but an investment in a private infrastructure fund should be regarded as illiquid.

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Private Infrastructure Funds vs. Private Equity Funds

Although the objectives of each type of fund differ materially in terms of structure and operation, private infrastructure funds bear many similarities to private equity funds. However, in contrast to private equity funds, private infrastructure funds typically have long term contracts with more predictable cash flows. While a private equity fund may generate returns by increasing the value of the company it invests in, a private infrastructure fund's returns are achieved primarily through its receipt of income plus operational efficiencies that managers can make to the investments. In addition, whereas private equity funds typically feature a limited life span, many private infrastructure investments tend to have a longer life expectancy. For more information about private equity, visit www.bairdwealth.com/retailinvestor

Understanding the Risks

Risk is inherent in any investment product or strategy. Certain of the common risks and other important considerations associated with investment in private infrastructure are highlighted below. You are strongly encouraged to review the prospectuses or other disclosure documents associated with any product for a more fulsome discussion of additional risks and other important considerations before making any invest decision. Additional information regarding investment risks generally and other important consideration is also available at www.bairdwealth.com/retailinvestor.

- **Substantial Commitment Requirements.** Some private infrastructure funds require a significant upfront commitment which can be drawn at the general partner's discretion as provided in the limited partnership agreement.

- **Lack of Liquidity.** Investments in private infrastructure funds should be regarded as illiquid. They are not listed on an exchange, traded in the secondary market and are generally not transferable.

- **No Control Over Investments (Blind Pool Risk).** Investments in private infrastructure funds are regarded as blind pools. Investors will be committing to an investment without knowing the specific investments it will make. In addition, investors in private infrastructure funds are passive and rely on the general partner to make investments and exit those investments. Investors do not have a say in what investments are made and when they are sold.

- **Dependence on Key Personnel.** The success of private infrastructure funds is highly dependent on the general partner and its management team who are valuable in identifying, vetting, and structuring investments and determining the appropriate time to sell those investments. The loss of one or more key individuals may have a material adverse effect on the performance of the fund. Additionally, these investments are complex and involve projects and operations that may require specific expertise in engineering and construction, appropriate insurance coverage, and a well implemented business plan for successful infrastructural development.

- **Conflicts of Interest.** There may be conflicts of interest between the general partner and investors in a private infrastructure fund. The general partner or its affiliates may have other funds that compete for similar investments as the private infrastructure funds in which you invest and may create other such funds. Managing multiple funds may make it difficult for the general partner to devote its full time and attention to managing the fund in which you invest.

- **Limited Information.** Private infrastructure funds often do not provide much information about their investments and the performance of their portfolio companies, other than annual or semi-annual financial statements, an annual Schedule K-1, and possibly quarterly reports.

- **Regulatory and Environmental Risk.** Private infrastructure assets will be subject to a wide variety of governmental regulations and require robust compliance to maintain licenses and avoid penalties. Private infrastructure investments require responsible management, compliance reviews, and environmental assessments, particularly with those assets related to energy production and EPA oversight.

- **Tax Considerations.** Private Infrastructure funds are usually taxed as partnerships and investors will receive an annual Schedule K-1 showing their pro rata share of the fund's gains, losses, income, credits and distributions. An investment in an unlisted limited partnership private infrastructure fund will complicate an investor's tax return and increase tax preparation costs. Please consult your tax advisor before investing in a private infrastructure fund.

More Information

Before investing in private infrastructure, you should discuss the merits and risks of the investment with your Baird Financial Advisor to make sure it is consistent with your investment objectives, financial needs, liquidity expectations and risk profile.

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