THE NORTH AMERICAN MIDDLE-MARKET OPPORTUNITY
Infrastructure is a fundamental aspect of society that connects businesses, communities and people, helping to support economic growth and quality of life.

However, investment in essential infrastructure in North America and globally is failing to keep pace with current and expanding needs. According to the Global Infrastructure Outlook, around $94 trillion in infrastructure investments will be required by 2040, a figure $18 trillion higher than current spending. To meet this need, infrastructure investment will need to increase from $2.5 to $4.6 trillion annually.¹

InstarAGF believes the most attractive markets for investment in infrastructure combine growth potential and high levels of investment with lower risk environments that feature economic stability, business efficiency, and more predictable regulatory and legal frameworks.

The North American market is appealing for these reasons. Further, the North American market has experienced robust and growing deal flow in the last few years across infrastructure categories, including the energy, utilities and transportation sectors, which account for 87% of deals completed since 2009.²

The need for increasing infrastructure investment in North America is well documented. We believe the private infrastructure opportunity in this region is sizable and supported by macro factors such as the historical underinvestment in infrastructure, growing urbanization and demographic shifts, and the limited funding available from traditional sources to meet infrastructure investment requirements that are large and growing.

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1 Global Infrastructure Outlook, 2017.
4 Ibid.
5 Ibid.
All amounts are in US dollars unless otherwise noted.
InstarAGF believes the North American middle market, which we define as assets with an enterprise value of $100 million to $1 billion, offers a compelling value proposition and is less competitive than the market for large-scale assets, for a number of reasons:

- Transactions are often more complex, such as separating an asset from a larger company, requiring significant specialized investment and operational expertise;
- Opportunities are typically available through existing relationships and partnerships, often enabling acquirers to compete on factors other than price; and
- Mid-sized infrastructure assets typically offer greater potential upside, thereby appealing to seasoned infrastructure investors who can establish a strong governance overlay and apply their operating and strategic acumen to improve performance.

As a result, and in our experience, we believe middle-market investments typically offer the opportunity to achieve returns up to 100 to 150 basis points higher than the broader infrastructure market in the same sector and jurisdiction.

**Capitalizing on Macro Trends**

Rapid urbanization is a defining trend of the 21st century, with dynamic shifts in the need for more resilient, sustainable and flexible infrastructure demanding innovative approaches in how we future-proof our cities. InstarAGF’s North American investment thesis capitalizes on these macro trends, selecting projects that address the historical underinvestment in infrastructure, where limited funding from traditional sources fails to meet essential investment requirements.

With more than 80% of North America’s population living in cities, urbanization, emerging technology, population growth, and densification continue to define modern demographics, offering great challenges and opportunities to develop sustainable infrastructure that meets the long-dated needs of modern society.

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6 The world’s fastest growing cities, World Economic Forum, November 2015.
8 The Sustainable Infrastructure Imperative: The New Climate Economy, 2016.
InstarAGF is an independent asset management firm offering innovative real assets investment solutions to institutional investors seeking attractive risk-adjusted returns that are less correlated with the public markets.

InstarAGF, which makes direct investments and co-investments with like-minded investors, is a joint venture of Instar Group Inc. (Instar), a company owned by Gregory J. Smith, and AGF Management Limited, a diversified global asset management firm.

InstarAGF was formed in 2014 to invest in and manage high quality, middle-market alternative investment products, focusing primarily on North American infrastructure, with the goal of delivering sustainable and attractive returns to investors. Our team has more than 175 years of combined expertise in infrastructure financing, acquisitions, operations, asset management, and stakeholder engagement and relations.

FIGURE 1: FUND I PORTFOLIO INVESTMENTS

Energy: Midstream Energy
- Steel Reef

Utilities: District Energy
- Creative Energy

Energy: Clean Energy
- Okanagan Wind
- MI Infrastructure

Civil: Aviation
- Nieuport Aviation
- Skyservice

Civil: Complex Logistics
- AMPORTS
COMMUNITY STEWARDSHIP

We believe successful infrastructure development is the result of collaboration between governments, the private sector and the citizens who actually use the infrastructure and services.

Our commitment to excellence and stakeholder engagement is a key differentiator for InstarAGF and our portfolio companies in the middle market. InstarAGF’s broad network of relationships in Canada and internationally and our emphasis on stakeholder alignment positions us as a long-term, value-added partner.

Respect for people, communities and the environment is integral to our business strategy given the nature of investing in infrastructure, and we are proud to be a signatory of the United Nations-supported Principles for Responsible Investment.

“Billy Bishop Airport plays a significant role in Toronto as a key economic driver, an important piece of transportation infrastructure and a provider of jobs. Ranked alongside airports in Singapore, Hong Kong and Zurich, Billy Bishop Airport is seen as a world-class facility that fuels businesses, facilitates tourism and offers connectivity to all of those who come, go and stay in the world-class city of Toronto. I offer my congratulations to Billy Bishop Airport on this impressive ranking.”

– MAYOR JOHN TORY, CITY OF TORONTO (2016)
CONDÉ NAST TRAVELER 2016 READERS’ CHOICE AWARDS

“This council and this community spent time and effort to make [Okanagan Wind] right. Our relationship to the land and our responsibility to protect it meant that a relationship with the company was of the utmost importance. The company took the time to learn and understand the concerns Upper Nicola had, addressing them collectively with respectful dialogue. Upper Nicola is proud and committed to being a leader in renewable, clean, green energy. The Pennask project changed our landscape, but we ensured that what was developed is good for the overall environment.”

– CHIEF MCLEOD, UPPER NICOLA BAND, BRITISH COLUMBIA (2017)

“We are delighted to welcome InstarAGF as a signatory to the PRI. Their recognition of the importance of considering ESG factors as part of the investment process, in order to provide better long-term returns, sends an important signal to other asset managers in the alternative investment space.”

– FIONA REYNOLDS, CEO, PRI (2018)

“As one of the largest auto processors in North America, we take pride in leading the global automotive service industry with a commitment to safety, quality, operational excellence and customer satisfaction. These awards [...] demonstrate how our values and customer partnership mindset are driving exceptional quality and innovation.”

– STEVE TAYLOR, CEO, AMPORTS INC. (2018)
AUTOMOTIVE GLOBAL AWARDS, BEST NORTH AMERICAN LOGISTICS QUALITY AND LEADERSHIP

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InstarAGF believes infrastructure investments have the ability to offer investors an attractive investment profile.

With the potential for long-life cash flow and inflation protection characteristics, we believe the infrastructure investment class is a compelling alternative to fixed income and equity investments, particularly for investors with long-dated liabilities.

Furthermore, several studies have demonstrated that infrastructure assets may have a relatively low correlation with other asset classes, thereby potentially delivering portfolio diversification benefits and the opportunity for enhanced long-term, risk-adjusted returns.¹⁰

**FIGURE 2: INSTARAGF’S DIVERSIFIED INFRASTRUCTURE FOCUS**

<table>
<thead>
<tr>
<th>Energy</th>
<th>Utilities</th>
<th>Civil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power generation</td>
<td>District energy systems</td>
<td>Airports and aviation infrastructure</td>
</tr>
<tr>
<td>Renewable energy, with</td>
<td>Energy transmission and distribution</td>
<td>Complex logistics, such as specialty</td>
</tr>
<tr>
<td>an emphasis on bioenergy</td>
<td></td>
<td>ports, short-line rail or intermodal</td>
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<tr>
<td>and biogas</td>
<td></td>
<td>businesses</td>
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<tr>
<td>Midstream energy</td>
<td>Water and wastewater systems</td>
<td>Digital infrastructure</td>
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<tr>
<td>Energy infrastructure</td>
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<td>Roads</td>
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<tr>
<td>Energy storage</td>
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</tbody>
</table>

**North America, the Caribbean and OECD**

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⁹ Our views and referenced studies do not represent financial product or investment advice. Investors should make their own determination as to the suitability of the infrastructure asset class.

INVESTMENT RISKS AND OTHER CONSIDERATIONS

The Manager is not registered with the U.S. Securities and Exchange Commission as an investment adviser. The Fund is not a U.S. registered investment company under the U.S. Investment Companies Act of 1940, as amended. As a result, investors are not entitled to the protections thereunder. Further, the interests in the Fund have not been registered under the U.S. Securities Act of 1933, as amended, or the laws of any state or other jurisdiction.

An investment in the Fund is speculative and involves a high degree of risk. An investor could lose all or substantially all of their investment. Additionally, the payment of a performance-based carried interest to an affiliate of the General Partner may create an incentive for the Manager to cause the Fund to make riskier or more speculative investments than may have been made in the absence of such an incentive. For additional information regarding the risks associated with an investment in the Fund, see Section VIII of the offering memorandum of the Fund, entitled “CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE OFFERING DOCUMENTS”. The following list of investment considerations does not purport to be a complete enumeration or explanation of the risks involved in an investment in Fund II and the infrastructure asset generally, where assets and companies may be more sensitive to political, regulatory and policy changes given the essential nature of the services provided by infrastructure assets and companies. Fund II and its business is subject to a number of risk factors, summarized below and including but not limited to:

Risks related to the Fund’s investment objectives and investment policy, including: no assurance of investment return; no prior operating history; prior investment performance not indicative of future results; limited number of investments; limited market for acquisition opportunities; unspecified use of proceeds; dependence on key personnel; foreign investment risk; hedging; and the effect of change in the credit markets. Risks related to the terms of the Fund, including: nature of investments; carried interest; need for follow-on investments; dilution; currency risks associated with revaluations at subsequent closings; side letters; management by general partner and Manager; reliance on management of portfolio investments; investments in public companies; minority investments; bridge financing; risks upon disposition of investments; difficulty in valuing investment portfolio; distributions in kind; recourse to Fund II’s assets; indemnification; risks arising from provision of managerial assistance; restrictions on transfer and withdrawal and lack of liquidity; failure to make capital contributions; consequences of failure to pay contributions in full; loss of limited liability; liability for return of distributions; public disclosure conditions; general economic conditions; conflicting investor interests; effect of expenses on returns; fees for services; conflicts of interest; and potential conflicts of interest in the Manager’s relationships with AGF.

Legal, regulatory and tax risks, including: disputes and litigation; ERISA liabilities; effects of bankruptcy; changes in applicable law; potential implications of Brexit; potential implications of the repeal of NAFTA; Canadian government review of rules governing pension entities; lack of registration under the Exchange Act; anti-corruption laws; AIFM Directive; data privacy; cyber security; compliance with anti-money laundering laws; other regulatory concerns; and no independent counsel.

Certain information provided in this Document has been obtained from third party sources or compiled based on information provided by third party sources. The General Partner does not guarantee their accuracy or completeness. Performance numbers are neither audited nor independently verified. This Document does not contain a complete description of the Fund or the risks associated with an investment in the Fund and is subject to and qualified in its entirety by reference to the Offering Documents and the constitutional documents of the Fund.

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Potential Fund investors should obtain and carefully review the applicable Offering Documents and constitutional documents of the Fund in order to fully understand all of the important terms regarding an investment in the Fund. Any investor subscribing for interests in the Fund must be able to bear the risks involved and must meet the Fund’s suitability requirements. Investors must be prepared to bear these risks for an indefinite period of time and must be able to afford complete loss of their investment. An investment in the Fund may not be suitable for certain investors.
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