



Q&A

WITH ROSSITSA STOYANOVA,
CHIEF INVESTMENT OFFICER

We asked Rossitsa to reflect on a volatile year for investors and what's in store for 2024.

Q: ROSSITSA, YOU'RE A PROPONENT OF "TAKING THE LONG VIEW". TELL US WHY THAT MATTERS?

RS: Taking a long-term view is essential for two reasons. First, this approach avoids the pitfalls of a short-sighted or 'yo-yo' strategy, which can be detrimental in a fluctuating market environment. If you consider the market volatility in the past 18 months alone, we went from public markets being depressed due to rising interest rates in 2022, to a dramatic upswing in public markets in the third quarter of 2023—a year that defied recession expectations. We do not time the markets or react to market events. We believe that maintaining conviction in the long-term investment strategy and asset mix, and staying disciplined in our execution is the best approach to delivering strong, sustainable, risk-adjusted returns.

Second, our ability to invest for the long-term is a competitive advantage. The ability to hold illiquid assets and withstand short-term noise necessitates taking the long view. In particular, our private investments need time to mature and demonstrate results. We assess our investment strategies' effectiveness over a minimum of five years.

Our patient, long-term focus, beyond immediate market reactions, enables our clients to meet their financial obligations decades into the future.

Q: WHAT WERE SOME OF THE BRIGHT SPOTS FROM 2023?

RS: Despite a backdrop of volatility and heightened inflation, 2023 presented several positive highlights for IMCO. Several of our private market strategies, including Global Credit, Infrastructure, and Private Equity, are generating substantially positive net value add, on an inception-to-date basis. They are on the right track to benefitting from the significant progress we've made in internalizing our investment activities and have yet to reach their full potential. Internalization enables us to achieve outsized returns and manage risks, which we will begin to see through the multiple direct and co-investments we've made this year.

The recovery of Public Equities and Fixed Income from the lows of 2022 was another highlight, signaling a rebound in these asset classes.

We continue evolving our asset class strategies, to reflect our growing capabilities and areas of competitive advantages, such as investing in the energy transition, and our approach has proven effective in navigating the uncertain economic landscape of the past year.

Q: WHAT CHANGES WERE MADE TO ASSET CLASSES THIS YEAR?

RS: In 2023, three asset classes underwent significant changes, reflecting our evolving investment strategies and growth capabilities.

In Global Credit, we shifted from investment grade to high-yield credit, to harvest the credit spread and to take advantage of the full risk-return spectrum. We increased our exposure to private credit and launched the internalization program.

All this activity came at an opportune time, coinciding with high rates and reduced bank lending, as we pursue investments in capital solutions, middle-market loans, high-yield, and private credit.

Our Infrastructure strategy was updated to focus on three key themes: digital infrastructure, energy transition, and regulated utilities. We targeted these themes because we believe they represent the future of global infrastructure and are areas where we are differentiated as investors. For example, the energy transition will require massive amounts of capital and our team has built up the internal experience and expertise needed to make differentiated investment calls and to close transactions in the highly competitive and crowded clean energy space. We saw this in action this

year through our investments in Northvolt AB (a leading Swedish integrated battery platform); and NeXtWind Capital Ltd. (a German renewable energy company).

Within digital infrastructure, we invested in Cellnex Nordics (a leading Scandinavian operator of wireless telecommunications infrastructure); and increased our investment in DataBank (the largest "edge infrastructure" operator in the U.S.)

Public Equities was re-designed to better align with our clients' investment goals and liquidity needs. We will maintain an active approach in public equities to target attractive opportunities and to achieve better diversification and risk management. Within public equity pools, we have segmented a portion of the assets for liquidity portfolios to enable greater cost efficiency, portfolio management nimbleness, and transparency. Within active public equities, we pursued investment themes aligned with IMCO's World View, including energy transition investments.

Q: WHAT WILL YOUR AREAS OF FOCUS BE IN 2024?

RS: In 2024, we will continue advancing our internalization capabilities and hone our roster of strategic partnerships.

We will sharpen our focus on sustainable investing and the global energy transition. These areas represent not just strategic choices but will be crucial for future success for our entire portfolio. The energy transition is an area rich with opportunities for attractive returns and significant environmental and social benefits. We are committed to investing \$5 billion by 2027 in the energy transition and as of 2023, we have already achieved over \$1 billion in clean energy transition investments. Much of this investment has been within our Infrastructure area. Over time, we expect this activity to spread across our portfolio.

We have built a strong foundation for sustainable investing and are poised to take the next step in our sustainable investing strategy. This means picking our spots on where we can have an impact and make returns. There is an ever-increasing volume of sustainable investing trends, policies, and regulations, and we're turning them into actionable insights for our investment team. Sustainable investing is long-term investing, so we're equipping everyone on our investment team with the skills and knowledge they need to be a sustainable investor. And we continue working with our investment partners and portfolio companies to chart a path towards net zero.