

Our thematic approach to investment

We adopt a thematic approach to origination and portfolio construction, backing businesses that benefit from structural trends which can support long-term sustainable growth.

Value-for-money and discount

The last few years have been characterised by significant geopolitical and market shocks.

These have had profound consequences for the global economy and have resulted in significant pressures on consumers through increases in energy prices, broader inflation, higher interest rates and slower growth. While there are signs that some of these pressures may be abating, consumers remain discerning and continue to seek quality, at a good price.

We believe that these behaviours will endure, as shown by the permanent shift to "value" concepts by some consumers during, and in the immediate aftermath of the 2007-2008 financial crisis.

3i response

Value-for-money and discount has long been a winning theme for our Private Equity portfolio. We highlight a few examples here. **Action** has grown from a focus on its Dutch home market to a pan-European discount retailer, by providing a good-quality and surprising assortment, including many everyday necessities, at a very low price.

Royal Sanders, a private label and contract manufacturer of personal care products, is growing strongly by offering products at a variety of price points to a broad range of customers, including value retailers. **European Bakery Group**, which produces bake-off bread and snack products for food retailers, benefits from similar dynamics.

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Action



Energy transition, energy security and resource scarcity

The response to the climate and environmental emergencies is a defining theme of our time.

The transition towards a low-carbon economy is gathering pace, leading to increased demand for electricity and associated services. At the same time, natural resources are overexploited and governments, businesses and consumers are focusing on developing and supporting more sustainable consumption models, which embed more circularity and shared resources.

3i response

We have exposure to this theme in our Infrastructure business, with investments in businesses like **Infinis** and **Valorem**, which generate renewable energy, **Herambiente**, which sorts and recycles waste and generates power from the waste that cannot be recycled, and **Future Biogas**, one of the UK's largest anaerobic digestion plant developers and biogas producers.

TCR, also in our Infrastructure portfolio, provides pooled ground support equipment at airports, reducing the amount of equipment required.

A number of our Private Equity portfolio companies are making investments in the circular economy theme, either by adapting their business models or by offering products or services that directly support a circular economy model. For example, **WP** is investing in more easily recyclable packaging materials and **Evernex** repairs, reuses and recycles IT equipment.

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Future Biogas

Our thematic approach to investment continued

Digitalisation, digital transformation and big data

Business is increasingly mobile and data driven, facilitated by increasing connectivity, and is focused on simplifying processes and improving the customer experience.

Technology is developing rapidly and changing business operating models across many sectors. Digitalisation is part of daily life, extending to all spheres of human activity and interactions. It is also intertwined with climate change and is a precondition to many of the available decarbonisation pathways.

The rapid development of artificial intelligence is accelerating these trends, creating opportunities not previously possible. However, not all segments of the economy participate equally in this transformation. Some businesses are vulnerable to disruption, and some parts of society are being left behind.

3i response

We have been careful to select investments that benefit from this theme, while avoiding areas likely to be impacted by disruption. In our Private Equity portfolio, **MAIT** provides SMEs with IT solutions that focus on process optimisation and digitalisation. **xSuite** provides accounts payable process automation applications. **Evernex** maintains IT equipment that is critical for customers' business continuity. **Luqom**, **VakantieDiscounter** and **Konges Sløjd** operate in growing online consumer niches and can benefit from the ongoing shift to the online channel.

Our Infrastructure business is also exposed to this trend. **Tampnet** operates an offshore communication network in the North Sea and Gulf of Mexico; and **Global Cloud Xchange** owns one of the world's largest subsea fibre optic networks.



Demographic and social change

Ageing populations are projected to cause significant social disruption in our investment markets.

Increasing life expectancy and reduced birth rates in most of our core markets are resulting in ageing and often declining populations. These structural, long-term trends are profoundly changing consumer behaviour and preferences, and are resulting in policy responses and scientific research to meet the challenges of greater longevity and the increasing prevalence of age-related chronic illness.

3i response

Our Private Equity healthcare investments, including **Cirtec Medical**, an outsourced medical device manufacturer, as well as **SaniSure** and **ten23 health**, which deliver products and services to the life sciences industry, provide solutions to the disruption caused by an ageing population and by scientific breakthroughs making more advanced medical and pharmaceutical treatments possible. **Ionisos**, in our Infrastructure portfolio, provides cold sterilisation services to the medical and pharmaceutical industries, amongst others.

Some of our portfolio companies with a consumer focus are also exposed to this trend. **Audley Travel** caters to an older and wealthier demographic cohort that is becoming more dominant. **Konges Sløjd**, on the other hand, has developed its offering to appeal to smaller families, where the spend per child is increasing.

