



Map of the Course

- Understanding Private Markets
- Private Equity
- Venture Capital
- Private Credit
- Infrastructure and Real Estate Investments



Infrastructure Investing

What Is Infrastructure?



Fundamental facilities and systems that support economic activity and human life.



Characteristics of Infrastructure Assets:

- 1 LONG LIFESPAN
- 2 MONOPOLY-LIKE

- 3 STABLE CASH FLOWS OVER TIME (LOW ECONOMIC SENSITIVITY)
- 4 CRITICAL PUBLIC OR ECONOMIC FUNCTIONS (USED BY BROAD POPULATION)

Why Infrastructure Matters to Investors



- Inflation Protection: revenues are often indexed to inflation, offering a natural hedge
- Low correlation with other markets: 0.09 correlation to stocks, -0.18 to bonds. Enhances portfolio diversification
- Inelastic demand: consumers have relative stable consumption regardless of price
- Monopolistic assets: economically makes sense to build only one or two large assets in a region
 - Attractive risk/return profile: balance between income generation and capital preservation

Infrastructure Fund Structures



1

Private equity infrastructure funds

Similar to PE funds; 10-to-15-year life and high leverage. 2

Publicly traded infrastructure stocks

Stock market indices have a significant utility sector.
Energy pipelines can be publicly traded as MLPs¹. Few other assets are publicly traded.

3

Direct investment or leasing from governmental entity

Works best for large investors with very long time horizons.

4

Open-end evergreen fund

Allow investors to subscribe or redeem on a regular basis. Lines of credit or gates may be required when assets can't be quickly sold.

^{1.} MLPs (Master-Limited Partnerships) are publicly traded entities that combines the tax benefits of a partnership with the liquidity of a public company. In the U.S. they are commonly used to invest in energy infrastructure.

Infrastructure Debt and Hybrid Investments



Investing in infrastructure debt generates **stable cash flows secured** by liens on infrastructure assets.

Infrastructure debt has lower defaults than debt issued by other sectors.

Hybrid funds include both debt and equity investments.

Mixing debt and equity has the potential to enhance yields and reduce downside risk.

Risks in Infrastructure Investments





Risk Spectrum

Brownfield Investments in Developed Markets

Lowest risk – investing in existing assets in countries with developed economies and legal structures.

2 Brownfield Investments in Emerging Markets

Investing in emerging markets may introduce **currency risk** and **governance risk**.

3 Greenfield Investments

Building new infrastructure can lead to **cost overruns** and **uncertain cashflows**.



Real Estate Investing

What is Real Estate?



Refers to land and any permanent structures built on it.

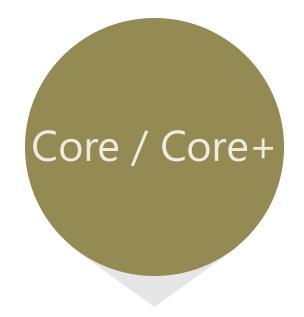
Offers stable income, potential appreciation and portfolio diversification.

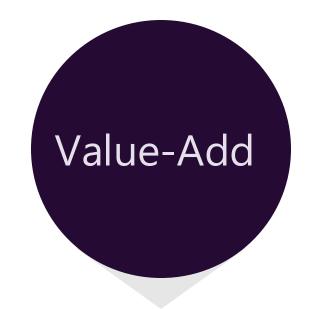
Real Estate has different risk factors than stocks & bonds.

94%¹ of Real Estate in the U.S. is privately owned while only 6% is publicly traded.

Investment Strategies in Real Estate









Low risk properties in prime locations with high occupancy and stable cash flows. Core+ offers a slightly higher risk as properties may need upgrades.

Mid-risk strategy involving underperforming properties. Investors can actively improve operations and reposition assets to increase value.

High-risk, high-return strategy that includes ground-up developments, distressed assets or complex situations.

Core & Core + Investments



	Core	Core +
Risk	Very low	Low to moderate
Return	6-8%	8-10%
Leverage	Low (30%)	Moderate (50%)
Tenant Profile	Strong, stable	Still strong, shorter leases
Strategy	Buy and hold	Light renovation





CORE ASSETS

Long-term leases, stable cash-flows.

Retail Industrial

Office Residential

NON-CORE ASSETS

Shorter leases and more volatile income streams

Hotels Self Storage

Student Housing Vacant Land

Value-Add & Opportunistic Strategies



Value-Add

Moderate to **high risk**, with upside potential through operational or physical improvements.

Properties often have issues like management **inefficiencies** or short leases. Investors aim to **increase cash flows** and value through renovations, reposition or lease-up.

Typical returns: 10-15% Leverage: 60-75%

Opportunistic

Highest risk and return profile. Includes ground-up development or distressed assets.

Often involves vacancy, entitlement issues or full repositioning.

Requires **strong execution capabilities** and long-term investment horizon.

Typical returns: **+15%** Leverage: **70-85%**

Real Estate Fund Structures



REITS

(Real Estate Investment Trusts)

- Publicly traded or private vehicles that own income-producing real estate.
- Must distribute ≥90% of taxable income to shareholders.
- Highly liquid if publicly listed; accessible to retail investors.
- Limited control over asset selection or strategy.
- Lower fees, but also less upside.

Private Real Estate Funds

- Pooled investment vehicles managed by private equity firms.
- Invest in value-add, opportunistic or development strategies.
- Illiquid: long lock-up periods (7-10 years)
- High minimums typically open only to institutional or accredited investors.
- Active management and potential for outsized returns.

Fund Structures – Closed-End vs Open-End (Evergreen) Funds



	Open-End Funds	Closed-End Fund
Structure	Perpetual life, no maturity	Fixed life (7-10 years)
Liquidity	Periodic redemptions ¹ (quarterly)	Illiquid
Capital Flows	Continuously accepts new capital	Raised once at fund launch
Valuation	Based on NAV ² , updated regularly	Focus on IRR/MOIC at exit
Typical Strategy	Core / Core +	Value-Add / Opportunistic
Return Profile	Steady income, low volatility	Higher risk-return, J-Curve ³ effect
Investor Type	Institutions & HNW investors	Institutional & sophisticated only

^{1.} Redemptions refer to the ability of investors to withdraw their capital, usually subject to notice periods and liquidity windows.

^{2.} Net Asset Value – total fund assets minus liabilities, per share.

^{3.} J-Curve: pattern where funds typically show negative returns in early years due to fees, followed by increased returns. Explained in detail in the 2.1. Private Equity presentation.

Mortgage Markets



Mortgage markets play a key role in financing real estate investments. Understanding how debt interacts with property assets is crucial for both investors and fund managers.

- A mortgage is a loan **secured** by real property.
- Mortgage loans can have **fixed** or **floating rates**. Fixed rates are less flexible while floating rates are linked to benchmarks (SOFR¹).
- Principal can be repaid **gradually** over time together with interests or at **maturity** (bullet loan).
 - CMBS² are bundled loans sold as securities. They offer liquidity and risk-sharing, but can be complex.

- 1. Secured Overnight Financing Rate is a benchmark rate used to set loan interest that adjusts daily based on U.S. Treasury rates.
- 2. Commercial Mortgage-Backed Securities are investment products backed by a pool of commercial real estate loans.

Real Estate Valuation & Metrics



Valuation Approaches

INCOME APPROACH

Based on the Net Operating Income (**NOI**) and the capitalization rate (**cap rate**).

Value = NOI / Cap Rate

SALES COMPARISON APPROACH

Compares the property to similar, recently sold assets in the market

COST APPROACH

Values the property based on: Land cost + cost to build – depreciation

Key Metrics

NOI = Gross Income – Operating Expenses

Cap Rate =
$$\frac{\text{NOI}}{\text{Property Value}}$$

Used to assess yield before financing costs

Cash-on-Cash Return =
$$\frac{\text{Annual pretax cash flow}}{\text{Total cash invested}}$$

Other metrics:

IRR & Equity Multiple – common in private deals to assess total performance over time.

Occupancy Rate - % of leased space vs total space.



Final Insights

Connecting the Dots



PRIVATE EQUITY

- Control investments in mature companies.
- Value creation via operational improvement.
- Core to most private markets portfolios.

PRIVATE CREDIT

- Lending to private companies.
- Includes direct lending, mezzanine, distressed...
- Finances PE and VC deals. Also used in Infra

VENTURE CAPITAL

Early-stage investing in **startups**.

High risk, high return.

Often supported by private credit.

INFRA & REAL ESTATE

Tangible assets with long-term cash flows.

Accessed via both PE structures and debt

instruments.

All of them fall under the umbrella of Private Markets: long-term, illiquid, actively managed investments offering diversification and potential for enhanced returns.

Other Trends in Alternative Investing



While this course has focused on core Private Market strategies, Alternative Investing includes niche approaches that share their illiquid nature, non-traditional structures, and restricted access – and are worth exploring.

1 DIGITAL ASSETS

Exposure to **crypto**, **blockchain**¹ infrastructure and tokenized funds, including emerging use cases like **tokenized real-world assets**, which aim to enhance liquidity, transparency and fractional ownership – a trend notably embraced in innovation hubs like Dubai.

2 COMMODITIES via HEDGE FUNDS

Access to **gold**, **oil** or **agricultural assets** through specialized **hedge funds** using complex strategies and private contracts.

3 ART, COLLECTIBLES & LUXURY GOODS

Alternative funds investing in **watches**, fine **art**, **wine** or **rare cars** – typically illiquid and driven by scarcity and branding.

MUSIC & IP² RIGHTS

Acquisition of **music royalties**, **patents** or **licensing rights** through private deals.

- 1. Blockchain is a globally distributed network that uses encrypted information to securely record and verify any type of data.
- 2. IP (Intellectual Property) refers to the legal rights protecting creations of the mind such as inventions, music, brands and artistic works.

Keep Learning – Where to go next



This course is just the starting point. Private markets are broad, deep and constantly evolving – so keep exploring!

Follow **Industry News** – stay updated through reliable sources and keep an eye on major transactions, fundraising activity and emerging investment trends.

Deepen Your Knowledge – the more familiar you become with the language, logic and mindset of the topic, the easier it will be to navigate new opportunities. Explore books¹, podcasts, and other curated content to stay immersed.

Practice & **Network** – engage in the Comillas PE&VC Club's activities and events, and put your skills into action through our **Deal Analyst Program**². You will also get the chance to meet professionals and peers with sharing interests, building meaningful connections along the way.

Stay Curious – keep exploring concepts, ask questions and keep learning through other courses, and independent research. Curiosity is key to mastering the private markets universe.

- 1. For media recommendations, feel free to contact us directly at comillas.edu
- 2. Through the Deal Analyst Program, students get the chance to work on teams simulating real investment work, elaborating reports and market research. Stay tuned to our social media and WhatsApp channels for updates and application openings.



Congratulations on Completing Private Markets 101