Date: June 17, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: First Quarter 2026 Infrastructure Update and Manager Characteristics

Recommended Action:

Receive and file.

Fiscal and Financial Impacts:

There is no financial impact to receiving this informational item.

Strategic Plan Importance and Risk Assessment:

This report pertains to Goal 1 – Protect the Plan's long-term financial health and Goal 2 – Strengthen Risk Oversight.

Background and Discussion:

What is Core Infrastructure?

MCERA utilizes two managers to implement our 6% Infrastructure allocation. Both managers use a core open-ended fund structure. The main characteristics of these strategies are:

1. Open-Ended: The funds are perpetual with no established end date. Investors can redeem shares periodically, subject to available fund liquidity. Independent appraisers calculate the fund's Net Asset Value (NAV) quarterly.
2. Low asset risk: The portfolios target essential public services and utilities (such as water, power grids, energy storage, and airports) that are critical to societal function. These capital-intensive assets enjoy high barriers to entry and generate stable cash flows backed by government regulations and long-term, inflation-linked contracts
3. Conservative leverage: Total portfolio leverage typically ranges from 30% to 50%. Generally, lower-risk, contracted, and regulated assets support higher loan-to-value (LTV) ratios due to their operational stability. Debt maturities are structured to match the long-lived nature of the underlying assets. Given the regulatory backing, these assets frequently secure investment-grade credit ratings.
4. Return primarily from income: Total returns come from cash distributions rather than capital appreciation. Our strategies target a 4% - 6% annual distribution yield.
5. Long asset lives: Assets are managed over multi-decade horizons rather than acquired for short-term resale. The long lifespan of the assets naturally aligns with the liabilities of pension funds and insurers.

Simply put: Open-ended core infrastructure assets are monopolistic, long lived, and essential societal assets that generate inflation linked, regulated, or contracted cashflows.

Manager Strategy Highlights:

IFM GIF

The IFM Global Infrastructure Fund (GIF) strategy returned a net 1.68% during the third quarter of fiscal year 2026, bringing its trailing 12-month net return to 9.56%. Since our capital call in December 2021, MCERA's total cumulative net return is 46.14%. For the past 12 months, management and incentive fees were 75 bps and 85 bps, respectively.

Over the last quarter, the strategy's Net Asset Value (NAV) increased from $67.3B to $69.0B. The growth was driven by increased valuations of Aleatica, Indiana Toll Road (ITR), Switch, and Swift. These gains were partially offset by a share price drop at Atlas Arteria, reduced ownership of Green Group following a co-investment sale, and a $274M distribution from Buckeye. In total, the fund received $465M in distributions, primarily from Buckeye and Sydney Airport.

Aleatica

Aleatica experienced increased traffic volumes across Mexico, Colombia, and Chile, which were partially offset by weaker weekend traffic and lower overall volumes in the UK. Despite these volume declines, revenues rose due to inflation-linked toll increases. During the quarter, the company optimized its capital structure by refinancing $345M of senior and subordinated debt into a senior-only structure, securing more favorable blended interest rates. A key project completion included the opening of the 4.4 miles Puchuncaví Bypass segment of Chile's Camino Nogales toll road. This new segment dramatically reduces travel times between Puchuncaví and Maitencillo from 15 minutes to just 3 minutes, significantly improving regional road safety and access to key coastal areas.

Indiana Toll Road

The ITR experienced a slight decline in traffic volumes compared to 2025, driven by a series of winter storms and lower heavy-vehicle volumes. Notably, the company completed PUSH 4.0, a rehabilitation program addressing surface and structural deterioration across 34 miles of dual-lane roadway. This marks the fourth segment of the broader Project PUSH initiative, representing a $465M investment to date aimed at enhancing safety and the customer experience. There is one significant construction project is slated for 2026: the reconstruction of the Exit 72 ramp bridge near South Bend, which is expected to reach completion in Q4 2026.

Switch

At Switch, the North American data center platform, asset valuation models were updated to reflect a revised development pipeline, updated macro-economic assumptions, and a recalibrated discount rate (due to a new external valuer). Switch successfully priced its fifth Asset-Backed Securities (ABS) issuance in March, securing a total of $767M. The platform expanded its footprint by bringing five new facilities online at its Reno and Austin facilities, adding 195 megawatts (MW) of total capacity.

Swift

Swift successfully executed the sale of two major assets: Steel River Solar and Prospect Power. Ahead of the divestment, Swift secured a 20-year Power Purchase Agreement (PPA) with Google for 1 gigawatt (GW) of capacity at Steel River, effectively de-risking the project for the buyer. The company successfully contracted the remaining generation capacity at its Tres Bahías Solar asset with NRG Energy, ensuring the project is fully contracted through 2030. On the valuation front, Swift transitioned to a new independent external valuer, Mazars. Following this transition, the asset valuation was adjusted to reflect an increased certainty regarding the Commercial Operation Date (COD) earnout payment for Prospect Power.

Atlas Arteria

Over the quarter, toll road operator Atlas Arteria's share price dropped approximately 13%. This decline was driven by a combination of lower heavy and light-vehicle volumes and the extension of France's Temporary Supplemental Tax (TST) into the 2026 fiscal year. Rather than a flat profit penalty, the TST functions as a temporary surcharge calculated as a percentage of the average corporate income tax due for qualifying large entities. This tax has restricted statutory net income and near-term cash distributions from Atlas Arteria's core French APRR network. By contrast, operations in the Commonwealth of Virginia saw positive developments. In March, Virginia enacted legislation amending the Virginia Highway Corporation Act of 1998. This amendment updates the State Corporation Commission's regulatory powers over the Dulles Greenway by redefining what constitutes a "reasonable return," specifying material discouragement as a traffic volume drop of three or more percentage points, and providing regulatory flexibility to evaluate and approve multi-year toll-rate structures. Finally, GIF launched an all-cash takeover offer via a subsidiary to acquire 100% of the company; however, Atlas Arteria's Board formally rejected the proposal, stating it was opportunistic and materially undervalued the portfolio.

Buckeye

Buckeye Partners distributed approximately $274M during the quarter, supported by strong operating performance. Overall volumes continue to outperform prior periods, driven by domestic terminal initiatives designed to attract new customers and secure higher volume commitments from existing clients. The initiatives have added 6 million barrels of incremental storage positions. The company is working to gain additional market share by capitalizing on the increased availability of Venezuelan crude exports, bringing previously out-of-service Caribbean storage tanks back online. In April the company expanded its Georgia footprint by acquiring two refined products terminals from Pilot Company. The acquisition expands the company's Southeast footprint, adding valuable infrastructure in a highly constrained market where existing terminal assets are already operating at full utilization.

Lastly, the new external valuer adjusted the value of BAES Infrastructure's legacy minority investment in OneH2 downward.

Green Group/Arqiva

The fund completed a co-investment round with existing fund investors on the Green Group asset, reducing its equity ownership from 98.5% to 87.9%.

As follow-up to the information presented on infrastructure risks at our February off-site, Trustees would be interested to know that in March GIF agreed to sell the Arqiva position to Polus Capital Management. The sale remains subject to customary regulatory approvals.

JPM IIF

The J.P. Morgan Infrastructure Investments Fund (IIF) strategy returned a net 2.68% during the third quarter of fiscal year 2026, bringing its trailing 12-month net return to 11.16%. Since our capital call in April 2021, MCERA's total cumulative net return is 64.23%. For the past 12 months, management and incentive fees were 80 bps and 45 bps, respectively.

Over the quarter, the strategy's NAV increased from $49.8B to $50.4B. The increase in NAV is reflected in acquisitions at Beacon Rail, Nadara, and Sonnedix, alongside strong hub services performance at Enstor. NorteGas and Chane detracted from performance due to unfavorable currency depreciation.

Beacon Rail

Beacon Rail continued strategic acquisitions and expanded leasing over the quarter. In February, the company strengthened its continental heavy freight footprint by acquiring DB Cargo's entire Class 77 diesel locomotive fleet. In March, ScotRail awarded Beacon a contract to lease 22 Class 222 trains to phase out its legacy high-speed fleet. Beacon continues to integrate Siemens Vectron locomotives into its fleet. These units feature standardized advanced rail technology that allows the trains to automatically transition between different national rail networks in Europe. Looking ahead, the company is preparing a formal bid to lease up to 40 new cross-border high-speed trains linking Switzerland, Italy, and France, building upon its shortlisting by Swiss Federal Railways (SBB) for the 15-year operating contract.

Nadara

Renewable energy platform Nadara is focusing on scaling its 18GW development pipeline through asset acquisitions and commercial partnerships. The company consolidated its offshore portfolio by acquiring all remaining joint venture interests in its UK and Italian floating wind projects. Nadara finalized a 10-year, 434MW hybrid Power Purchase Agreement (PPA) with Trafigura, blending generation from five solar farms and six wind farms in Spain. Additionally, it expanded its in-house technical capabilities by acquiring Talveg, a specialized wind services provider in France. Alongside these developments, Nadara launched its 2026 "Call for Projects" across the UK, Italy, Spain, Portugal, and France. This annual initiative invites local communities to propose innovative sustainability projects that deliver tangible local benefits and are ready to deploy by 2027.

Sonnedix

Sonnedix continued its European expansion this quarter through asset acquisitions, project commissioning, and completion. In Italy, the company surpassed the 1GW operational threshold by acquiring the 194MW "Akira" solar photovoltaic (PV) portfolio, which consists of six projects across the Lazio region. The company also reached financial close on its first hybrid battery energy storage (BESS) portfolio in Portugal. The portfolio includes the Sonnedix Acail project (28MW solar PV / 24MW BESS) and the Felgueiras project (40MW solar PV / 32MW BESS). In the UK, Sonnedix energized its first large-scale asset: a 40MW solar PV plant in North Devon. The project is expected to power over 11,000 homes with 100% clean energy. This site marks the beginning of a broader 300MW+ UK pipeline, with four additional projects currently under development.

Enstor

Underground natural gas storage provider Enstor continues to advance its infrastructure footprint and market positioning across the Gulf Coast region. Following final FERC regulatory approval, the company transitioned into active construction on its Mississippi Hub Expansion Project. This initiative will add three new salt caverns, more than doubling the facility's working gas capacity by its 2028 target operational date. The first cavern is already fully committed under a long-term service agreement with Kinder Morgan Inc. Enstor continues to progress with the integration of Black Bear Transmission, which it acquired in November 2025. In January, Winter Storm Fern drove demand for natural gas across Texas, Louisiana, Mississippi and Tennessee. The company was well positioned to capitalize on the increased price volatility.

NorteGas

NorteGas, the second-largest natural gas distributor in Spain, established a €2B Euro Medium Term Note (EMTN) program in Dublin, Ireland. An EMTN is a flexible, long-term debt issuance framework that allows corporations to raise capital outside their domestic markets. Rather than executing a new, costly legal process for every individual bond issuance, companies establish this program as an umbrella structure to rapidly launch multiple bonds in various currencies depending on investor demand. NorteGas immediately utilized this framework to issue €400M at a 4.125% interest rate maturing in 2033. These proceeds were deployed to buy back older, more immediate debt, successfully extending its debt maturities and preserving its investment-grade credit rating. The company also began deploying some of the €80M in financing backed by the European Investment Bank to advance engineering and development for its renewable gas projects in Spain, which target the conversion of agricultural and municipal waste into pipeline-grade biomethane.

Chane

European liquid bulk storage operator Chane focused on key executive leadership changes, biofuel infrastructure expansion, and strategic commercial partnerships. The company named Fabian Ziegler as its Chief Executive Officer. He plans to spearhead a long-term pivot toward the European energy transition. Ziegler's vision centers on expanding terminal footprints for sustainable aviation fuels, chemical recycling, and clean-energy logistics. In January, Chane brought online Phase II of its Rotterdam Biofuel Storage & Blending facility, boosting the terminal's dedicated marine fuel capacity to 110,000 cubic meters to support maritime decarbonization goals. In February, Chane finalized an option and service agreement with Blue Circle Olefins to build a sustainable chemical plant at Chane's Terminal Nieuwe Maas facility. Scheduled for a 2030 operational delivery, the plant will process green methanol to manufacture eco-friendly ethylene and propylene.

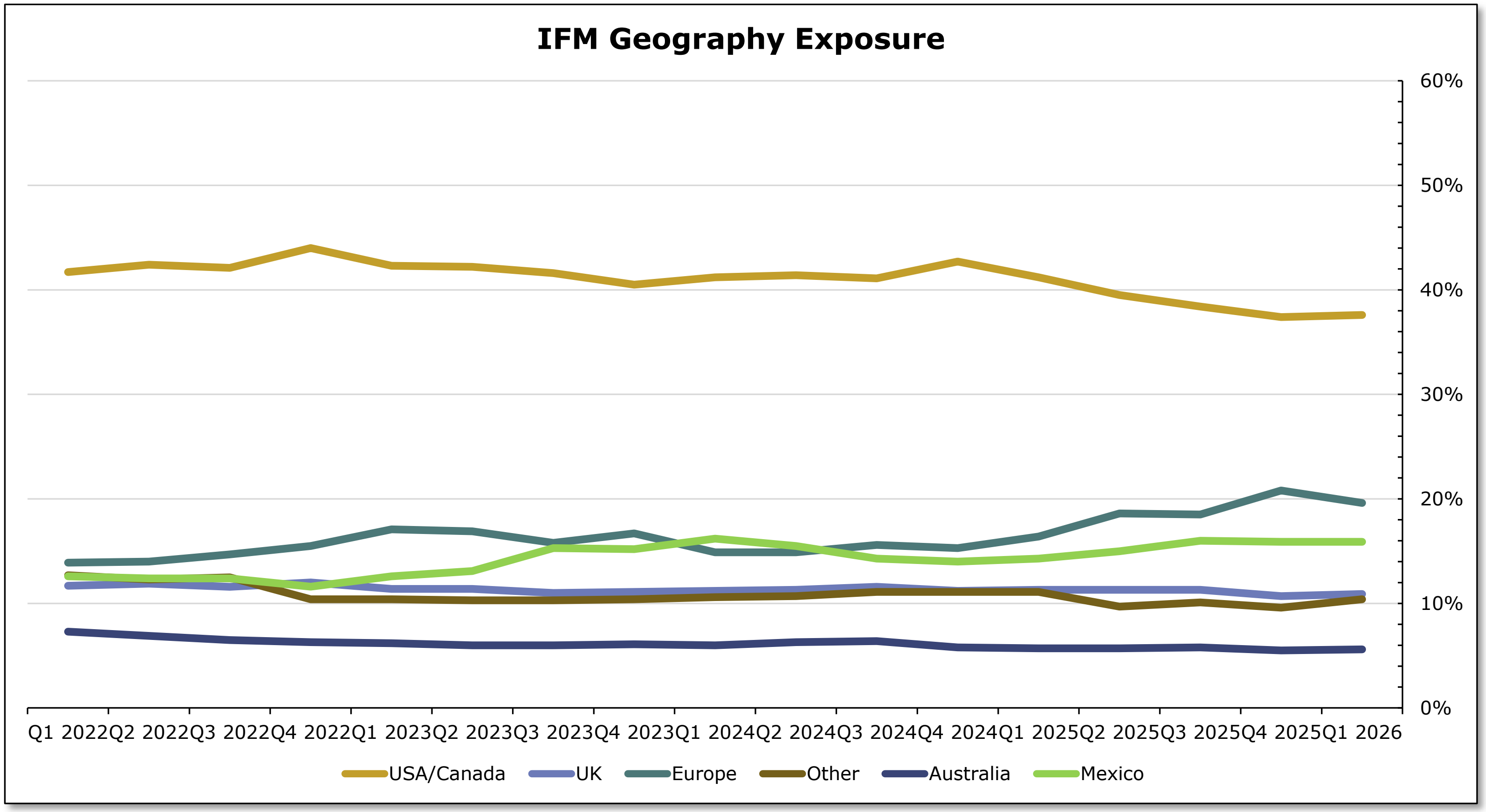
Attachment:

1. Infrastructure Portfolio Characteristics – 3/31/26

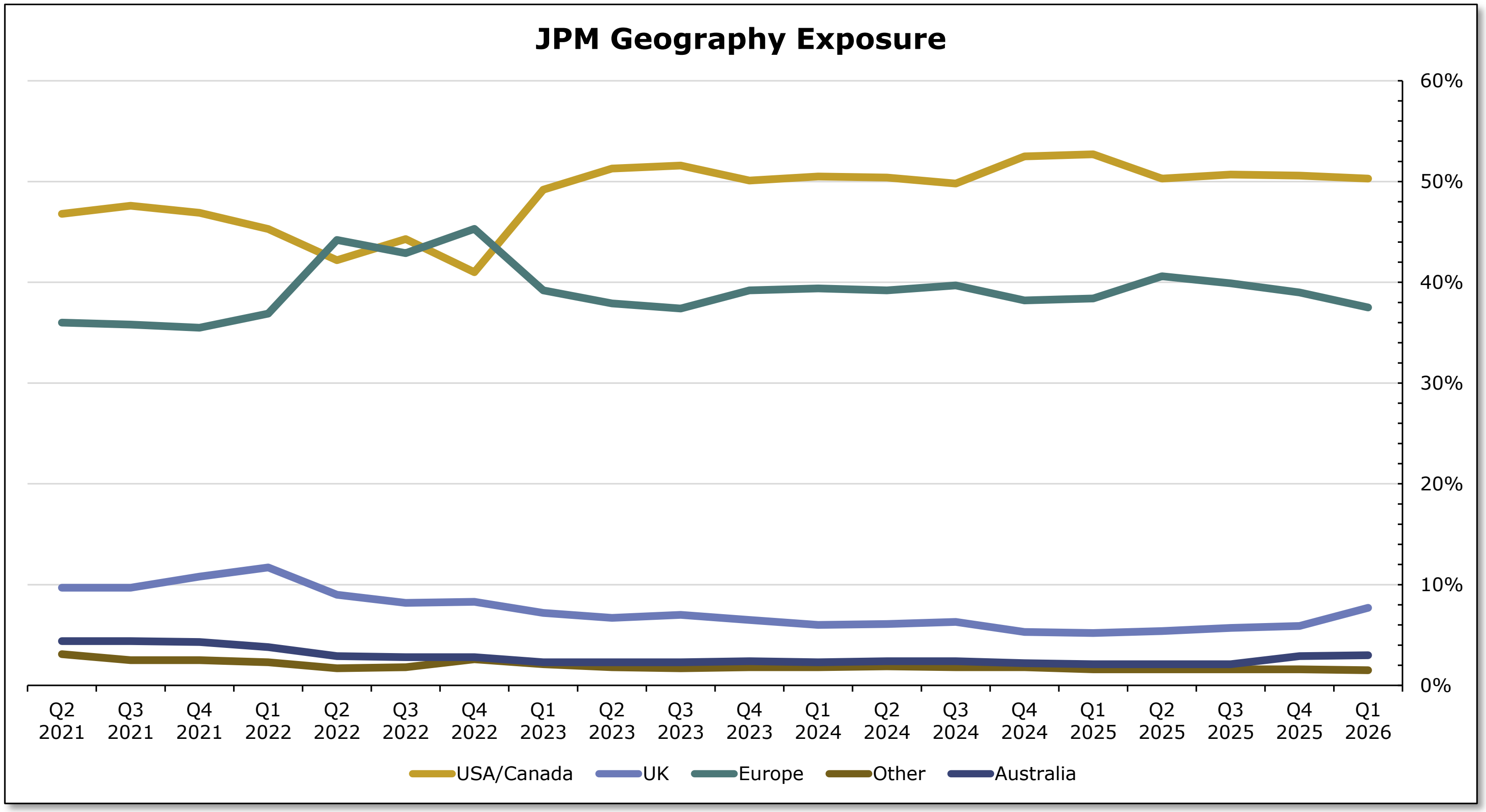
Mendocino County Employees Retirement Association

Infrastructure Characteristics

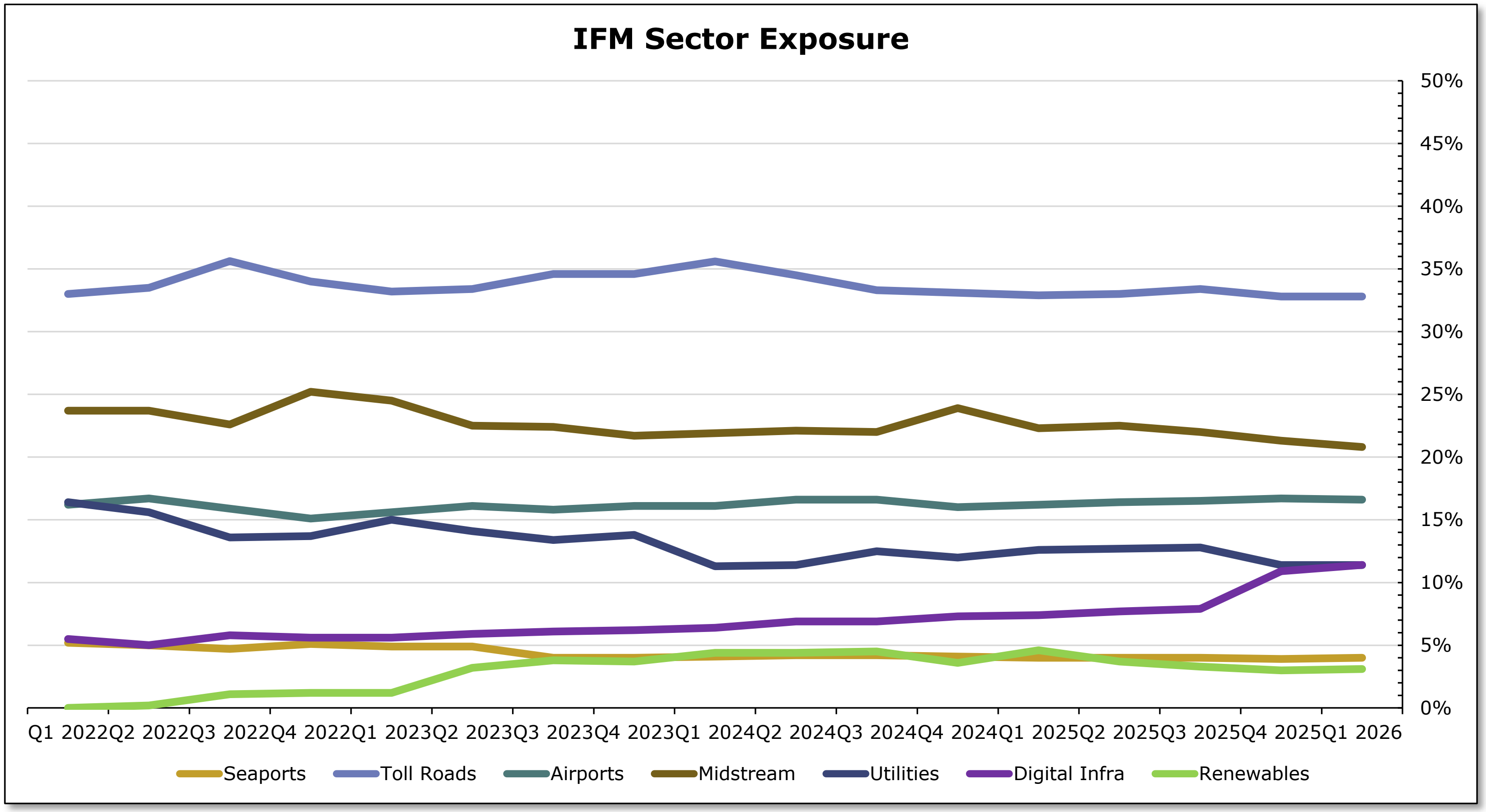
IFM Geography – 3/31/26



JPM Geography – 3/31/26



IFM Sectors – 3/31/26



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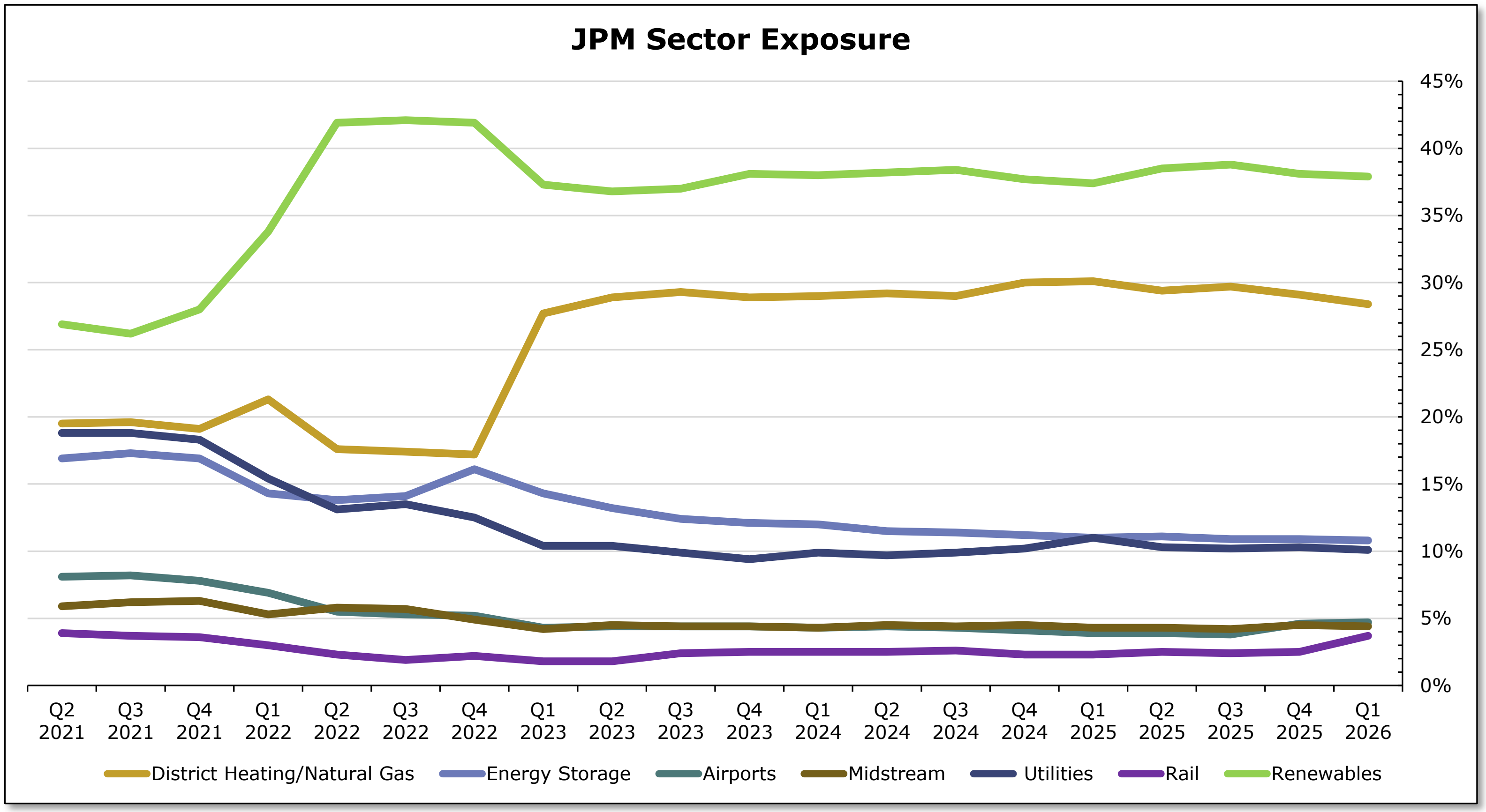
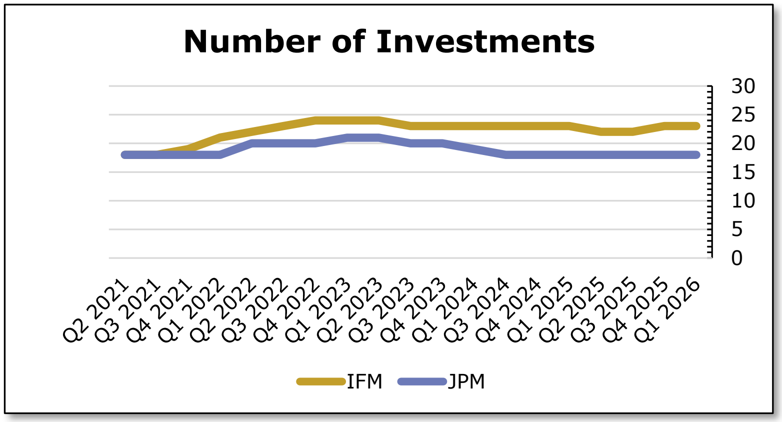
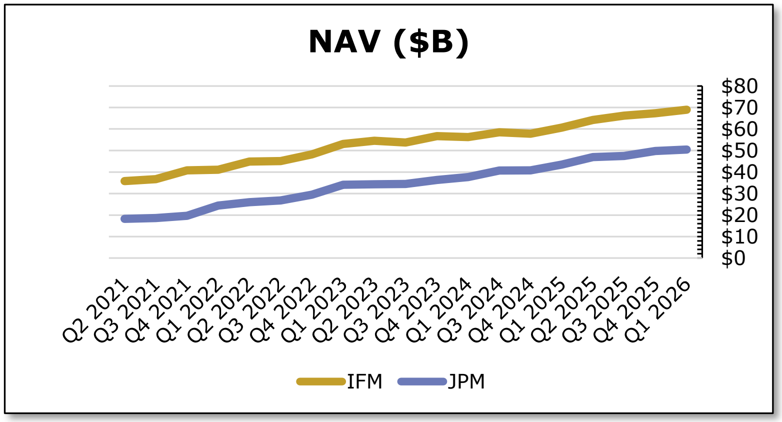
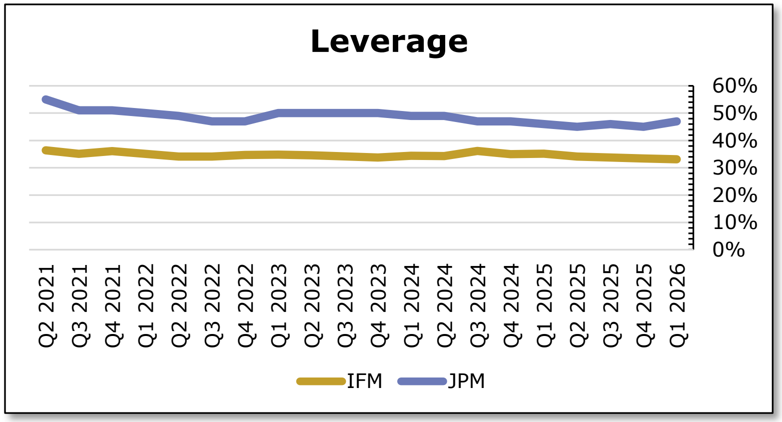


Investments, Leverage, NAV – 3/31/26







Other Metrics– 3/31/26

For the period Q2 2021 through Q1 2026	IFM GIF	JPM IIF	Composite
Net Asset Value ($B)	$ 69.0	$ 50.4	
Leverage	33.1%	47.0%	
Fiscal YTD Net Return	6.77%	8.71%	7.72%
Inception Net Return	46.14%	64.23%	58.05%
Average Annualized Net Return	8.83%	10.44%	9.60%
Trailing 12 Month Distribution Yield	3.03%	4.95%	3.97%
Annualized Standard Deviation	2.49%	1.13%	1.42%
Correlation with S&P 500	0.1470	0.2394	0.1612

MENDOCINO COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

Thank you