Infrastructure investors reject traditional sector segmentation, survey shows

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Traditional geographic and sectoral categories used for capital markets benchmarks have been widely rejected by institutional infrastructure investors, according to a survey by the EDHEC Infrastructure Institute (EDHECinfra).

Of the 203 investors surveyed, including 101 capital owners, most would prefer to segment infrastructure markets by their level of economic development or investability.

EDHECinfra, launched by the EDHEC-Risk Institute with support from the G20 and World Bank, has been collecting data since 2015 to build benchmarks (URL=https://realassets.ipe.com/news/infrastructure/edhec-launches-infrastructure-debt-and-equity-indices/10019393.article) for an asset class whose performance has been notoriously difficult to measure.

Its survey suggests that, when measuring performance, 35.1% investors would prefer to segment the market by economic development – for example, by separating OECD countries and emerging markets.

A smaller proportion (31.6%) favour segmentation by the size and state of the investable market, including the number of active companies and regulatory environment.

Only 9.4% prefer a broad, traditional capital-markets segmentation, while 24% favour segmenting geographically by five main global continents.

The vast majority of investors (90%) also said it was relevant or highly relevant to segment infrastructure investments by business model – for example, contracted or regulated.

There was less consensus on how on the segmentation of infrastructure by corporate structure: 37% favour project finance-specific benchmarks; 20% would prefer an infrastructure corporates-only index; 42% would rather use benchmarks that combine both.

The report by EDHECinfra said: “what matters to investors is gaining exposure to systematic, rewarded and persistent risk factors”.