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Singapore-based EDHECinfra to launch Asia indices

EDHECinfra plans to launch new indices that will enable life insurance companies to further increase their exposure to Asian infrastructure, director Frederic Blanc-Brude told *InfraAsia*.

The Singapore-based research institute released infrastructure debt and equity indices covering 14 European markets on Tuesday (13 June). The new indices – covering Australia and New Zealand (ANZ) and Asean markets – will launch in 2018, followed by indices for the rest of the world. The institute is part of the EDHEC business school in France.



“The view in the region is that a lot of projects could be financed by turning pools of infrastructure project debt into structured products,” he said.

But “today in Singapore the regulatory capital charge is too high to justify investment in infrastructure,” he explained. The indices would enable regulators around the region to compute a more accurate risk charge “which is going to be a lot lower,” he said.

That is because regulators can more accurately understand the risk involved from those investments. The data on Europe shows, for example, that investing in corporate infrastructure debt is no different – from a risk/return perspective – than investing in any investment grade corporate debt he adds. But project finance debt is “very different from corporate debt”.

Still, he said that the Asean – and eventually whole of Asia – index would have a higher proportion of corporate infrastructure debt because “project finance is a rare thing” outside ANZ.

Furthermore, the Asean markets included in the next stage will be Indonesia, Malaysia, the Philippines and Thailand, “markets where you can go back ten years”.

Meanwhile, he estimated that there will be around 200 private debt and equity infrastructure investment opportunities in the ANZ/Asean index. That compares to 216 value weighted live exposures for the Europe senior debt index and 330 for the private equity index.

Assets are divided by business model - including merchant, regulated and contracted infrastructure (such as PPPs) – as well as by sectors and whether debt is raised at the project or corporate level.

EDHECinfra has developed a peer-reviewed private asset pricing technology for infrastructure assets.

Research sponsors are Campbell-Lutyens, Long-Term Infrastructure Investors Association, Meridiam and Natixis.

The research institute’s advisory board also includes high-profile asset owners and managers including AIA, Abu Dhabi Investment Council, AP2, Aviva, Caisse de Dépôts du Quebec, Clifford Capital, FWD Life, Government Investment Corporation of Singapore, Kernmantle Advisors, NTUC Income, OMERS, OPTrust, Prudential (Eastspring) and QSuper, Sun Life Financial Asia and Swiss Life.

Public sector bodies represented on the advisory board are: IE Singapore, Global Infrastructure Hub, OECD, Monetary Authority of Singapore and the World Bank. The remainder of the advisory board comprises academics from Bocconi University, EDHEC Business School, Université Libre de Bruxelles and UCL.



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