



## EDHECinfra pleads for watchdog intervention on 'fake infra'

Published: **11 October 2017**

By: **Zak Bentley**

*The listed market could give infrastructure investment 'a bad name', the group claims.*

Singapore-based EDHEC Infrastructure Institute has called on the US Securities and Exchange Commission and the European Securities and Markets Authority to issue special regulations on the listed infrastructure market.

In the latest instalment of EDHECinfra's warnings surrounding listed infrastructure, the research group has called for measures from the regulators to warn against the risk posed by "fake infra" and what it sees as "an ill-defined series of financial products".

"We strongly recommend stricter regulatory oversight of listed infrastructure products, including the obligation to include the word 'listed' in their name to avoid misleading investors, as well as the obligation to include information in marketing documents warning investors that listed infrastructure may not deliver the same performance as unlisted infrastructure investments," said Frederic Blanc-Brude, director of EDHECinfra.

In open letters to the SEC and ESMA, the institute claimed listed products are more expensive and fail to provide investors with the typical characteristics sought in infrastructure investment of low-risk and stable returns. This is providing "a bad name to infrastructure investing in general", it told the bodies.

EDHEC stated that listed managers have invested in close to 1,900 stocks over the past decade. However, it believes “many of these cannot possibly be considered to be ‘infrastructure’ under any definition”. This will eventually damage “proper infrastructure investing” and jeopardise investments in PPP projects, the institute added.

EDHEC conceded that some managers have tried “to create access to infrastructure businesses through listed products honestly”, yet it is “impossible” for investors to tell the difference because they all “have the same qualifiers”.

The size of the listed market varies according to different managers and associations, although some estimates define the investment universe close to \$3.4 trillion.