

Better benchmarks to boost infrastructure investment in untapped markets

By **Jordan Williams** - September 5, 2018



Improved accuracy for private infrastructure benchmarks will pave the way for greater investment in the sector globally, an industry expert has said.

AltAssets spoke to Sarah Tame, an associate director at EDHEC Infrastructure Institute, who explained that private infrastructure indices such as the one EDHEC Infrastructure Institute have developed will facilitate more transparency and investment in the market.

EDHECInfra conducted a large-scale global survey of infrastructure investors on behalf of the G20, in which it found that 90 per cent of investors intend to increase their infra investment in the next three to five years.

As the asset class garners attraction, emerging markets in the sector are also securing more confidence from investors. More than 80 per cent of investors already exposed to the emerging markets said they would be looking to increase their allocations.

Speaking at the first EDHECInfra Days event in June, NEST Corporation CIO Mark Fawcett said the organisation does not currently invest in the wider infrastructure sector but would like to, he explained that the investment horizon of the asset class is too short, and the fees are too high for defined contribution funds like NEST.

Another barrier facing limited partner's commitment to the sector is the lack of adequate benchmarks. Tame said in response to investor demand EDHECInfra has built first of a kind benchmarks for private infrastructure debt and equity to meet the demand for more adequate measures of performance in the sector. These benchmarks will enable investors to measure the risk adjusted performance of infrastructure for the first time.

"EDHECinfra was created to address the knowledge gap faced by infrastructure investors. Investors need proper performance benchmarks for private infrastructure that allow them to understand infrastructure performance in a multi-asset class context," she added.

"Without it, it's hard to make asset allocation decisions, it's hard to measure the performance of not only of your manager but your internal portfolio. It's hard to report to

your regulator about the risk you are taking and how that balances with the rest of your portfolio.”

When asked what effect the new indices will have on the market, Tame said, “I think it will open up the market, it will create a new market for investment.

“You often see investors chasing the same deals, in the same markets. It creates a very competitive market for infrastructure investors and that’s evident in the valuations we’ve seen recently.

“Greater transparency and more information about how infrastructure performs and the risk you are taking opens up the decision about where to invest.

“If you look at the market now for example, there’s more information and more data available for investment in Western Europe in traditional sectors like transport, because there’s been a lot of deals done in those sectors.

“If you look at a market like Latin America – investors have said Latin America could be one of the next big markets in infrastructure investment – the amount of financial information available about the performance of infrastructure investment is limited. That is changing now and the EDHECinfra global indices will enable investors to measure infrastructure investment performance in Latin America more adequately.

“Greater transparency will only increase investment in the sector.”

The EDHECinfra Global Unlisted Infrastructure Indices will be published before the end of the year.

Hear Sarah Tame speak further about infrastructure and benchmarks at the [AltAssets 8th Annual Infrastructure LP-GP Forum](#) on the 4th October.

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