



Building benchmarks for infrastructure investors

The journey until now



Based in Singapore, EDHEC Infrastructure Institute (EDHECinfra) has now built the largest database of infrastructure investment data in the world. The data has been used to create performance benchmarks that are needed for asset allocation, prudential regulation and the design of infrastructure investment solutions.

As the year of the Argentinian presidency of the G20 draws to a close, it will be marked by a focus on infrastructure investment. In 2018 the G20 and Organisation for Economic Co-operation and Development (OECD) announced a wide-scale data collection initiative for the purpose of creating benchmarks for the risk-adjusted financial performance of private infrastructure debt and equity investments.

It is about time.

Investors hit a roadblock when investing in infrastructure. Until now none of the metrics needed by investors were documented in a robust manner - if at all - for privately held infrastructure equity or debt. This has left investors frustrated and wary. In a 2016 EDHEC*infra*Global Infrastructure Hub survey of major asset owners, more than half declared that they did not trust the valuations reported by infrastructure asset managers. How, under such conditions, can the vast increases in long-term investment in infrastructure by institutional players envisaged by the G20 take place?

We need transparency and accurate performance measures and the G20 data collection initiative is already having a catalytic effect.

With the support of the G20, the Long-Term Infrastructure Investors Association, the Long-Term Investment Club, the Monetary Authority of Singapore and numerous private sector supporters, including Natixis, EDHEC*infra* has now built the largest database of infrastructure investment data in the world. We have used this data to create performance benchmarks that are needed for asset allocation, prudential regulation and the design of infrastructure investment solutions.

As the Argentinean presidency of the G20 concludes, and the OECD Infrastructure Data Initiative begins in earnest, EDHEC*infra* will launch its global index for private infrastructure debt and equity. These first of a kind benchmarks provide investment metrics that are needed by investors; return, volatility, Sharpe ratio, duration, and maximum drawdown.

We started our journey to build benchmarks for infrastructure investors in 2015, launching our European indices at the end of 2017. The work began with a study of the investible markets for infrastructure globally. To date we have identified 25 investible markets for infrastructure, totalling 107 countries. We studied the size, age and evolution of the infrastructure industry in each of those markets, and painstakingly identified all investible infrastructure assets. From that point we selected a list of over 500 firms to represent the global infrastructure market by sector, business model or country, all the while covering 50% of the market by size in each year, ensuring a representative sample through time. This became the constituent list for the benchmarks. For each firm we collected data for realised and forecast cash flow to debt and equity holders. Firms are categorised as an infrastructure project or infrastructure corporate and by business model; contracted, merchant and regulated.

This project was undertaken in coordination and collaboration with the industry. Data was submitted by banks, asset owners and managers. This collaboration is a sign that the private infrastructure industry is growing towards a more mature and transparent stage in its development. The support of private investors and lenders to this initiative is impressive and deserves to be praised.

In this context, EDHEC*infra* has also developed data collection and reporting standards that can be used to make data collection more efficient and reporting more transparent. This methodology provides a framework for data collection for the long-term financing of infrastructure.

Today, the first generation of benchmarks give us estimates of financial performance and risks of reference portfolios of privately held infrastructure investments. This will help answer asset allocation, prudential and performance monitoring questions and improving transparency and efficiency of investment in infrastructure around the world.

Much work remains to be done on this road less travelled. Thanks to the strong support of the G20 for better documenting the performance of infrastructure investments, we expect this momentum to continue into 2019. As more infrastructure investors pool their data and improve our common understanding of the infrastructure investment sector, better benchmarking results and better investment solutions in infrastructure can be designed.

Before the end of 2018 EDHECinfra will launch a new online platform giving investors, asset managers and advisers the ability to access index data, advanced analytics, store infrastructure investment data, build portfolios dynamically, and perform valuation analysis. You can access the EDHECinfra European benchmarks [here](#) and through Bloomberg (EIPEE & EIPDE).

Source: [EDHEC Infrastructure Institute \(EDHECinfra\)](#), written by Sarah Tame, Associate Director, and Frederic Blanc-Brude, Director.



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