# Can infrastructure protect against persistent inflation?

## IMAP Portfolio Conference 2024

**Perpetual Private**

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**18 March 2024**

Trust is earned.

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# A framework for thinking about Infrastructure allocations

| | Listed Infrastructure | Volume linked | Brownfield Generation | Regulated | Public Private Partnerships | Infrastructure Debt |
|---|---|---|---|---|---|---|
| **Return Expectations (Long term assumptions)** | ~7% | ~9 – 11% | ~8 – 10% | ~8 – 10% | ~6 – 9% | ~4 – 10% (senior to mezzanine) |
| **Income expectation** | Modest | Varied | Varied | Varied | Strong | Strong |
| **Volatility** | Highest | Moderate | Modest | Modest | Low | Low |
| **Asset Types** | Mixed | • Airports<br>• Sea Ports<br>• Toll roads | • Renewables<br>• Gas fired energy generation | • Electricity transmission<br>• Water utilities | • Schools<br>• Hospitals<br>• Govt building (e.g. court houses) | Mixed |
| **Market Capitalisation** | Generally, larger assets | Depends on jurisdiction | Smaller | Depends on jurisdiction | Smaller assets | Varies |
| **CPI Pass Through** | Mixed | Typically via revenue | Typically via revenue | Typically via asset base | Typically via revenue | Not applicable |
| **Leverage risk** | Lower | High | High | Highest | High | Lowest |
| **Key risk** | Mark to market volatility | Volume risk (i.e. number of passengers) | Counterparty risk | Regulatory risk | Regulatory / political | Failure to meet performance criteria |

# A framework for thinking about Infrastructure allocations

| | Listed Infrastructure | Volume linked | Brownfield Generation | Regulated | Public Private Partnerships | Infrastructure Debt |
|---|---|---|---|---|---|---|
| | Portfolio Construction Considerations | | | | | |
| **Liquidity** | Generally daily | Semi-liquid | Semi-liquid | Semi-liquid | Illiquid | Illiquid |
| **Fees** | Similar to equities | Lower than Private Equity, higher than Listed Equities | Lower than Private Equity, higher than Listed Equities | Lower than Private Equity, higher than Listed Equities | Lower than Private Equity, higher than Listed Equities | Lower than Private Equity, higher than Listed Equities |
| **Access** | Readily available | Few | | | Limited | Limited |
| **Size of Manger Universe** | Many | Limited | | | Few | Few |
| **ESG** | Varies by asset and manager | | | | | |

## Considerations

- Define your universe – what assets or sub-categories do you want exposure to?
  - Natural monopoly
  - Long life assets
  - Inflation linked
  - Stable and predictable cash flows
- Can you link this back to your client objectives? Income vs Total Return

# Thank you



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