

## 2019 GLOBAL INFRASTRUCTURE INVESTOR SURVEY

# New investor insights on changing infrastructure markets

The third Global Infrastructure Hub (GI Hub) and EDHEC Infrastructure Institute survey reveals changing investor sentiment towards emerging markets and advanced economy infrastructure.

This factsheet outlines key insights from the GI Hub's latest global investor survey to help policy leaders better understand the perceptions of infrastructure investors and the progress made in establishing infrastructure as an asset class.

### SURVEY HIGHLIGHTS

**80%** of investors want to increase their infrastructure investment in the next three to five years.



This compares with 90% in 2017 and 65% in 2016.



**43%** of investors currently invest in emerging markets.



This is an increase from 38% in 2017 and 20% in 2016.

Of those already investing in emerging markets,

**63%**

intend to increase their investment in the next three to five years.

This is a decrease from 94% in 2017.

**97%**

of investors now believe Environmental, Social and Governance (ESG) factors are important considerations in infrastructure investment decisions, an increase from 86% in 2016.



2019



2016

### INFRASTRUCTURE MARKETS WITH THE GREATEST POTENTIAL IN THE NEXT FIVE YEARS

Advanced Economies



USA



Australia



UK



Germany



France

Emerging Markets



India



China



Brazil



Indonesia



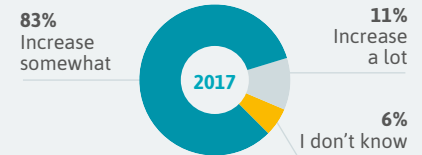
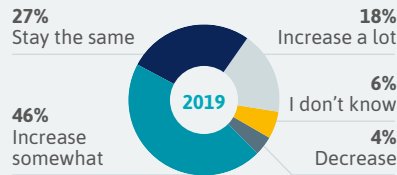
Vietnam

# What else did investors say about infrastructure?

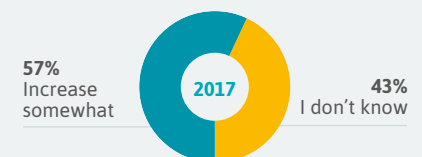
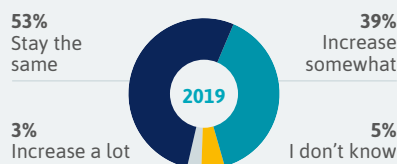
## Investor appetite for emerging market infrastructure is leveling.

The 2019 survey results show that more institutional investors than ever are investing in emerging markets. However, there are also indications that appetite for investment in emerging markets in the future is leveling. Some investors now intend to maintain or decrease their allocation to emerging markets, compared to the 2017 survey where almost all investors either wanted to increase their allocation or were unsure.

In this survey, of *those who already invest in emerging markets*, 63% want to increase their existing allocation, 27% want to maintain their allocation, and 4% want to decrease their allocation, over the next three to five years.



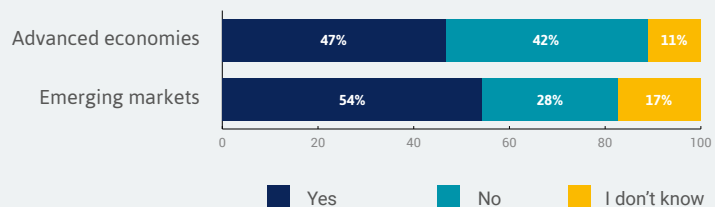
For *investors who do not currently invest in emerging markets*, the majority now wish to maintain that position towards emerging market infrastructure in the next three to five years.



## Recent monetary policy normalisation and greater emerging market foreign exchange risk may be driving investors away from emerging markets.

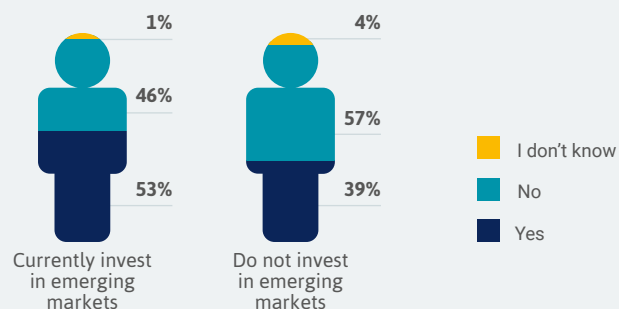
Nearly twice as many respondents believe that interest rate normalisation, which results in rising interest rates, will have a negative impact on emerging market infrastructure investment. This is in comparison with a near 50:50 split for advanced economy infrastructure investment.

*Will rising interest rates in the US and the expected trend to monetary policy normalisation in other markets, negatively impact infrastructure markets?*



Rising foreign exchange rate risk appears to have a greater impact on infrastructure investments in emerging markets than advanced economies. Investors who currently have investments in emerging markets are more likely to believe that foreign exchange rate risk presents a barrier to more infrastructure investment, relative to those who do not currently invest.

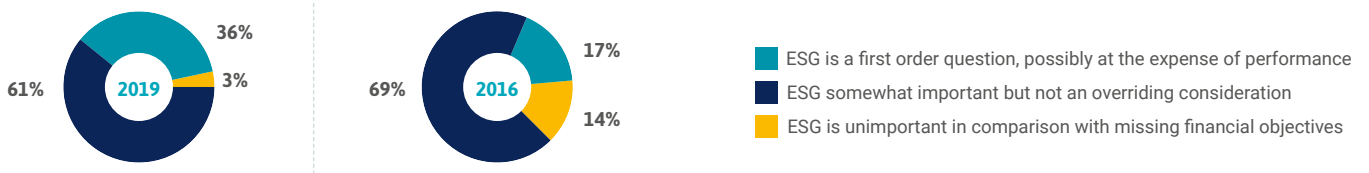
*Do you think foreign exchange risk is a major barrier to increasing your allocation to infrastructure?*



## Environmental, Social and Governance (ESG) factors are now even more important to investors than in the past.

97% of respondents believe that ESG is an important consideration in investment decisions in this year's survey, compared to 86% in 2016.

Further, the proportion of investors who believe ESG is unimportant dropped to 3% in 2019 from 14% in 2016.



## How can financial benchmarks be improved to support the development of infrastructure as an asset class?

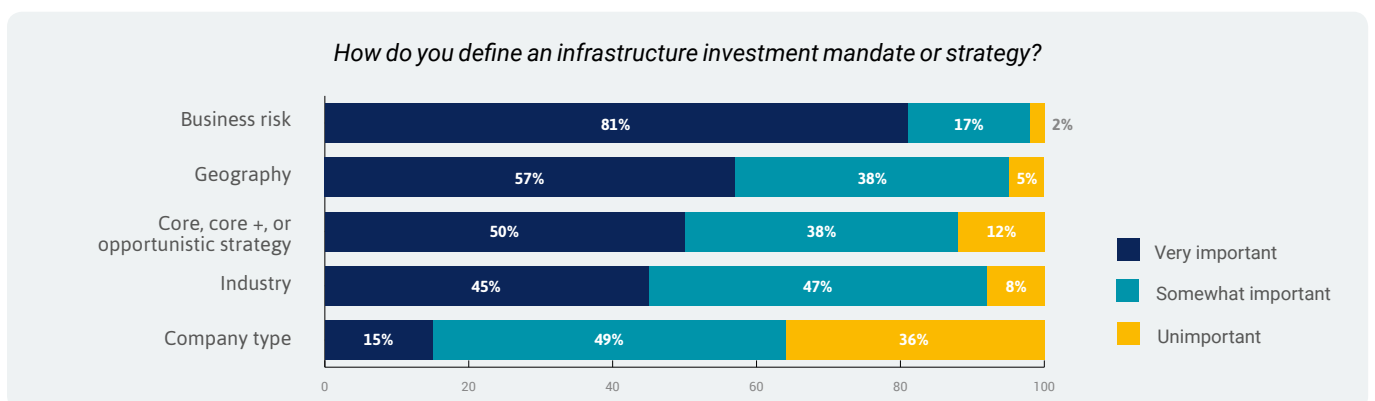
Nine out of 10 infrastructure investors, regardless of whether they are debt or equity investors, believe that current financial benchmarks for asset allocation, performance monitoring and risk management purposes are inadequate.

The main limitations identified by investors<sup>1</sup> include:

	Equity	Debt
<b>Strategic asset allocation</b>		
Not representative of overall relevant infrastructure market	72%	75%
Does not allow for defining a strategy by subcategories	56%	52%
Does not allow for measurement of risk	52%	49%
Does not measure correlations with other asset classes	47%	51%
<b>Performance monitoring</b>		
Does not measure risk-adjusted performance	71%	66%
Uses performance of another asset class as proxy	38%	45%
Returns and prices tend to be smoothed as index is backward looking	29%	32%
<b>Risk management</b>		
Does not allow for measurement of diversification indicators	61%	54%
Does not measure exposure to traditional risk factors	50%	47%
Does not allow for stress testing and default risk to be evaluated	42%	42%
Does not measure contribution to Asset Liability Matching objectives	41%	47%

As noted in the previous surveys, improved measurement of how infrastructure investments perform can support the development of infrastructure as an asset class, thus potentially driving greater finance into infrastructure.

## Business risk and geography are the top definers of the infrastructure asset class.



<sup>1</sup> Respondents were able to select more than one category.

## Context of survey results

While investor interest in infrastructure is strong, there remains a significant shortfall in infrastructure provision in many countries. The GI Hub's Global Infrastructure Outlook research shows USD94 trillion is needed in infrastructure investment between 2016 and 2040 to meet the demands of growing populations, economic growth and rapid urbanisation. The majority of this investment need is in emerging markets, and we forecast an investment need of USD53 trillion by 2040.

Attracting private investment into infrastructure can be challenging. The purpose of the Global Infrastructure Investor Survey over the last three years has been to develop data that will assist in a better understanding of the views of infrastructure investors. This year, the focus was on whether investor interest in emerging market infrastructure continues to grow, and the extent to which ESG factors play a role in the investment decision process.

### Who responded?

- **315** infrastructure leaders took part in the survey.
  - Survey respondents represented **USD10 trillion** in assets under management (AUM), accounting for around **12%** of global AUM.
  - This is a significant increase from the 186 respondents in the previous survey, which represented USD7 trillion of AUM, around 10% of global AUM.
- Respondents covered a broad range of institutions:



- The average investment allocation towards infrastructure by investors increased slightly, from 6.0% in 2017 to 6.6% in 2019.
- 50% of surveyed institutional investors are responsible for a portfolio of USD25 billion or more.

### About Global Infrastructure Hub

Launched by the G20 in 2014, the GI Hub has a mandate to grow the global pipeline of quality, bankable infrastructure projects. By facilitating knowledge sharing, highlighting reform opportunities and connecting the public and private sectors, our ambitious goal is to increase the flow and quality of private and public infrastructure investment opportunities. All countries, regardless of whether or not they are members of the G20, are able to work with the GI Hub.

Please visit the website at: [gihub.org](http://gihub.org)

### About EDHEC Infrastructure Institute

EDHECinfra was launched on 24 February 2016 by the EDHEC Business School to address the profound knowledge gap faced by infrastructure investors, by collecting and standardising private investment and cash flow data and running state-of-the-art asset pricing and risk models to create the performance benchmarks that are needed for asset allocation, prudential regulation and the design of new infrastructure investment solutions.

Please visit the website at: [edhec.infrastructure.institute](http://edhec.infrastructure.institute)

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