

Listed infrastructure is #fake_infra

EDHEC study shows that listed infrastructure equity offers zero diversification benefits, is not an asset class

Singapore - 13 July 2017 - EDHEC Infrastructure Institute-Singapore (EDHEC *infra*) shows that the booming listed infrastructure sector is based on a “fallacy of composition.”

For the past fifteen years, infrastructure investment has been the preserve of large sophisticated investors but is now rapidly becoming more mainstream and asset owners of all sizes are considering investing in infrastructure. In this context, “listed infrastructure” has grown from a handful to more than one hundred different products in less than a decade, adding up to USD50bn and claiming an investment universe of USD2Tn.

Listed infrastructure is typically presented as an investment with an attractive risk/reward profile and that can improve portfolio diversification.

EDHECinfra tested this proposition and shows that:

- 21 different indices of listed infrastructure stocks have equivalent or higher risk than the relevant market index, with which they are all highly correlated;
- Adding any of these 21 proxies to an investor's asset mix has no discernible effect on their mean-variance efficient frontier over the past 15 years. In other words, it does not create any diversification benefits;
- Listed infrastructure is fully “spanned” by existing asset classes or risk factors i.e. it is 100% replicable using assets or strategies that investors already have.

The study tests for such effects in global, US and UK markets, going back 15 years and also for any persistence before and after the global financial crisis of 2008.

Co-author and EDHEC *infra* Director, Dr Frédéric Blanc-Brude said: “the results clearly show that what is typically referred to as ‘listed infrastructure’ is neither an asset class, nor a unique combination of market factors and cannot be used as an adequate benchmark of private infrastructure investments.”

“Private infrastructure entities have unique characteristics but as of today these are simply not available through the stock market”, he said.

This study can be read and downloaded here: <http://edhec.infrastructure.institute/?p=1987>

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About EDHEC Business School

EDHEC Business School, founded in 1906 and garnered international recognition through the triple crown of EQUIS, AACSB and Association of MBAs accreditations, offers management education at undergraduate, graduate, post-graduate and executive levels designed large range of international graduate programmes draws students from the world over. With its five campuses in Lille, Nice, Paris, London and Singapore, its 6,000 students, and its 134 full-time faculty and researchers business schools for several years.

About EDHEC Infrastructure Institute – Singapore (EDHEC*infra*)

EDHEC*infra* 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. EDHEC*infra* currently has the world's largest dedicated database of infrastructure investment cash flows, covering more than 15 years of data and hundreds of projects across the globe. EDHEC*infra* is headquartered in Singapore and has a team of 10 researchers. Please visit EDHEC*infra*'s website at edhec.infrastructure.institute.