



# Allocating to Infrastructure

March 2019

# FRONTIER ADVISORS - INTRODUCTION

## Frontier is a market-leading investment consulting firm

Leading  
Australian  
Consulting Firm

- Founded in **1994**
- **32** clients with **\$320 billion** in assets
- **47** investment professionals.
- **7** member Real Assets Team

Global  
Research  
Capability

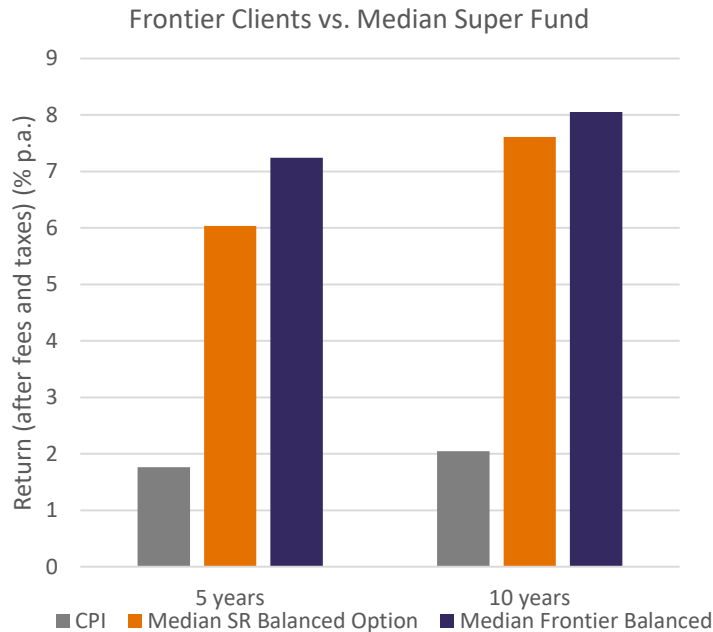
- Frontier provides **investment advice to institutional investors**
- Advise clients across **all major institutional asset classes**
- Founding member of the **Global Investment Research Alliance**, a research partnership with Lane Clarke Peacock in Europe and Segal Marco in North America

Aligned  
Advice  
Model

- Frontier purely provides **unbiased and unconflicted investment advice**
- **We do not offer investment products.** We have no commercial relationships with investment managers, brokers or other financial intermediaries
- Services include: investment strategy; portfolio construction; asset allocation; fund manager research; capital markets advice; portfolio modelling; deal advisory and governance advisory services

# CLIENT INVESTMENT IN INFRASTRUCTURE

- Our clients manage **\$320 billion** in assets
- The average infrastructure allocation is **~10%**
- Our clients have invested in **infrastructure** for more than **15 years**



Source: SuperRatings



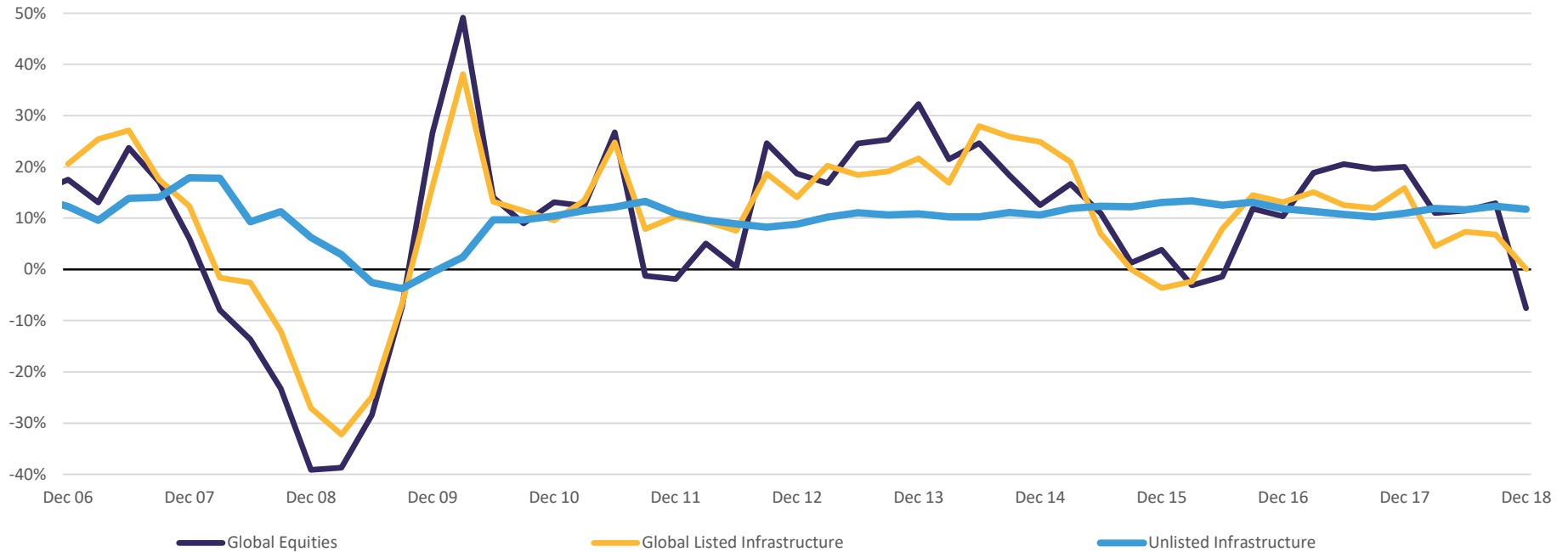
## Why infrastructure?

- **To provide long-dated, stable cashflows** with **enhanced yield** potential relative to equities and bonds
  - Defensive return profile
- Direct or indirect **CPI linkage**
  - Reduced inflation risks
- **Portfolio diversification** and **downside protection**
  - Low correlation with equities and other asset classes
  - Manage portfolio volatility
- **Access a growing sector globally**
  - Even in times of low global GDP growth, infrastructure assets are likely to provide investment growth opportunities



# INFRASTRUCTURE RETURNS

Rolling Annual Returns

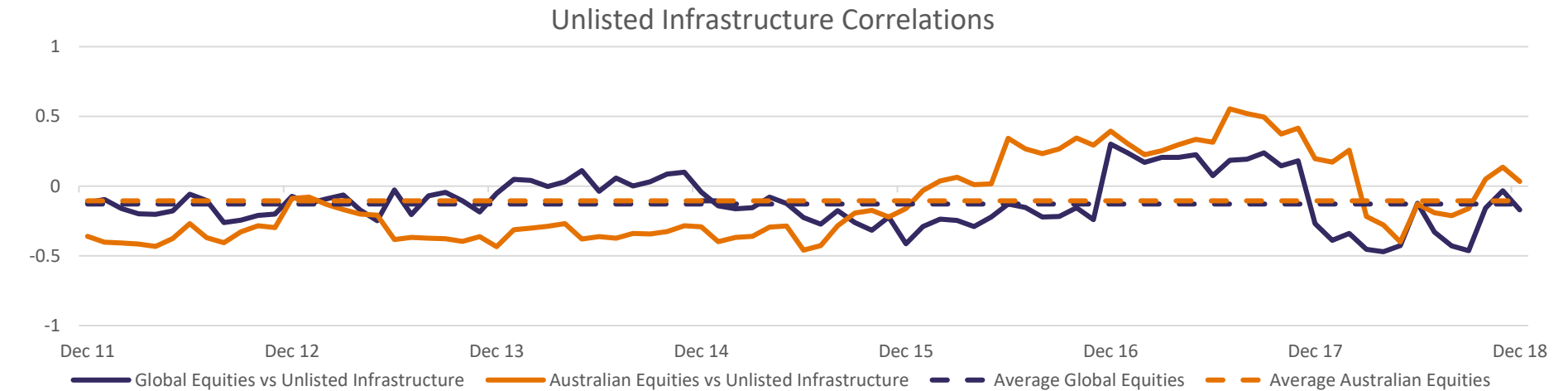
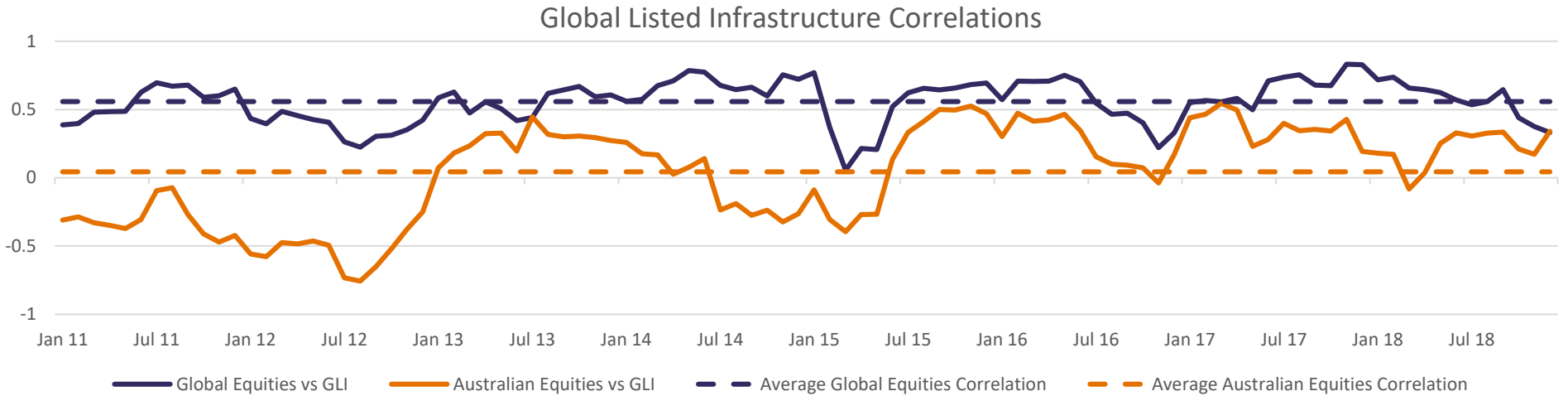


- Unlisted valuation methodology and frequency reduces volatility
- Returns are broadly similar over the long-term

Note: Returns are rolling 12 month using MSCI World Ex-Australia (Hedged), MSCI World Core Infrastructure (Hedged) and Frontier's Unlisted Infrastructure Index

Source: Frontier's RADIAS, Bloomberg

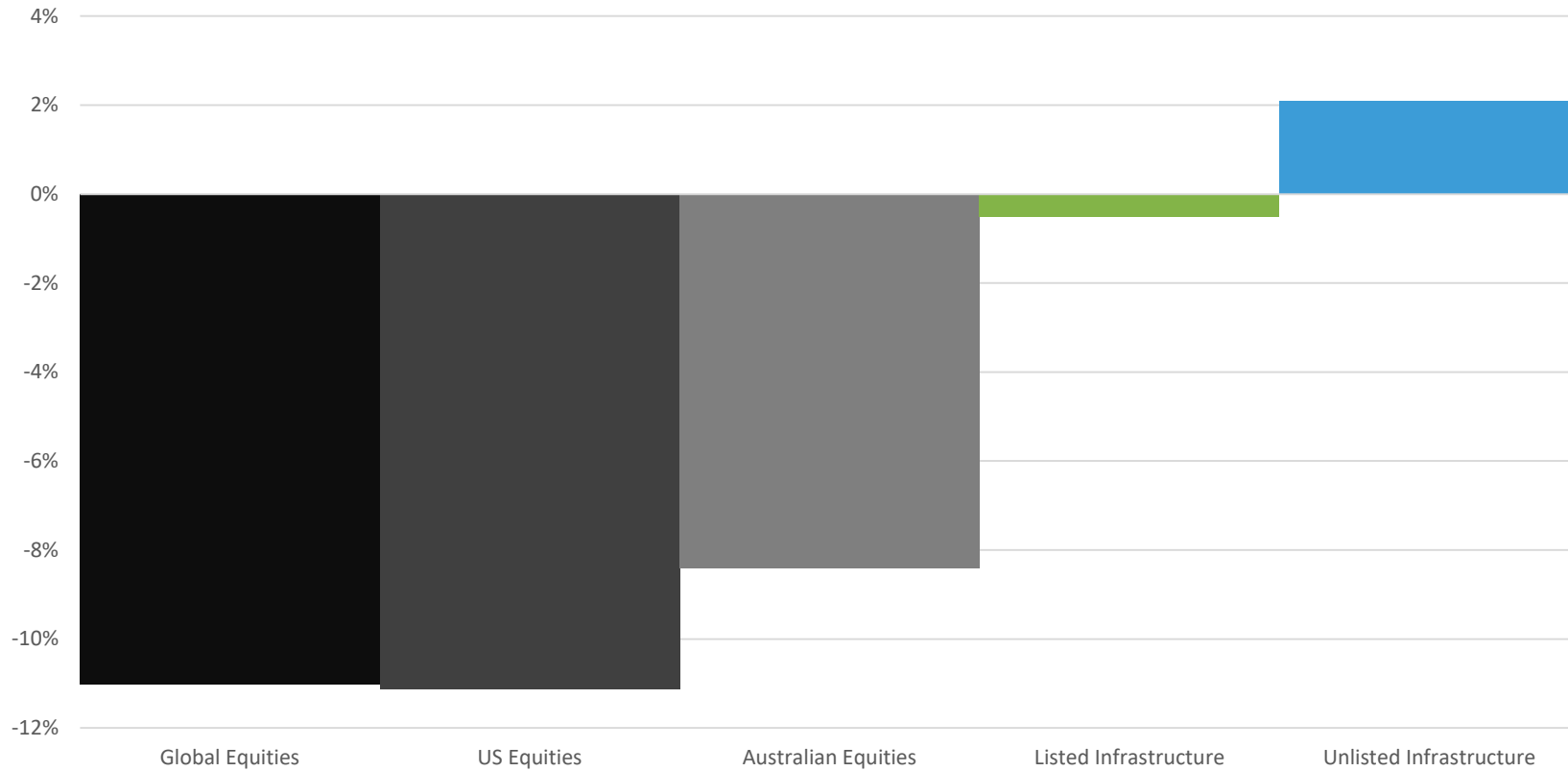
# DIVERSIFICATION



Note: Correlations are rolling 12 month using MSCI World, S&P/ASX 300 and Frontier's RADIAS Unlisted Infrastructure Index  
 Source: Evestment

# DOWNSIDE RESILIENCE

December 2018 Quarter Return



Note: Returns include MSCI World, S&P 500, S&P/ASX 300 and Frontier's RADIUS Unlisted Infrastructure Index

Source: Frontier's RADIUS, Evestment

# ALLOCATING TO LISTED INFRASTRUCTURE

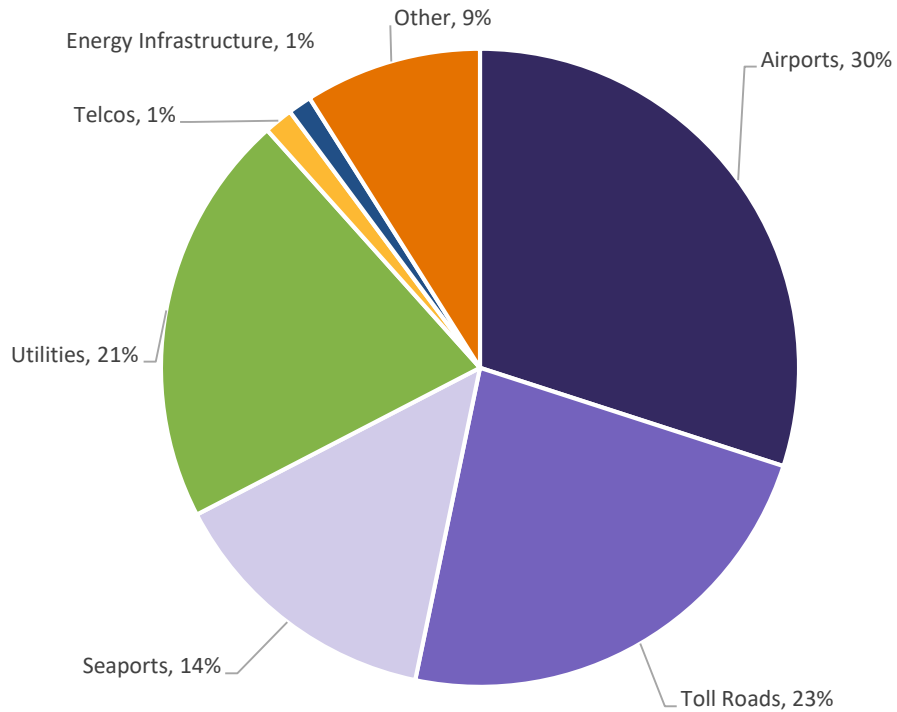
- Listed infrastructure is **not a perfect proxy** for unlisted
  - **Higher correlation** with equity markets and
  - **Higher volatility** over shorter time periods.
- Listed infrastructure **may play a role** for clients:
  - Require a higher level of **liquidity** (e.g. sector-specific member investment options);
  - Unable to obtain access to unlisted funds due to **size limitations**;
  - Seeking **deployment of capital** in a timely fashion;
  - Seeking a dynamic mechanism for **implementing tactical views**;
  - Seek access to specific geographies or sub-sectors part of a **portfolio completion strategy**.



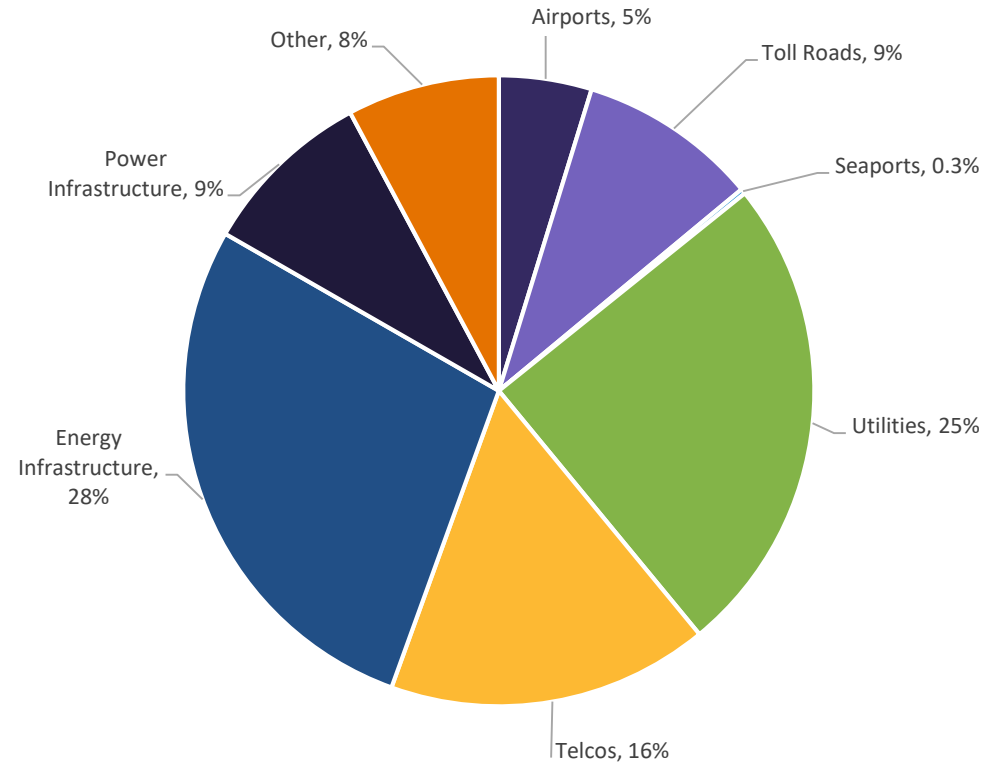


# UNLISTED VS LISTED – SECTOR EXPOSURES

## Indicative Frontier Client Portfolio



## Listed Index

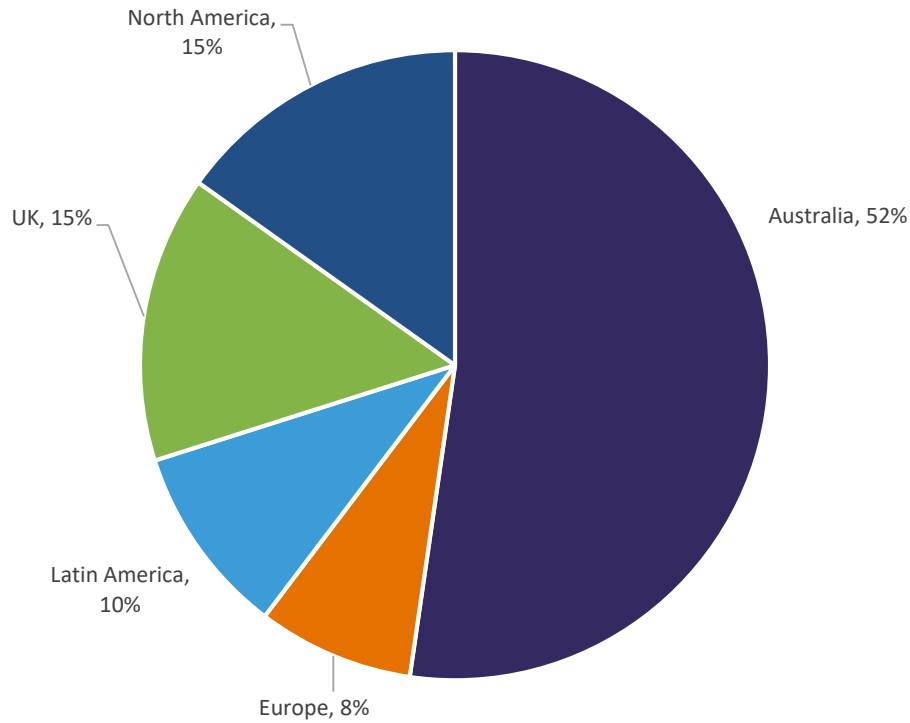


Note: DJ Brookfield Global Infrastructure Index is used

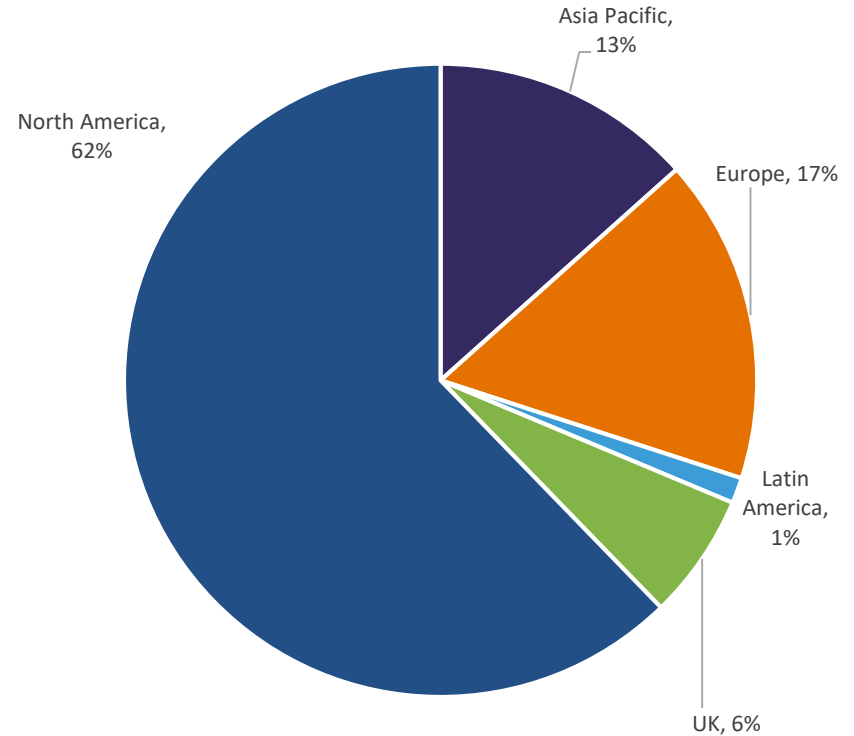
Source: Frontier's RADIAS, Bloomberg

# UNLISTED VS LISTED – GEOGRAPHIC EXPOSURES

Indicative Frontier Client Portfolio



Indicative GLI Managed Portfolio

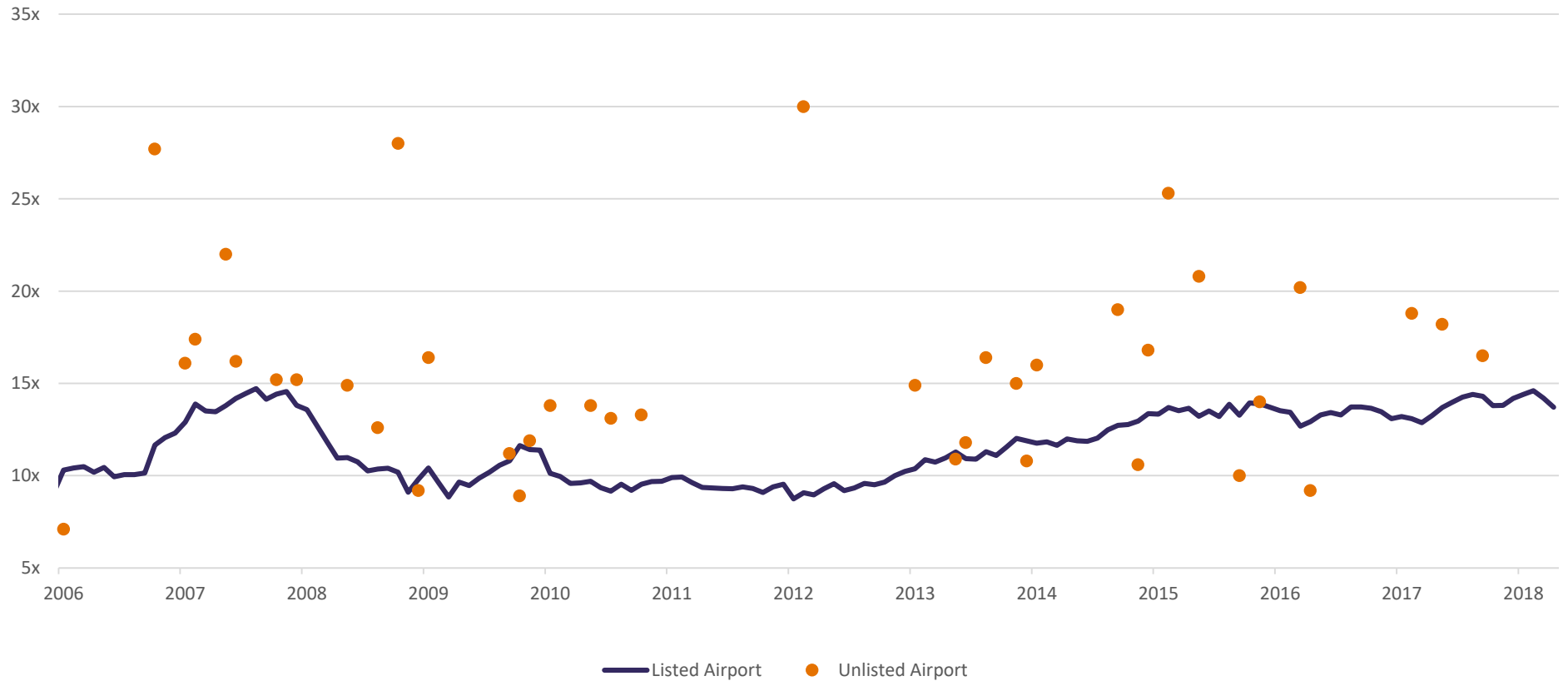


Note: Listed index is the DJ Brookfield Global Infrastructure Index

Source: Frontier's RADIAS, Bloomberg

# AIRPORT VALUATIONS

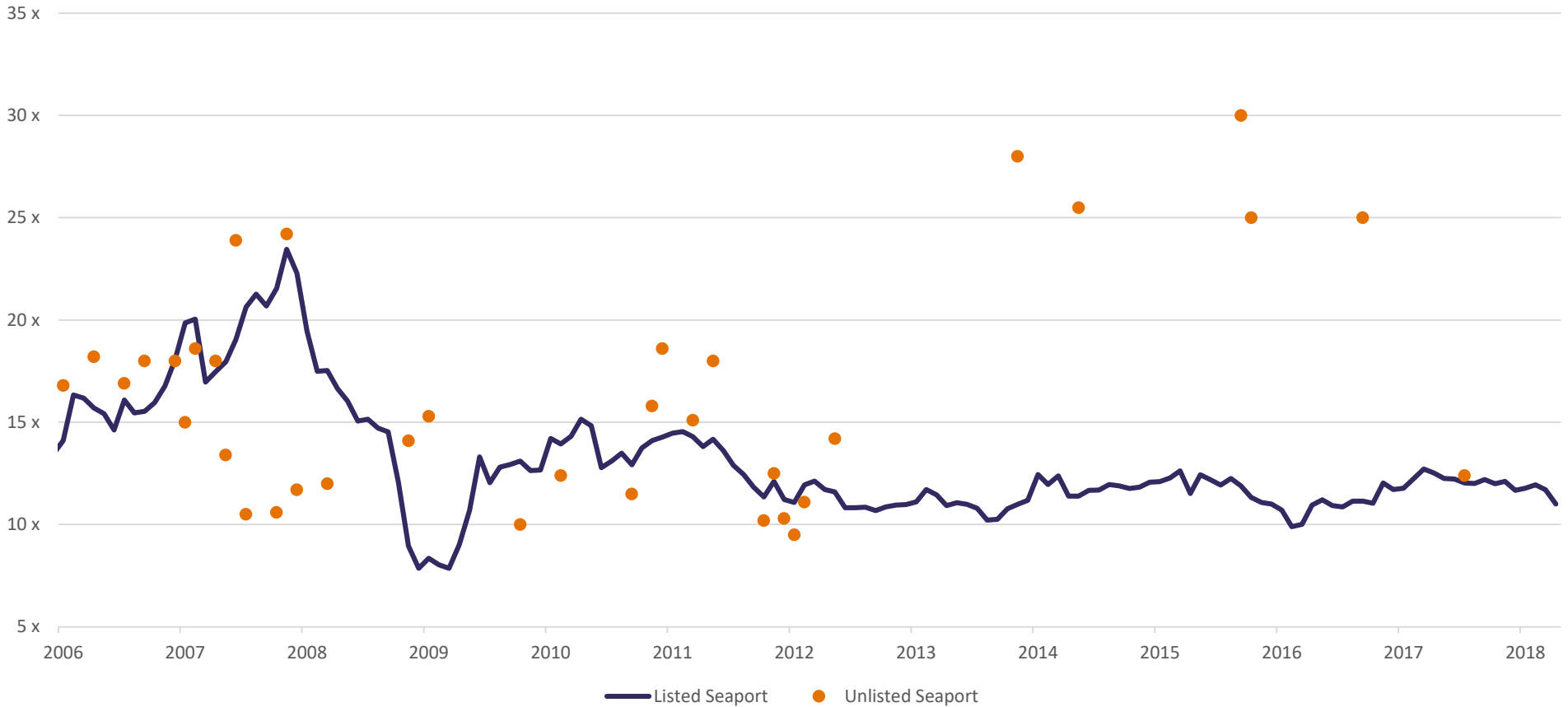
Listed Trading Multiple vs. Unlisted Transaction Multiple (EV/EBITDA)



Source: Frontier RADIAS

# SEAPORT VALUATIONS

Listed Trading Multiple vs. Unlisted Transaction Multiple (EV/EBITDA)



Source: Frontier RADIAS

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