



April 19, 2023

The Treasury

Email: [YFYS@treasury.gov.au](mailto:YFYS@treasury.gov.au)

Dear Sir / Madam

**Re: Annual Superannuation Performance Test – design options**

We value the opportunity to respond to the Annual Superannuation Performance Test – design options released on March 8, 2024. This submission relates to the choice of benchmark for the listed infrastructure sector. It also builds on our response to the 2023 consultation.

**Background – Growth of listed infrastructure assets/funds under management**

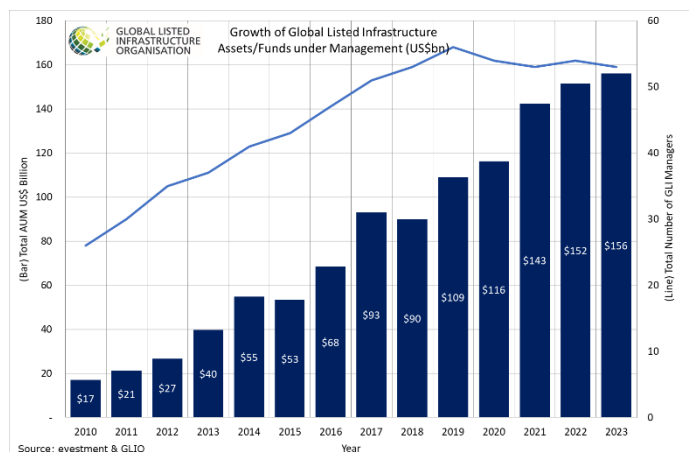
The Global Listed Infrastructure Organisation (GLIO) was established in 2016 to represent the collective interests of listed companies operating in the following sectors:

- regulated electric, gas, water utilities, and renewable energy
- transportation infrastructure – roads, railroads, airports, and marine ports
- energy transportation & storage
- communications infrastructure – telecom towers, cables, and satellites

At a global level, this covers approximately, 200 companies, representing over US\$3 trillion in market capitalization, or well over US\$4.5 trillion in enterprise value.

Equally, GLIO represents the interests of the specialist-listed infrastructure investment managers who invest in this universe of companies.

GLIO tracks the total assets, or funds under management (AUM) of the 50+ specialist listed infrastructure managers globally. Since 2010, listed infrastructure AUM has grown from US\$17bn to just under US\$155bn at the end of 2023. Figure.1 charts this year-on-year growth.



We believe AUM growth has taken place for two key reasons:

- institutional investors’ target allocations to infrastructure have increased considerably over this period, and we believe this trend will continue;
- there is a growing body of research to show that listed infrastructure is an excellent proxy for direct/unlisted infrastructure investment over medium-to-long-term investment horizons, and investors use listed infrastructure as a complement to their direct, or unlisted infrastructure investors as a way to meet their increased target allocations.



We view the Australian investment community to be at the forefront of global infrastructure investment trends, and the global listed infrastructure investment managers are a critical part of this picture. The importance of the Australian listed infrastructure managers is clear in the AUM figures. Of the estimated \$155bn AUM in listed infrastructure, the Australian managers control 45%, or US\$70bn of the total. We estimate that by the end of 2030, total AUM could double to well over US\$300bn with Australian managers continuing to play a significant role.

### **Choosing the appropriate benchmark – at a fair price**

As part of our AUM tracking, we also track the preferred benchmarks for the specialist-listed infrastructure managers. In Australia, the current benchmark used in the YFYS performance test is the FTSE Developed Core Infrastructure 50/50 (100% hedged to AUD) Index.

However, an alarming fact has become known based on our recent conversations with GLIO members in Australia (and globally). Many members cite that the in last five years index provider fees have risen considerably - multiple times in many cases.

This is because:

- Index provider models have developed over the years to restrict content use and make prohibitions through standard agreements as a default position.
- The advent of global ‘multi-use’ licensing has propelled their commercial models and the revenues they take from their client base to all-time highs. A recent article in the Financial Times highlights the issue: <https://www.ft.com/content/5d63d702-8ad1-4387-8642-0f7353d4315e>

### **FT Wilshire GLIO Developed Capped Index series**

With a keen eye on protecting our members’ interests, we recently launched a capped series of listed infrastructure benchmarks to offer an alternative to investment managers wanting to use the same investment strategy as the FTSE Developed Core Infrastructure 50/50, at a significantly reduced cost.<sup>1</sup>

The FT Wilshire GLIO partnership aims to support the investment managers and listed companies GLIO represents. Input from the FT Wilshire GLIO specialist advisory group is a key differentiator for the benchmark methodology which will enhance the classification process for company selection. Global infrastructure investment managers do not have this type of regular interaction with legacy index providers. Ultimately, GLIO’s position is to protect its members’ interests and ensure fair pricing now and in the future.

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<sup>1</sup> FT Wilshire GLIO guarantee GLIO members a 25% discount on fees paid to a current benchmark provider. In addition, we offer a long-time pricing structure that eliminates pricing surprises.



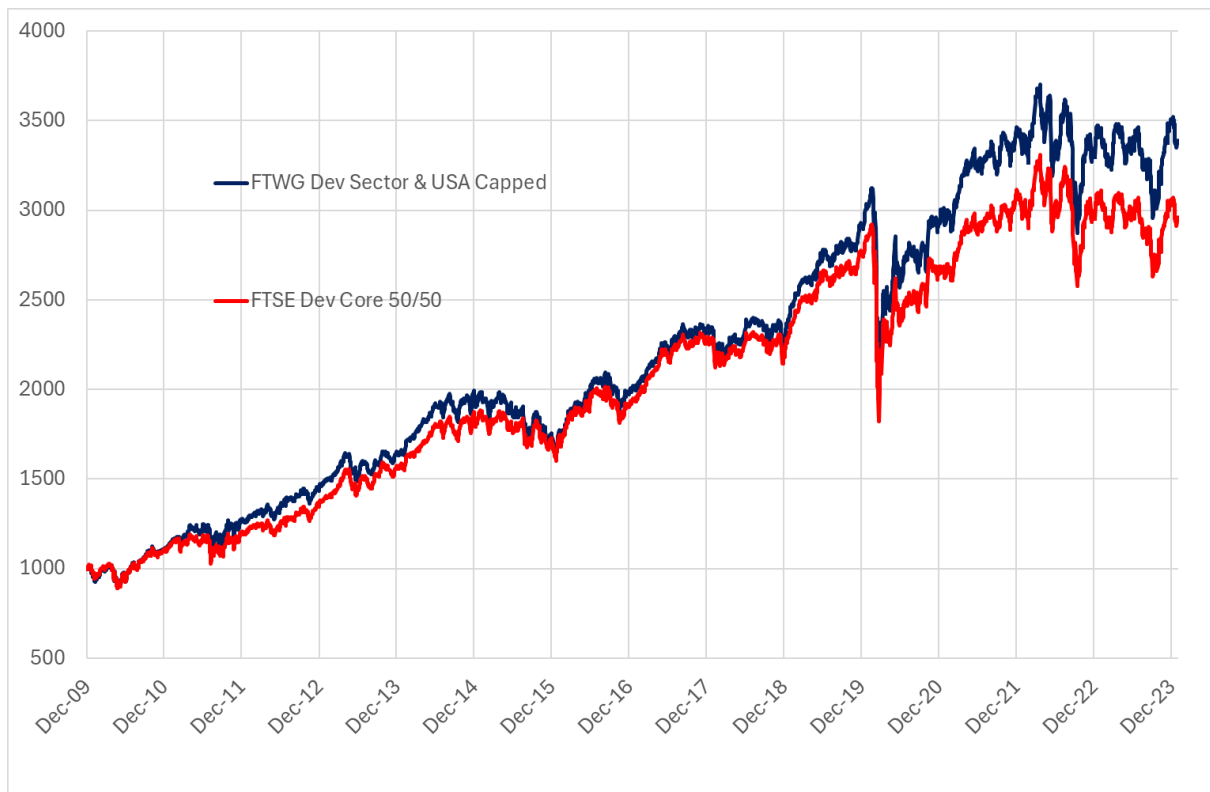
At a technical level, the FT Wilshire GLIO Developed Sector & USA Capped Index v FTSE Developed Core Infrastructure 50/50 display similar results. However, FT Wilshire GLIO Developed Sector & USA Capped index has potential advantages due to its tighter infrastructure-focused index methodology, and definition.

For example, a key difference is that FT Wilshire GLIO uses minimum EBITDA from relevant infrastructure activities versus FTSE's top-line revenue hurdle.

**Table: Comparing FT Wilshire GLIO Capped v FTSE 50/50 over the 2009 to 2023 period**

Metric	FTSE Dev Core 50/50	FTW GLIO Dev Sector & USA Capped
Annual Return	7.75%	8.75%
Excess return (PA)		1.00%
Volatility	13.69%	14.21%
Risk/reward	0.57	0.62

**Chart: FT Wilshire GLIO Dev Sector & USA Capped v FTSE Dev 50/50**



Source: FTSE, FTW GLIO, using USD Total Returns



**Another option: industry involvement, focused on delivering value for money**

Recognizing the points made in our 2023 response, the FT Wilshire GLIO Developed Sector & USA Capped Index lays out the current framework in which Australian investment managers invest in infrastructure, namely:

- restricting the weight of the USA exposure to 50%
- restricting the weight of regulated utilities and renewables to 50%
- restricting the weight of energy transportation to 20%
- restricting the weight of communications infrastructure to 10%
- restricting the weight of railroads to 6.67%
- subsequently, increasing the weight of toll roads and airport transportation.

We consider responding to the Annual Superannuation Performance Test – design options to be of extreme importance, as the regulations will determine how this growing pool of capital is allocated in the future and ultimately the index fees that capital will be subject to.

We would like to offer the investment management community an alternative to the current YFYS benchmark for listed infrastructure, which is industry-backed and guarantees fair pricing for investment managers and Supers alike.

We would welcome the opportunity to answer any questions you may have, and we are happy to discuss this matter further if you wish.

Yours faithfully

Fraser Hughes  
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**About GLIO:**

The Global Listed Infrastructure Organisation (GLIO) is the representative body for the \$3 trillion market capitalization listed infrastructure asset class. Specialist-listed infrastructure managers make up a significant part of the membership, along with banks and advisors. The specialist managers have approximately \$155bn in assets under management.

GLIO is a central portal for investor education, listed infrastructure research, and national and international regulatory issues.

For more information visit: [www.glio.org](http://www.glio.org)