Q&A: Talking Infrastructure Investing With Chloe Berry

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Chloe Berry recently sat down with us to discuss investing in infrastructure. She discussed benefits of the asset class and key trends – and why now might be the right time for investors to add infrastructure to their portfolio.

Q: What are the benefits of infrastructure investments?

Chloe Berry: Infrastructure assets are underpinned by certain key characteristics. They are capital-intensive, often based in specific locations, and are very hard to replicate. They generate revenues under long-term contracts or via regulatory frameworks that are inflation-linked or have inflation pass-through characteristics, and they tend to have low maintenance costs.

Given these characteristics, the assets have been resilient through market cycles, offering low volatility and the potential for attractive income and capital appreciation. Infrastructure assets also have exhibited low correlations compared with other traditional asset classes, providing diversification benefits.

Q: What structures are making these investments more available to wealth investors?

Berry: Historically, investors could choose from traditional public infrastructure equities and bonds, accessed through buying individual securities, exchange traded funds or mutual funds, or via private infrastructure equity funds where capital might typically be locked up for 10 to 12 years and is invested over several years. Now, the new frontier is semi-liquid funds that invest in private infrastructure and seek to provide the wealth market with access to what has historically been private infrastructure only been available to institutions and the wealthiest of individual investors.

Q: What are the tailwinds driving opportunities within infrastructure?

Berry: There's immense opportunity for investment. Infrastructure is buoyed by strong, generational tailwinds from what we call the 3 Ds: digitalization, decarbonization and deglobalization.

Digitalization is about data. The amount of data we generate globally doubles approximately every 18 months. It needs to be transported, processed and stored, requiring significant capital investment to modernize our digital infrastructure. This includes everything from upgrading communication networks from copper to fiber for faster speed and more bandwidth, to building out additional cell towers to support 5G and data centers to support the increasing amounts of data being produced and support development of artificial intelligence.

Diversification does not assure a profit or protect against loss in declining financial markets.

Decarbonization starts with renewable power generation but also includes such things as transmission assets to connect renewable power to the grid, and smart, greener home innovations. We have invested in businesses that provide things like heat pumps, generators, solar rooftop panels, energy storage and electric vehicle (EV) charging stations to homes.

Lastly, the push toward deglobalization is underway as companies work to shorten global supply chains and make them more efficient by doing things like automating ports and moving the manufacturing of critical goods closer to the home market. Governments around the world are also focused on energy security, ensuring consistent and reliable supply.

Q: How is the regulatory environment helping?

Berry: The above trends have been strengthened by recently passed legislation. The Infrastructure Investment and Jobs Act (IIJA) and the CHIPS and Science Act in the United States are major new laws that are creating new opportunities for investment.

For example, the IIJA is the first major U.S. policy act that is focused on achieving a net-zero emissions future, with over $300 billion of tax credits, incentives, rebates and grants to accelerate the energy transition. This should provide a significant boost to clean energy investment, especially given green energy tax credits.

Q: Why should investors consider an allocation to infrastructure?

Berry: When managed by a knowledgeable owner-operator, infrastructure should not produce surprises. When managed correctly, it could be that "invest-and-forget" type of holding in an investor's portfolio, offering the prospect of compounding, attractive low-risk growth over the long term. For all these reasons we have discussed, we believe this is an attractive opportunity investors should consider.

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