

Why infrastructure's solid income and growth is tipped to continue

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ONE of the best investment performers of recent times looks set for another solid year in 2018.

Infrastructure assets — from ports and pipelines to toll roads and airports — remain popular among investors because of their solid and often-regulated incomes in a world of ultra-low interest rates.

There are plenty of ways to grab a slice of infrastructure, and it may be wise to look beyond Australia's shores.

RARE Infrastructure, whose funds have delivered average annual returns above 11 per cent for the past five years, believes good value currently lies in overseas markets.

RARE senior investment analysts Charles Hamieh said there was a "limited investment universe" for infrastructure in Australia, where asset prices had surged.

For example, Aussie toll road group Transurban's share price has more than doubled in the past five years, and Mr Hamieh said similar assets in South East Asia were trading at valuations 50 per cent lower.



Investors have flocked to infrastructure assets in recent years amid low interest rates.

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RARE liked Western Europe and emerging markets, Mr Hamieh said. "The bulk of global infrastructure new spending will occur in emerging markets."

Financial strategist Theo Marinis said infrastructure assets often had government support, and were a focus of government spending when economies needed a boost or politicians wanted to win votes.

"Trump wants to spend \$1 trillion on infrastructure," he said.

The most basic way to invest is by buying direct shares such as Transurban, Spark Infrastructure and Sydney Airport — another stock whose share price has more than doubled in five years.

Listed infrastructure funds and exchange traded funds focusing on infrastructure spread your money across many different assets.

Managed funds can be bought directly or with help from an adviser. AMP Capital has forecast unlisted infrastructure funds to deliver a 10 per cent return this year after strong gains in 2016 and 2017.

If your superannuation is invested in your fund's default option, about 10 per cent of it is probably in infrastructure. Industry Super Funds have been large infrastructure investors and that's one of the reason for their strong gains over many years.

Mr Marinis said investors "should have an allocation to infrastructure, but not the bulk of your money".

"Have exposure across all asset classes and don't put all your eggs in one basket."

Mr Hamieh said 2018 looked like being another good year for infrastructure. Even if interest rates rose, they were unlikely to derail the positive story, he said. "There's a lot of tailwinds going forward."

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