



Construct an all-weather portfolio

By Kyle Mangini



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Our second learning is about the benefits of constructing a portfolio that's resilient to varying market conditions.

As markets become increasingly complex and investors continue to navigate economic and geopolitical disruptions, we remain focused on building a portfolio that's resilient to a range of market conditions, whilst simultaneously providing levers for outperformance.

One of the strengths of our long-term open-ended fund structure is the ability it affords us to construct

an all-weather portfolio, which means a portfolio composition that supports both revenue stability and revenue growth through varying market and economic conditions over time. Key to achieving this is building a diversified portfolio that reflects key aspects of the infrastructure market.

We've constructed a diverse portfolio of 41 assets across multiple sectors and sub-sectors, with operations spanning predominantly OECD countries. Underpinning this is a diversity of revenue streams that drive the performance of assets, even within the same sector. Analysing

ESSENTIAL INFRASTRUCTURE REVENUE STREAM CATEGORIES AND TYPES				
Revenue Stream Category	Contracted	Regulated	Volume-Linked	Market-Related
Revenue Stream Type	Contracted price	Regulated	Patronage	Market
	Contracted revenue			Market Price
	Public Private Partnership (PPP)			Market Defensive



underlying revenue streams and associated risk characteristics of individual assets and considering how they all interact at the portfolio level is critical to building an all-weather portfolio. Figure 1 outlines eight revenue types across four main categories, illustrating the diversity of possible revenue streams.

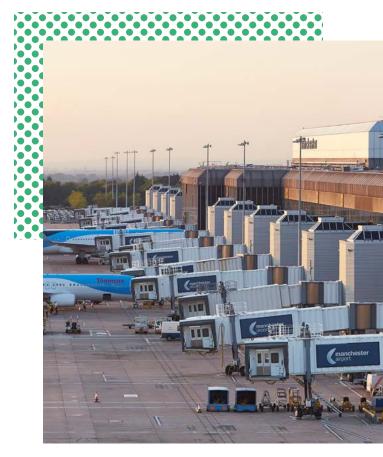
The all-weather effect on portfolio resilience

Through the pandemic and the months of recovery that followed, the all-weather effect on portfolio resilience was tested. There was a significant drop-off in passengers through our airports due to government-imposed travel and border restrictions; however, the impact was offset by performance in other transportation sectors such as seaports where there was a dramatic increase in the movement of goods.

On our toll roads there was a drop in passenger vehicles due to the increased number of people working from home. However, this was more than offset by an increase in trucks and heavy vehicles, due in part to the sharp increase in e-commerce activity, which form a larger part of overall revenue streams

For the most part, essential infrastructure has not experienced ongoing adverse impacts following the pandemic. In contrast, returns in commercial real estate fell and have not recovered to pre-pandemic levels due to the fundamental shift in how and where people work.

People and economies continue to use essential infrastructure all day, every day. A well-constructed all-weather portfolio can help protect overall portfolio resilience over time.



Pictured: Manchester Airport

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After almost three decades of investing in infrastructure globally, we continue to focus on leveraging the learnings outlined here for the benefit of our clients and their beneficiaries. And we are still learning.

This is our second learning in a series of six infrastructure equity learnings. Unlock more infrastructure expertise at <u>ifminvestors.com</u>.





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