IFM Investors

Our learnings from three decades of infrastructure equity investing

Learning 2

Construct an all-weather portfolio

By Kyle Mangini

Kyle Mangini
Global Head of Infrastructure

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

FIGURE 1

ESSENTIAL INFRASTRUCTURE REVENUE STREAM CATEGORIES AND TYPES

Revenue Stream Category	Contracted	Regulated	Volume-Linked	Market-Related
Revenue Stream Type	Contracted price Contracted revenue Public Private Partnership (PPP)	Regulated	Patronage	Market Market Price Market Defensive

Source: IFM Investors

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

UNLOCK MORE EXPERTISE →

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 [ifminvestors.com](https://www.ifminvestors.com).

Important disclosures

The following disclosure applies to this material and any information provided regarding the information contained in this material. By accepting this material, you agree to be bound by the following terms and conditions. The material does not constitute an offer, invitation, solicitation, or recommendation in relation to the subscription, purchase, or sale of securities in any jurisdiction and neither this material nor anything in it will form the basis of any contract or commitment. IFM Investors (defined as IFM Investors Pty Ltd and its affiliates) will have no liability, contingent or otherwise, to any user of this material or to third-parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of the information in this material. In no event will IFM Investors be liable for any special, indirect, incidental, or consequential damages which may be incurred or experienced on account of a reader using or relying on the information in this material even if it has been advised of the possibility of such damages.

Certain statements in this material may constitute "forward looking statements" or "forecasts". Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of earnings, performance, and cash flows. These statements involve subjective judgement and analysis and reflect IFM Investors' expectations and are subject to significant uncertainties, risks, and contingencies outside the control of IFM Investors which may cause actual results to vary materially from those expressed or implied by these forward-looking statements. All forward-looking statements speak only as of the date of this material or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to IFM Investors or any person acting on its behalf are qualified by the cautionary statements in this section. Readers are cautioned not to rely on such forward-looking statements. The achievement of any or all goals of any investment that may be described in this material is not guaranteed.

Past performance does not guarantee future results. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

This material may contain information provided by third parties for general reference or interest. While such third-party sources are believed to be reliable, IFM Investors does not assume any responsibility for the accuracy or completeness of such information.

This material does not constitute investment, legal, accounting, regulatory, taxation or other advice and it does not consider your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the information in this material. Tax treatment depends on your individual circumstances and may be subject to change in the future.

This material is confidential and should not be distributed or provided to any other person without the written consent of IFM Investors.

An infrastructure investment is subject to certain risks including but not limited to: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impractical; changes in environmental and planning laws and regulations, and other governmental rules; environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in energy prices; changes in fiscal and monetary policies; negative economic developments that depress travel; uninsured casualties; force majeure acts, terrorist events, under insured or uninsurable losses; and other factors beyond reasonable control.

Australia Disclosure

This material is provided to you on the basis that you warrant that you are a "wholesale client" or a "sophisticated investor" or a "professional investor" (each as defined in the Corporations Act 2001 (Cth)) to whom a product disclosure statement is not required to be given under Chapter 6D or Part 7.9 of the Corporations Act 2001 (Cth). IFM Investors Pty Ltd, ABN 67 107 247 727, AFS Licence No. 284404, CRD No. 162754, SEC File No. 801-78649.

Netherlands Disclosure

This material is provided to you on the basis that you warrant that you are a Professional Investor (professionele belegger) within the meaning of Section 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht). This material is not intended for and should not be relied on by any other person. IFM Investors (Netherlands) B.V. shall have no liability, contingent or otherwise, to any user of this material or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of this material.

United Kingdom Disclosure

This material is provided to you on the basis that you warrant that you fall within one or more of the exemptions in the Financial Services and Markets Act 2000 ("FSMA") [(Financial Promotion) Order 2005] [(Promotion of Collective Investment Schemes)(Exemptions) Order 2001, or are a Professional Client for the purposes of FCA rules] and as a consequence the restrictions on communication of "financial promotions" under FSMA and FCA rules do not apply to a communication made to you. IFM Investors (UK) Ltd shall have no liability, contingent or otherwise, to any user of this material or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of the information in this material.

Switzerland Disclosure

This Information is provided to you on the basis that you warrant you are (i) a professional client or an institutional client pursuant to the Swiss Federal Financial Services Act of 15 June 2018 ("FinSA") and (ii) a qualified investor pursuant the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA"), for each of (i) and (ii) excluding high-net-worth individuals or private investment structures established for such high-net worth individuals (without professional treasury operations) that have opted out of customer protection under the FinSA and that have elected to be treated as professional clients and qualified investors under the FinSA and the CISA, respectively.

IFM Investors – 12 March 2024 - 3431348