Press Release

New EDHEC study of private infrastructure debt shows that defining `infrastructure' correctly pays off for investors

Singapore, 2 October 2017: A new paper analyzing the characteristics of the EDHEC Infrastructure Institute private debt index shows that private infrastructure debt only delivers better risk-adjusted returns than corporate debt when it is narrowly and correctly defined.

The matter of defining infrastructure investment adequately for investment and regulation purposes is still a point of debate. In the case of private infrastructure debt, this EDHEC paper uses new data allowing a direct comparison between the debt of infrastructure project finance vehicles and that of corporate entities in the infrastructure sector.

The study finds that senior project finance debt has a consistently higher risk-adjusted performance (Sharpe ratio) than both the debt of `infrastructure corporates' and investment grade corporate debt, while the latter two have very similar investment profiles. The index shows that project finance debt improves on the corporate bond index by 30-60 basis points (per unit of risk) at different horizons, while infrastructure corporate debt has a similar risk-adjusted return to the reference corporate bond index.

"Correctly defining infrastructure investment by focusing on financial and economic characteristics rather than industrial sector codes is essential to make this asset class evolve towards maturity", said Frederic Blanc-Brude, Director of EDHEC*infra*. "These results show that project finance debt is unique but infrastructure corporate debt much less so."

The EDHEC*infra* Private Debt All Infrastructure Europe index tracks the performance of hundreds of borrowers and thousands of private debt instruments over the past 20 years, and can be split between `project finance' and `infrastructure corporates'. While the broad market private infrastructure debt index out-performs the corporate debt reference over the period, the study shows that most of the contribution is driven by project finance debt, especially since 2008.

"These are two different forms of corporate governance", says Anne-Christine Champion of Natixis, sponsor of EDHEC*infra* chair for the development of the index, "hence the difference of behavior and credit risk of borrowers. Project finance is about creating long-term, resilient financial instruments that are typically not found on corporate balance sheets."

The research paper is available to download here.

The indices mentioned in this study are available on the EDHEC*infra* website and though Bloomberg (tickers: EIPDE, EIPDEPF and EIPDEC)

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About EDHEC Infrastructure Institute – Singapore (EDHEC*infra*)

EDHEC*infra* was launched on 24 February 2016 by EDHEC Business School to address the profound knowledge gap faced by infrastructure investors, by collecting and standardising private investment and cash flow data and running state-of-the-art asset pricing and risk models to create the performance benchmarks that are needed for asset allocation, prudential regulation and the design of new infrastructure investment solutions. EDHEC*infra* currently has the world's largest dedicated database of infrastructure investment cash flows, covering more than 25 years of data and hundreds of projects across the globe. EDHEC*infra* is headquartered in Singapore and has a team of 10 full-time researchers.

http://edhec.infrastructure.institute

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