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Author: Kabelo Khumalo

Investor appetite for infrastructure on the rise — asset manager

KABELO KHUMALO

With SA needing R1.6-trillion in public sector infrastructure investment by 2030, asset giant Ninety One says investors' appetite is on the rise and urged retirement funds to take advantage. MD Thabo Khojane said challenges like low state funding capacity and investor concerns about governance are improving at a "rapid pace".

Policy reforms coincide with investment expertise that can "cater to a deep savings pool" Khojane said.

Public works & infrastructure minister Sihle Zikalala said about R1.6-trillion is needed in the next seven years to roll out infrastructure and retirement funds have a big role to play.

SA's retirement industry has assets in excess of R4.6-trillion.

Large retirement funds can afford specialist expertise and good governance models.

"We have a growing universe of investment opportunities. Retirement funds should grasp the opportunity to be in this exciting growth sector."

Infrastructure SA, housed in the department of public works & infrastructure, oversees preparation, appraisal and evaluation for credible and market-ready projects. Investment in infrastructure traditionally offers income, diversification and inflation protection. Its long-term nature matches it well with retirement savings.

While unlisted equity provides catalytic energy to get projects off the ground, a larger opportunity for retirement funds lies in unlisted credit or private debt. First, valuation of private debt is objective and stable. Second, the investment ranks ahead of equity in a downside scenario, meaning improved recovery and more predictable outcomes. "Furthermore, unlisted credit earns semi-annual or quarterly interest payments and receives amortisation payments over the life of a loan, while the maturity date of a loan also provides a clean exit without the need to take market or resale risk."

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