A new era of data analytics for infrastructure investors

Access to the best available data will be a key success factor in a sector where investment decisions will increasingly be driven by data, benchmarks and analytics, reflecting both financial and ESG considerations.

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Infrastructure investment is evolving from a niche alternative asset class into a fully-fledged investment sector and value chain. As this evolution takes place, the need for data and analytics is also growing rapidly for investors, managers, consultants and financial service providers. Access to the best available data will be a key success factor in a sector where investment decisions will increasingly be driven by data, benchmarks and analytics, reflecting both financial and ESG considerations.

Join the evolution

EDHECinfra is at the forefront of this evolution. This quarter, we launched a new series of monthly-updated indices (of unlisted infrastructure equity) and valuation analytics and have planned more innovations and product releases in the coming months, including dedicated cash flow risk analytics, an infrastructure equity fund strategy benchmarking tool and new monthly thematic market benchmarks including "core" or "mid-market" infrastructure equity indices.

This data is now impressively granular: at the global level some EDHECinfra analytics include more than ten thousand observations for 700+ private infrastructure companies over more than twenty years. This wealth of data is also available for hundreds of geographic and TICCS sub-segments such as "Europe contracted projects", "USA transport" or just "Spain infrastructure".

The TICCS 2021 review

Since its launch in 2018, the TICCS® taxonomy of infrastructure investments has played an increasingly important role in the structuring of this data, including for many of its end users. In less than two years, TICCS has become a globally recognised standard to categorise and benchmark infrastructure assets and companies in both the unlisted and listed space. TICCS is now part of the infrastructure data management process of numerous investors. For instance, it has also been implemented within Aladdin, BlackRock's own data platform.

The 2021 TICCS market consultation was launched on 24 June 2021. As before, we are asking market participants to give their views on the classification system, which can be expected to evolve gradually over time as the asset class changes. Following the consultation, which will last for 15 weeks, the TICCS Review Committee, an independent group of investors and standard providers, will consider the responses provided and put forward its recommendations for the evolution of the standard.

infraMetrics for all

Since 2019, EDHECinfra has been a provider of market indices which are used as benchmarks for asset allocation and market research, including by some of the largest asset managers in the world. EDHECinfra index data is also used to calibrate prudential models, PRIIPs market risk measures and to respond to RFPs.

Beyond indices and benchmarks, we also want to provide participants in the infrastructure investment value chain with the analytics they need.

As part of the development of EDHECinfra's service offering to infrastructure investors, we are extending our data platform to cover many more use cases. This is the result of extensive consultations with the market and our existing users, which already number in the thousands.

infraMetrics®, which will bundle together a series of data applications for market benchmarks, asset valuation, risk analyses, fund benchmarking, asset rating and peer group benchmarking, is being launched in beta format this summer and will eventually include all our data products.

With infraMetrics, investors in infrastructure will have extensive choices over the kind of data they want to use in their investment process. As well as market prices, which drive our market indices, expected returns and risk premia data are also available for each subsegment. NAV return attribution analyses have never been so easy (we even make them for you).

infraMetrics also includes extensive data on cash flow patterns during the lifecycle of infrastructure companies as well as the business cycle, allowing investors to identify different payout profiles across different business risk and industrial segments. Many more analytics are already available or soon will be.

Regulators also want data

The growth of infrastructure as an asset class also means that regulators are taking another look. Since last Christmas in Australia, a debate has raged about which index would be the better benchmark for unlisted infrastructure equity, which sometimes represents as much as 5% of Superannuation AUMs.

Over a few months and after two consultations by the Treasury, the usual conversation was had about how listed indices are not good proxies of unlisted infrastructure assets, how contributed appraisal-based indices are biased and smooth and also not representative, and how the infra300 would be a much better benchmark, as an unpublished survey of the large Superannuation funds submitted to the Treasury has confirmed. This earned us some interesting press coverage in the Australian press, but for everybody else it was like attending an EDHECinfra webinar in slow motion over a period of six months...

Whatever the Australian Treasury picks as the benchmark for unlisted infrastructure equity in the upcoming APRA performance tests, the need for regulators to define and measure the characteristics of the asset class has been well-illustrated by this episode.

More regulatory initiatives are underway and the issue of data availability and granularity is ever present, from Ofgem's latest determination to the various investigations of the impact of Covid on infrastructure valuations and even the recent work of the International Association of Insurance Supervisors to integrate unlisted infrastructure in international prudential rules.

Last but not least, regulators want data on infrastructure and climate change and other ESG questions. The current version of the EU's Sustainable Finance Reporting Directive is only the beginning of a drive to quantify, compare and regulate the impact of investors on the climate, and infrastructure investors are amongst the most exposed. After all, the point of infrastructure is to allow economic agents to use various sources of energy to go about their business. As long as the main source of energy remains fossil fuels, infrastructure can only be a conduit to more emissions and climate change. Of course infrastructure is also part of the solution. But without data on large sections of the globe's infrastructure, this can be hard to fathom.

Giant green data

This is why EDHECinfra is now moving ahead with what is perhaps its most ambitious project to date: creating data on the climate and social impacts and risks of infrastructure assets everywhere (literally).

A new team has joined us over the past few months that will develop the data capability, the algorithms and perhaps most importantly, the knowledge framework (or ontology) that are necessary to collect, aggregate and analyse raw data on tens of thousands of assets worldwide.

This is not just big data. It's a truly gigantic and heterogenous set of information that must be understood before it can be processed. We do not want to create yet another ESG rating. With the support of Natixis and The Monetary Authority of Singapore, we are aiming for better investment knowledge, incorporating non-financial data for better reporting and risk management.

I look forward to seeing this all-important asset class develop into the ever more transparent, well-understood and well-invested sector it deserves to be. EDHECinfra exists to contribute to this vision.

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