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Australian Super Funds Open-Minded on US Infrastructure as Trump Plots \$1 trl Spend.

Australian superannuation funds are prepared to invest in new infrastructure projects in the US if they are “structured right” as President Trump plans a \$US1 trillion spending spree.

Hostplus directors Mark Vaile and Peter Collins were on their way back to Australia last night following meetings with US officials in Washington as part of a superannuation delegation discussing infrastructure investment opportunities.

The Australians have been keen to promote superannuation funds as “reliable trustworthy owners” of infrastructure, stressing to US officials they are prepared to own assets for the long term and have “a community licence to exist,” Hostplus chief investment officer Sam Sicilia told The Australian Financial Review.

The super funds have stressed that while they expect to earn “reasonable” returns of between 8 and 12 per cent on their infrastructure investments, they do not plan to squeeze excessive returns out of them, saying that if investors do not “behave,” they lose their licence to operate.

US President Donald Trump is planning a \$US1 trillion infrastructure investment program over the next decade, with about 80 per cent of the cost to be funded by the private sector and states.

IFM Investors, which has an office in New York, has been encouraging US funds to “buy into” the infrastructure story, Mr Sicilia said. IFM Investors chief executive Brett Himbury met with US Vice President Mike Pence last week to discuss America’s infrastructure plan.

Australian superannuation funds have traditionally been reluctant to invest in new infrastructure projects like tollroads before knowing how many cars will use them for fear of losing money.

But Mr Sicilia said funds had “long time horizons” and they could invest in new projects if they were structured appropriately.

The Australian have been marketing their experience in owning and managing infrastructure assets to the US government, as well as explaining how asset recycling schemes work. Many US infrastructure assets are owned by municipalities who have not had any incentives to sell them.

Martin Fahy, CEO of the Association of Superannuation Funds of Australia, said the US meetings showed Australian funds were “world leaders” in the international infrastructure market.

Australian fund needed to invest money overseas to avoid investments being too concentrated in Australia, he said.

Finding overseas infrastructure investments has typically been difficult for Australian funds because of intense competition for assets like London City Airport, which was sold last year to Canadian pension funds for £2 billion.

But if President Trump's infrastructure spending plan goes ahead, a broad range of infrastructure projects, both new projects and upgrades to existing assets, should open up for investment.

Australian investors can currently invest in US infrastructure through municipal bonds, which are used to fund many projects. But investors prefer direct investments in assets so they can have a role in how the assets are operated rather than being passive investors, Mr Fahy said.

Australian superannuation assets are currently worth a record \$2.3 trillion. Infrastructure typically accounts for about 5 per cent of superannuation portfolios.

Other countries are also eyeing US infrastructure investments. US private equity firm Blackstone and Saudi Arabia's Public Investment Fund said in May they planned to create a US\$40 billion fund to invest in infrastructure projects, mainly in the US.

AFR Weekend

by Jenny Wiggins

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