

Discover the potential of infrastructure investments today

Infrastructure investment has long been hailed as a cornerstone of a diversified portfolio, offering stable returns and insulation from economic volatility. However, recent years have seen the sector face challenges, prompting many to question its viability.

But as economic tides shift, could now be the time to reconsider investing in infrastructure?



Understanding infrastructure investments

As societies grow, so does the need for new and better infrastructure. Infrastructure is all around us: roads, airports, oil and gas, even telecoms. It's an essential part of our everyday life and, therefore, our economies. But

despite the everyday presence, it remains relatively unexplored for investors.

These assets are characterised by their indispensability and often enjoy pricing power and barriers to entry. Investing in infrastructure typically means investing in specialist funds that own or manage these critical assets.

The changing landscape

Recently, infrastructure investments have expanded to include renewable energy projects like wind and solar farms, electrical grids, and battery storage. This expansion not only aligns with global efforts towards sustainability but also presents new avenues for long-term growth. Additionally, the rising demand for computing power, driven by technologies like artificial intelligence (AI), has spurred growth in data centre infrastructure.

One example is the Schroder Digital Infrastructure fund, which seeks to take advantage of the ever-increasing demand for digital infrastructure and the sustainable transition to a digital economy. As our demand for data continues to grow year on year, the world will require more digital infrastructure, making this a powerful thematic fund for any portfolio.

Challenges and opportunities

Despite its reputation for stability, the infrastructure sector has faced challenges in recent years. Factors such as rising interest rates and shifts in investor preferences have led to subdued performance. Even government commitments to infrastructure development haven't shielded the sector entirely from market fluctuations.

While recent years may have been challenging, there are signs that the tide could be turning for infrastructure investments. Market corrections have led to more attractive valuations, presenting potential opportunities for investors. Moreover, as

interest rates stabilise and investors seek alternative income sources, infrastructure assets are regaining attention.

Peter Meany, manager of the First Sentier Global Listed Infrastructure fund, remains optimistic about the sector's prospects. He highlights the operational strength of infrastructure companies and their ability to adapt to changing market dynamics. From utilities passing through inflation to the growth potential of renewable energy sources, there's a compelling case for continued investment in infrastructure.

Navigating investment options

Navigating the world of infrastructure investment can seem daunting. However, there are accessible avenues, such as [infrastructure funds](#) and investment trusts, that offer exposure to a diversified portfolio of infrastructure assets. High-yielding trusts trading at discounts present particularly enticing opportunities for those seeking income and potential capital appreciation.

The M&G Global Listed Infrastructure fund invests in not only 'traditional' infrastructure such as utilities and toll roads but also includes 'modern' infrastructure, such as payment companies and data centres. Another option for investors is to tap into the growing demand of sustainable energy. The VT Gravis Clean Energy Income fund invests in renewable energy and energy-efficiency related projects. Gravis is an expert in this region and has a long-standing history of investing in this space, giving investors confidence in the long-term ability of the fund to deliver attractive, compound returns.

The road ahead

As we look to the future, the infrastructure sector appears poised for a resurgence. With market conditions stabilising and investor sentiment improving, infrastructure investments could once again become a cornerstone of diversified

portfolios. As the global economy transitions towards sustainable practices and digital transformation accelerates, infrastructure assets are likely to play an increasingly vital role in driving long-term growth.

To conclude, investing in infrastructure offers not only the potential for stable, inflation-adjusted returns but also the opportunity to contribute to essential societal needs and sustainable development. While recent challenges have tested the sector's resilience, it's important to recognise the underlying strengths and long-term potential of infrastructure investments. For beginner investors looking to build a robust portfolio, exploring infrastructure opportunities could prove to be a rewarding journey towards financial stability and growth.

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested, and tax rules can change over time. The views expressed are those of the author and fund managers and do not constitute financial advice.