

**M&G Insights**

# Listed infrastructure: A compelling opportunity to harness long-term trends

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*In the realm of investing, the landscape is always evolving, presenting investors with opportunities that align with prevailing trends and future growth prospects. Listed infrastructure is one such asset class that is garnering increased attention as a compelling avenue for investors to navigate long-term trends and capitalise on structural tailwinds shaping the global economy. We unpack these trends in this article based on Fund Manager, Alex Araujo's presentation at the recent M&G Global Investor Day 2024 in London.*

The enduring structural tailwinds behind global listed infrastructure highlight its potential to deliver inflation-beating growth over the long term, presenting a compelling opportunity to acquire critical infrastructure assets at attractive valuations. Local investors can access this long-term investment opportunity through the M&G (Lux) Global Listed Infrastructure Fund (US\$) and the M&G (Lux) Global Listed Infrastructure Feeder Fund (ZAR).

## **Addressing global challenges and opportunities**

Listed infrastructure plays a pivotal role in addressing a myriad of global challenges and opportunities. From underdevelopment in some regions to the digital revolution, climate change, energy security concerns in Europe and South Africa, the demand for electricity, especially in the US, is surging. This surge in electricity demand, driven by factors like the growth of renewable energy, electrification of heat, and AI deployments, presents a significant growth opportunity for infrastructure investments.

## **AI exposure and data centre investments**

The Fund includes exposure to AI segment infrastructure, such as data centres that are power-hungry and essential for the digital economy. With scenarios projecting a tripling of electricity demand by 2030 due to AI deployments and data centres, the investment thesis is strong. Companies like AES, with a backlog of demand for green power to support data centres, showcase the growth potential in this space. The collaboration between a data centre operator and an electricity generation business to create the world's first exclusively nuclear-powered data centre underscores the structural opportunities within the sector.

## **Return potential and dividend growth**

Despite recent underperformance relative to the global equity market, listed infrastructure has the potential to deliver robust returns over the long term. The strategy has demonstrated strong dividend growth, with a focus on high-quality utilities and businesses that compound dividends year over year. By targeting 5-10% growth in the dividend stream, the fund provides investors with inflation protection and attractive income distributions.

## **Opportunities in listed infrastructure investing**

Investors looking to diversify their portfolios and access alternative investment profiles can benefit from listed infrastructure investments. With the offshore investment limit expanded to 45% of a portfolio, investors have the opportunity to explore a diverse range of global listed infrastructure assets that offer solid returns and support economic growth sustainably.

## Advantages of infrastructure investments

Incorporating infrastructure into investment portfolios can provide investors with income, diversification, and inflation protection benefits. Listed infrastructure funds offer convenient access to a wide range of opportunities beyond traditional projects, including renewable energy solutions, healthcare facilities, and elements of the digital economy infrastructure. This diverse landscape provides investors with exposure to evolving trends and technologies that shape the future of infrastructure development.

## Focus on strategic advantage and downside protection

M&G's global listed infrastructure strategy focuses on companies owning strategically advantaged physical assets with long-term growth potential. Our focus is on critical infrastructure assets, long-life concessions, and perpetual royalties, offering a unique investment opportunity to deliver sustained income growth over time.

By diversifying across infrastructure categories, sectors, and regions, the strategy aims to deliver sustained income growth over time. The inclusion of evolving infrastructure assets, like digital infrastructure, ensures alignment with technological advancements and future trends.

## Looking ahead

As the infrastructure landscape continues to evolve, opportunities will unfold in sectors like renewable energy, electric transport infrastructure, urbanization trends, digital infrastructure, and more. By selecting infrastructure as an asset class, investors not only secure stable returns and inflation protection but also contribute to sustainable global infrastructure development.

Listed infrastructure presents a compelling opportunity for investors to harness long-term trends, capitalize on structural tailwinds, and build a resilient portfolio poised for sustainable growth. By exploring opportunities in global listed infrastructure funds like the [M&G \(Lux\) Global Listed Infrastructure Fund](#) and the [M&G Global Listed Infrastructure Feeder Fund](#), investors can position themselves to benefit from the ongoing transformation and growth in the infrastructure sector.

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