IPIF *provides a new opportunity for the* SMSF sector

Access to unlisted infrastructure assets can lift portfolio returns and lower volatility.

A unique fund from IPIF Management is enabling self-managed superannuation funds (SMSFs) to invest in premium unlisted infrastructure assets, improve portfolio asset allocation and potentially earn higher returns with less risk.

IPIF was established in 2014 to provide SMSF and high-net-worth investors with access to assets such as airports, utilities, toll roads, seaports, rail and terminals. The IPIF Core fund's largest exposures are to Perth Airport, Melbourne Airport, Brisbane Airport and TransGrid.

Australian industry superannuation funds have invested in unlisted infrastructure funds since the 1990s, and they have steadily increased their allocation to this asset class. But these funds, with a minimum investment ranging from $5–25 million, are out of reach for most SMSFs.

IPIF Core solves this problem by providing access to the same infrastructure managers that, traditionally, only large superannuation funds invest in. The fund is open to wholesale investors and has a $100,000 minimum investment.

'IPIF Core is a breakthrough for the SMSF sector,' says IPIF Management Executive Director Nicole Connolly. 'For the first time, SMSF trustees and high-net-worth investors can access infrastructure investments that typically have only been available to large funds.'

Connolly adds: 'IPIF Core has been designed to reduce the barriers to invest in this asset class, provide access to well-performed infrastructure managers and give SMSFs exposure to high-quality infrastructure assets, such as Australian airports. Asset exposures such as these are difficult to replicate and cannot be accessed via listed markets.'

Attractions of unlisted infrastructure

Large superannuation funds recognise the benefits of investing in unlisted infrastructure assets. Chosen well, these assets provide growth-like returns, such as those from equities, with defensive characteristics similar to bonds. The potential is for better risk-adjusted returns.

Industry super funds had an average five per cent allocation to unlisted infrastructure assets, a 2011 Chant West survey found.

In contrast, SMSF funds are thought to have no or limited exposure to unlisted infrastructure and negligible exposure to listed infrastructure assets. Shares, property and cash continue to dominate SMSF portfolios, according to Australian Taxation Office data on SMSFs for June 2016.

'The SMSF sector, by being significantly underweight in unlisted infrastructure, has missed out on consistent, attractive returns over a long period from this asset class,' says Connolly. 'Unlisted infrastructure has ideal characteristics for SMSFs that want reliable growth and yield.'

Australian unlisted infrastructure managers have delivered compelling

returns. The asset class returned 14.4 per cent annually over seven years to 30 June 2016, based on the IPD Australia Unlisted Infrastructure Index (before fees). That compares to an 8.6 per cent annualised return from Australian equities, 8.9 per cent return from Australian bonds and 9.2 per cent return from unlisted property.

IPIF Core invests in UTA, a leading infrastructure fund run by Hastings Fund Management, and this year it added Colonial First State's Global Diversified Infrastructure Fund (GDIF) to its portfolio.

From inception in 1994, UTA returned 11.9 per cent annually to 30 June 2016, including a 5.8 per cent annual distribution (with tax credits).

GDIF's local currency fund has returned 10.5 per cent per annum to 30 June 2016, versus the benchmark of 8.9 per cent per annum.