



UTA's return came with almost half the volatility of the ASX 200 index and substantially less volatility than listed Australian infrastructure stocks. 'Unlisted infrastructure assets tend to be priced on lower valuation multiples, and are generally less volatile than their listed peers', says Connolly. 'Low volatility is important for SMSFs in the accumulation or pension phases.'

IPIF Core delivered an 8.8 per cent total return over the six months to 30 June 2016, including a maiden 2.7 per cent distribution.

#### **IPIF Core ideal for yield-focused investors**

The potential for reliable income from unlisted infrastructure is another attraction. Unlisted infrastructure managers averaged a five per cent income return over 15 years to December 2011, according to Russell Investments. The yield was consistent over short and long time frames.

'High-quality infrastructure assets typically have stable, predictable cash flows that are underpinned by long-term contracts or a regulated asset base,' says Connolly. 'Also, infrastructure revenues are often explicitly linked to inflation, which is important for SMSFs in the pension phase who need to know their returns are at least keeping up with inflation.'

Unlisted infrastructure can enhance portfolio diversification. The UTA fund has a low correlation with all listed investment markets, and unlisted infrastructure returns are typically less volatile than those from property, as they tend to be less influenced by interest rate fluctuations and the economic cycle.

'SMSFs need a mix of assets that do not all move in the same direction,' says Connolly. 'Historically, unlisted infrastructure has not experienced sharp falls in valuation during sharemarket corrections or collapses. The asset class's defensive qualities suit SMSFs.'

#### **Off to a strong start**

IPIF Management has already secured close to \$50 million in committed capital for IPIF Core, despite the fund only being available since March 2015. The firm successfully completed its fourth capital raising in September 2016 for \$12 million.

Connolly, one of Australia's most experienced investors and analysts in unlisted infrastructure, has a strong following in this asset class. She was head of Alternative Investments at Telstra Super, Australia's largest corporate superannuation fund, and was previously Director of Alternative Investments at Russell Investments. She has worked in superannuation for 17 years.

Connolly joined IPIF Management as its founding Executive Director after recognising an opportunity to give SMSF and high-net-worth investors access to the same funds that larger superannuation funds had successfully used for years.

'We saw a huge gap in the market,' she says. 'Infrastructure industry colleagues who understood the benefits of investing in unlisted infrastructure were frustrated that they could not invest their own money in this asset class. They asked us to do something about it.'

Connolly says that IPIF Management is receiving a high number of enquiries for IPIF Core. IPIF Core is an open-ended fund and can accept commitments to the fund at any time; however, it may take up to six months for IPIF Management to call investors capital as it is dependent on the investment activity of the underlying managers, Connolly explains.

'The feedback so far has been very encouraging,' she says. 'More SMSF and high-net-worth investors are recognising the role and benefit of unlisted infrastructure, IPIF's experience and reputation in this asset class, and the quality of infrastructure managers we invest in. Investors appreciate the exposure to exceptional assets such as Melbourne Airport and Perth Airport.'

Connolly says that investors should understand the potential risks of unlisted infrastructure. These include changing government regulation, the illiquidity of unlisted infrastructure, and high debt levels in some assets.

Units in IPIF Core can only be redeemed annually via a written request to IPIF Management. Also, IPIF Core has a limited performance record, although it invests in funds with long and established track records. 'Prospective investors in IPIF Core should be able to hold the investment for at least five to seven years,' says Connolly. 'Unlisted infrastructure is very much a long-term investment.' ●

*For more information on IPIF Management, visit [www.ipif.com.au](http://www.ipif.com.au).*