

April 28, 2023

The Treasury

Email: YFYS@treasury.gov.au

Dear Sir / Madam

Re: Review of Your Future, Your Super Measures

We value the opportunity to respond to the Exposure Draft Regulations that were released on April 4, 2023. This submission relates to the choice of benchmark for the listed infrastructure sector and aims to provide a broader background to the submissions you may receive on an individual level.

Background – Growth of listed infrastructure assets/funds under management

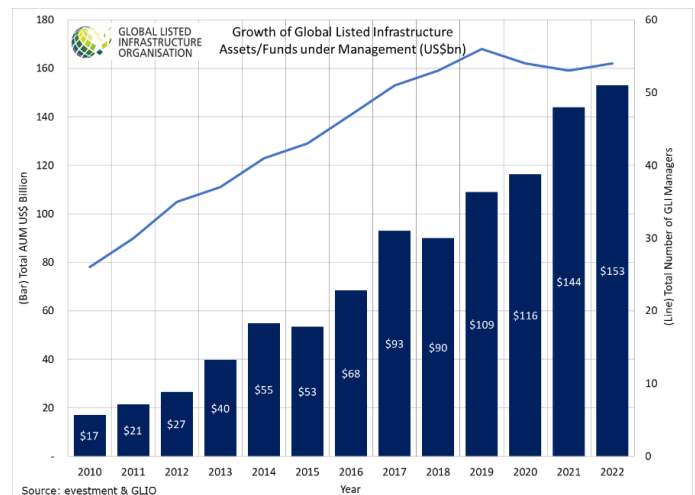
The Global Listed Infrastructure Organisation (GLIO) was established in 2016 to represent the collective interests of listed companies operating in the following sectors:

- regulated electric, gas, water utilities, and renewables
- transportation infrastructure – roads, railroads, airports, and marine ports
- energy transportation & storage
- communications infrastructure – telecom towers and satellites

At a global level, this covers approximately, 160 companies, representing over US\$3 trillion in market capitalisation, or well over US\$4.5 trillion in enterprise value.

Equally, GLIO represents the interests of the specialist-listed infrastructure investment managers who invest in this universe of companies.

GLIO tracks the total assets, or funds under management (AUM) of the 50+ specialist listed infrastructure managers globally. Since 2010, listed infrastructure AUM has grown from US\$17bn to just under US\$155bn at the end of 2022. Figure.1 charts this year-on-year growth.



We believe AUM growth has taken place for two key reasons:

- institutional investors' target allocations to infrastructure have increased considerably over this period, and we believe this trend will continue;
- there is a growing body of research to show that listed infrastructure is an excellent proxy for direct/unlisted infrastructure investment over medium-to-long-term investment horizons, and investors use listed infrastructure as a complement to their

direct, or unlisted infrastructure investors as a way to meet their increased target allocations.

We view the Australian investment community to be at the forefront of global infrastructure investment trends, and the global listed infrastructure investment managers are a critical part of this picture. The importance of the Australian listed infrastructure managers is clear in the AUM figures. Of the estimated \$155bn AUM in listed infrastructure, the Australian managers control 43%, or US\$66bn of the total. We estimate that by the end of 2030, total AUM could double to well over US\$300bn with Australian managers continuing to play a significant role. We consider responding to the Draft Exposure Regulations of extreme importance, as the regulations will determine how this growing pool of capital is allocated in the future.

Choosing the appropriate benchmark

As part of our AUM tracking, we also track the preferred benchmarks for the specialist listed infrastructure managers. In Australia, the benchmark of preference is clear: FTSE Developed Core Infrastructure 50/50 (100% hedged to AUD) Index.

We cite three key reasons for this choice:

1. The FTSE Developed Core Infrastructure Index is not reflective of how Australian-listed infrastructure managers allocate capital to the asset class, for example:
 - The FTSE Developed Core Infrastructure Index is too heavily weighted towards North American utilities and energy transportation (over 80% of the market capitalisation)
 - The FTSE Developed Core Infrastructure Index is too lightly weighted towards the traditional infrastructure sectors such as airports and toll-roads (well under 5% of the total index)
2. The FTSE Developed Core Infrastructure is not commonly used by Australian managers, nor for that matter among the non-Australian listed infrastructure managers. The following is a list of the specialist global listed infrastructure managers in Australia¹ who have confirmed to us that they recommend the use of the FTSE Developed Core Infrastructure 50/50 (100% hedged to AUD) Index in the proposed regulation under section 48 sub-regulation 9AB.17(7):
 - Ausbil Investment Management
 - ClearBridge Investment Management
 - First Sentier Investors
 - Magellan Asset Management
 - Maple-Brown Abbott
 - Patrizia Investment Management
 - Resolution Capital
3. Related to point 2, in 2015 the global listed infrastructure managers (from the USA, Europe, and Australia) worked collectively with FTSE and some asset consultants to develop the FTSE Developed Core Infrastructure 50/50 Index as a more

¹ The managers listed collectively manage US\$65bn

representative benchmark for investing in the opportunities in the asset class. The group sort to rebalance what they viewed as too higher exposure to North America, and too little exposure to transportation.

We understand you will also receive individual submissions to address this matter. These submissions may provide more detail at an asset allocation level which we do not detail in this response. However, what we are able to provide is a clear message from the Australian-based investment managers who have agreed to be mentioned in this submission that they recommend that the **FTSE Developed Core Infrastructure 50/50 (100% hedged to AUD) Index** is included in the final legislation.

We would welcome the opportunity to answer any questions you may have, and we are happy to discuss this matter further if you wish.

Yours faithfully

Fraser Hughes
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About GLIO:

The Global Listed Infrastructure Organisation (GLIO) is the representative body for the \$3 trillion market capitalization listed infrastructure asset class. Specialist-listed infrastructure managers make up a significant part of the membership, along with banks and advisors. The specialist managers have approximately \$155bn in assets under management.

GLIO is a central portal for investor education, listed infrastructure research, and national and international regulatory issues.

For more information visit: www.glio.org