

John Dewey, Head of Investment Strategy and Darryl Murphy, Head of Infrastructure Debt, consider whether stretching below investment grade debt might make sense for institutional investors.

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JOHN: Hello, I'm John Dewey, Head of Investment Strategy. And today, I'm here with Darryl Murphy - Head of our Infrastructure Debt team - to talk about the very topical area of the best infrastructure opportunities we see across sectors, across geographies, globally today.

JOHN: Many investors today have been focused on an investment grade rating for their infrastructure debt. But, do you see there being some opportunities to unlock value by relaxing that constraint, being more open minded about credit ratings?

DARRYL: I do, indeed John. And I think if we look at a lot of our opportunities today, they are relatively in the lower range of investment rates. So, BBB is quite a classical area for infrastructure.

Now, that means that a lot of projects have often been structured to make them investment grade.

If we look at the opportunities, whether it be BBB minus or into sub investment grade area. I think there are a number of examples of investment opportunities where, so long as you understand the risks involved and perhaps some of the more challenging sectors, such as ways to energies as an example, then actually there's good value to be found.

And the same discipline in terms of structures exist. And I think therefore, if investors are able to understand those risks, they will find a much higher level of value coming for those opportunities than one might find in an area it's more crowded in the BBB range.

JOHN: And for an investor who does want to exploit that type of opportunity - but still be mindful of the risk inherent in their assets - are there any particular areas of focus to safeguard that quality of the underlying assets? So, getting the right balance between a higher yield but still remaining robust asset characteristics?

DARRYL: I think for me it starts very much around knowledge of those sub-sectors that one is looking at.

Infrastructure is actually quite a broad asset class. And you're naturally led to some certainly perhaps slightly more perceived riskier areas, whether it be sector wise or stages of a project such as construction for example.

Therefore, to understand those types of opportunities you really need a lot of experience and know how to understand how those risks can be mitigated, such an investor is not overly exposed to that risk.

JOHN: Thank you very much Darryl.

DARRYL: Thanks John.

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