

## All aboard the infrastructure bus

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By Rob Stock –Sunday Star Times



Morrison & Co has bought shares in Fisher Funds, and the business will launch a fund investing primarily in sharemarket-listed global infrastructure companies.

Photo / Fairfax Media

Lloyd Morrison says his investment company Morrison & Co anticipated the risk of the current global financial and economic meltdown, but says nervous investors should see infrastructure shares as a sensible first toe back in the water.

Morrison has bought shares in Fisher Funds, and the business will launch a fund investing primarily in sharemarket-listed global infrastructure companies.

Morrison said many listed infrastructure assets were already cheaply priced for long-term investors.

"Obviously, we've followed the sector intimately, both here and internationally, for many, many years. We anticipated the risk of the current financial and economic meltdown."

On a cautious note, he added: "We don't expect economies to recover for a number of years. However, markets have generally capitulated and remain very skittish and bearish. While it is too early to commit heavily to re-entry into equities, we believe the infrastructure sector, in particular, offers value now and is a sensible entry point back into the market for investors.

"The cashflows and resilience of established infrastructure businesses internationally are very strong. In addition to yield, many such assets also offer good growth prospects. Moreover, the

private market for infrastructure assets has remained very robust, with consistent demand at high values from long-term buyers."

He added: "Listed infrastructure assets which have fallen in line with market falls look particularly well priced."

Carmel Fisher said Morrison & Co had a pool of around 200 listed infrastructure companies to pick from, but said the fund was likely to be quite focused, holding around 15 at any one time. That would not include Infratil, the NZX-listed investment company that Morrison & Co manages.

Europe, the US and Australia were the likely locations of many of the infrastructure shares that would be held in the fund, Fisher said.

Although the fund would be allowed to borrow up to 25% to invest, Fisher said this tool would be rarely used. Leveraging up infrastructure assets was an expensive mistake by some fund managers, though it was not something that had caught out Morrison & Co.

The fund can buy into unlisted infrastructure companies, but is unlikely to in the short term, said Fisher, instead focusing on listed infrastructure stocks. "We don't expect any unlisted assets for the first year or so."

Like Fisher Funds, Morrison & Co, which has been investing in infrastructure for more than 20 years, were long-term buy and hold investors, said Fisher, although unlike Fisher, Morrison & Co began its investing by spotting "mega trends" and then looking for well-run companies exposed to that trend.

These trends might include infrastructure companies in sectors in critical areas such as electricity transmission in the US, or US rail companies, which stood to gain from long-overdue government investment.

Public transport was another mega-trend Morrison & Co had identified, Fisher said.

The fund plugged a gap for retail investors.

"It's a very difficult asset class for mum and dad investors to buy into," she said.

The global financial crisis has not changed the long-term outlook for infrastructure investors, who still see themselves investing in stable, cash-generative assets that are vital for the functioning of societies.

Infrastructure around the world had suffered from chronic underinvestment, said Fisher, and trillions of dollars' worth of catching up was needed.

The stocks bought for the fund are likely to be unfamiliar to investors who have backed Morrison & Co over the years. Morrison said: "The new fund will focus on listed companies and

will purchase small rather than influential holdings in such companies, so there is unlikely to be any overlap in terms of asset ownership. That said, Morrison & Co's knowledge of and experience with infrastructure is as applicable to listed assets as it is to the assets Infratil has successfully focused on."

Investors in the fund need to have a longer-term time horizon, but Fisher was confident the fund would find investors willing to sink money into it. "People don't like to stay down and fearful for too long," she said. Ordinary share portfolios should have around 10% exposure to infrastructure.