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Global listed infrastructure: More avenues for alpha and less risk than unlisted strategies

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Research & Insights

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There seems to be a perennial argument as to whether it is better to access infrastructure returns through listed or unlisted securities. To us, this misses the point of infrastructure investing as it focuses on the vehicle rather than the asset. We believe there is room for both in portfolios and that each has a role to play. Ausbil's Global Listed Infrastructure team shares their perspective on how listed infrastructure can provide certain benefits, alongside the potential disadvantages of unlisted strategies.

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10 minute read

Key points

- **Diversification:** Listed markets offer more opportunities globally with more assets available for active investors.
- **Real-time opportunities:** Live pricing in listed markets offers regular opportunities to take advantage of sentiment and acquire assets at significant discounts.
- **Valuation disparity:** Unlisted markets have a history of paying premiums that are significantly above listed company valuations. Whilst unlisted infrastructure shows a wide dispersion of deal valuations, deals written on average are significantly higher valuations than listed infrastructure. An infrastructure asset's intrinsic value does not change if it is listed or unlisted.
- **Portfolio optimisation:** Listed markets allow for active position sizing which offers additional optimisation for alpha strategies, and more active levers for risk aversion.
- **Liquidity benefits:** Listed infrastructure has no lockups and no barriers to exit should your views change. This also acts as an insurance policy if regulation, politics or other risks change.
- **Lower financial risk:** Listed infrastructure has often shown lower average debt levels than unlisted peers. Other unlisted infrastructure risks include valuations and multiple fee layers that drag on total returns. Listed companies also have quick, easy and often more attractive access to new equity when needed.
- **Flexibility to actively tilt for macro-economic opportunity and risk:** Potential to generate alpha and reduce risk with active tilting in response to changing macro-outlook and geopolitical issues.
- **'Genuine' essential infrastructure:** The definition of infrastructure in unlisted funds has almost gone full circle back to that for private equity, with assets that include significant market, commodity and uncontracted risk (not infrastructure as we see it). The listed market has gone the other way, and companies are increasingly focusing on their essential infrastructure operations, offering more pure-play genuine infrastructure opportunities.
- **'The volatility mirage' of unlisted infrastructure:** Unlisted infrastructure relies on a mirage, that these assets have less volatility than listed infrastructure because unlisted assets are not subject to live valuation. This is a mirage because anything that affects the cash

flows, valuation and economics of infrastructure assets impacts them similarly, regardless of whether they are listed or unlisted. Others have facetiously called this 'volatility laundering', effectively selling the idea of less volatility in being unlisted when the economic reality is different[1]. Listed markets can revalue accordingly (offering new opportunities for active alpha and risk reduction), whereas unlisted assets show risks in the difference between prevailing risks and their carrying values.

- **Volatility discount:** Because of the volatility mirage, listed infrastructure assets tend to trade at a discount to private assets as investors seek the safety of lower volatility in valuations. This means that there is more demand for private assets, and less demand for listed assets. As a result, listed infrastructure now trades on a 'volatility discount' to private infrastructure valuations. This is a complete reversal to the situation a decade ago when listed infrastructure was said to trade at a premium due to the liquidity premium of listed markets.
- **Complementarity:** Listed and unlisted infrastructure can be complementary within a diversified portfolio, with each offering different liquidity, risk and return characteristics.

Q: Give us your elevator pitch on why global listed infrastructure is your preference over unlisted infrastructure?

A: Our view is that the intrinsic value of an infrastructure asset is its long-term cashflows and the value of its protected regulated and contracted revenue, not whether it is listed or unlisted. That said, we believe listed markets redress several challenges that can exist with unlisted infrastructure exposures, like illiquidity, valuation lag, layered cost structures, a wide dispersion in deal valuations, complex corporate structures and high gearing.

The flipside is that listed infrastructure being valued daily means that returns can look more variable in the short-term, but we would argue that this just offers more opportunities to generate alpha for investors. If you believe prices approach value over time, then you can wear some of this volatility in the short term for the greater opportunities it brings in the medium to longer term.

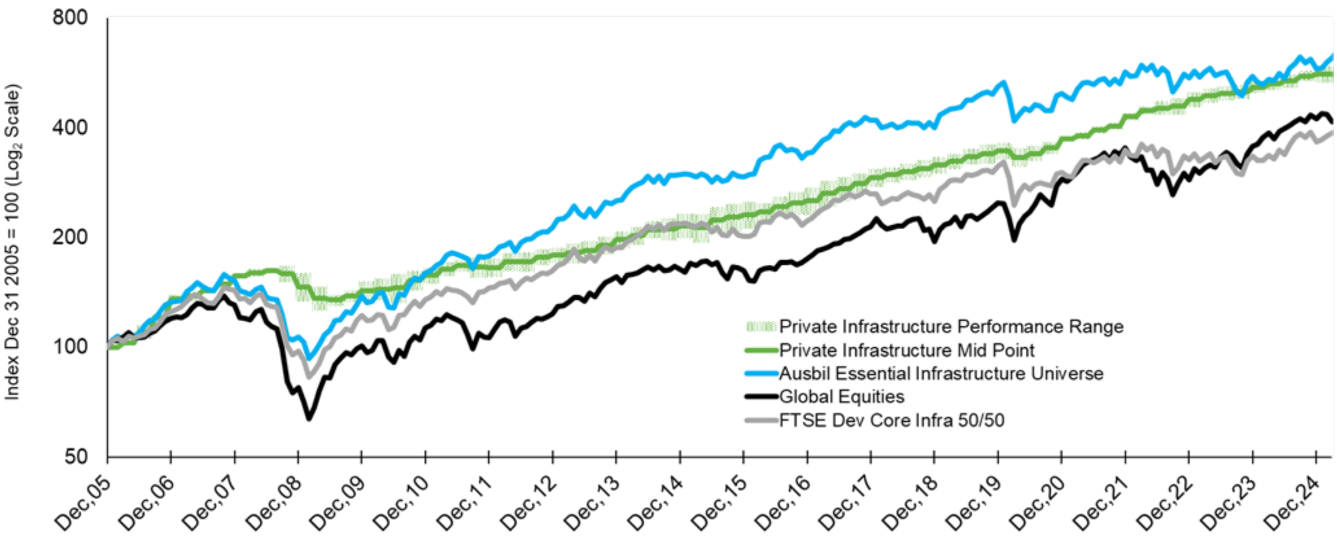
Moreover, there is what we term a 'volatility mirage', the impression that listed infrastructure assets are more volatile than unlisted simply because they are quoted daily on the exchange. This volatility mirage often translates to what we call a 'volatility discount', which enables listed investors to take advantage of opportunity. What unlisted investors do not account for is the fact that when their unlisted private funds trade out of assets, the valuations simply adjust to the prevailing value of all peer infrastructure assets, bidding away any perceived value benefits of being unlisted.

Q: How does performance track for listed versus unlisted?

A: Over the long term, Ausbil's Essential Infrastructure Universe and private unlisted infrastructure have both outperformed global equities, we believe because of the slight edge in earnings growth in infrastructure over that of global equities (Figure 1). Moreover, the stability in cashflows from infrastructure assets helps to lock in steady compound growth relative to global equities where earnings growth has a far wider range, is more volatile, and far less predictable.

1. Cliff Asness (2023) in Institutional Investor.

Figure 1: Private infrastructure has tracked between Ausbil's definition of listed infrastructure and global equities



Source: Ausbil, GLIO (Global Listed Infrastructure Organisation) as at June 2025. The Ausbil Global Essential Infrastructure Universe is the universe of what Ausbil defines as essential listed infrastructure, not the Fund. Ausbil selects its Fund portfolio from its preferred names in the Ausbil Global Essential Infrastructure Universe. Past performance is not a reliable indicator of future performance. Any reference to past performance is for illustrative purposes only and should not be relied upon on. Ausbil, its officers, directors and affiliates do not guarantee the performance of, a particular rate of return for, the repayment of capital of, the payment of distribution or income of, or any particular taxation consequences for investing with or in any Ausbil product or strategy. The performance of any strategy or product depends on the performance of the underlying investment which may rise or fall and can result in both capital gains and loss. Returns are shown gross of fees.

From Figure 1, it can be seen that the listed path (Ausbil Global Essential Infrastructure Universe, a proxy for the listed infrastructure market) is more volatile than the unlisted path, though the listed path has generated a larger gross performance over the sample than the unlisted path. However, the difference in the volatility path is based on equity market valuation for listed and model valuations conducted for unlisted infrastructure funds.

Q: What are the key differences between listed and unlisted infrastructure in your view?

A: There are a range of differences between listed and unlisted infrastructure that we think are important to understand (Table 1). These characteristics range between alpha opportunities and positioning size differences to geopolitical and regulatory risk.

Table 1: Characteristics compared: Listed v unlisted

Characteristic	Listed	Unlisted	Comment
Alpha opportunity	High with spread and market volatility	Low, value add comes from steady PE style management, gearing and restructuring	We believe listed infrastructure offers significantly more alpha opportunities with better risk-adjusted characteristics, including liquidity.
Position sizing	High opportunity	Relatively little opportunity to size or resize positions	Positioning size matters for alpha and asset allocation, and can be optimised in listed portfolios, not unlisted.
Geographic diversity	Very high	Low	Listed has many companies spread globally. Unlisted generally far more concentrated.
Asset diversity	Very high	Low, highly concentrated	Listed has many companies with thousands of projects. Unlisted is generally far more concentrated
Asset Liquidity	Very high	Low to nil	Listed liquidity on daily basis. Unlisted on transaction basis
Fund Liquidity	Very high	Low to nil	Daily redemptions for listed funds. Unlisted funds are typically locked-up for years.
Daily valuations	Yes	No, valued each accounting period	Live available pricing for listed. Typically, 6-monthly “model based” valuations for unlisted
Control	Low, not the focus	Low to high	Listed generally small shareholder. Unlisted typically have control/board representation
Financial Risk	Low	Medium-High	Listed companies, tend to have lower levels of gearing and more “essential services” which limits operational risk. Also have easy access to equity markets.
Volatility of valuation	High	Low, but synthetic	Daily equity valuation for listed. Typically, 6-monthly “model based” valuations for unlisted – Potential for “price shock” on sale
Transaction cost	Low	High and multi layered (management, debt, structuring)	Typically, a few basis points for listed. For unlisted, typically 2-3%.
Fees	Low	Medium to high	Listed funds have very competitive fees. Unlisted funds typically have higher fees, including significant performance fees
Portfolio turnover	Moderate	Low to negligible	~40% pa for listed transactions are about the market average for listed strategies. Turnover for unlisted portfolios is lumpy and usually for large value in one name, hence are liquidity challenged.
Regulatory and geopolitical risk	Lower	Moderate to high	Listed portfolios can quickly shift away from deteriorating environments, unlisted cannot.

Source: Ausbil as at July 2025.

Q: How do the risks compare between listed and unlisted infrastructure?

A: Both listed and unlisted infrastructure investments involve risks, including market risk, valuation risk, liquidity risk, leverage risk, and regulatory or political risk. While listed infrastructure may offer liquidity and transparency advantages, it can also experience higher short-term volatility due to market sentiment. Unlisted infrastructure may appear less volatile but can involve long lock-up periods, higher fees and less frequent pricing, which often masks changes in value. In short, the following risks are more specific to each exposure, in our view, and warrant cautious consideration by investors depending on their risk tolerance and objectives.

Listed infrastructure. A risk for listed infrastructure relative to unlisted is the behaviour of listed markets. Clearly, sentiment, drawdowns and volatility in listed markets can impact infrastructure valuations in the short term. Long-term, however, we believe that prices follow value which is based on growing earnings, and this does play out long term in equity markets (Figure 1). The flipside is the arbitrary 'mark to model' valuation path followed by unlisted infrastructure, based on semi-annual model valuations by commercial valuers. Valuations of unlisted infrastructure assets tend to lag, and they offer a false sense of comfort for investors as infrastructure assets are worth the cashflow they generate from regulated and contracted revenue streams, regardless of how they are held.

Unlisted private infrastructure. There are a range of risks that come with private infrastructure which we have touched on (Table 1) but which warrant consideration. The illiquid nature of unlisted infrastructure is a risk for which we do not believe investors are adequately compensated. In addition, these structures can be relatively opaque and can disguise a range of hidden cost, debt costs, gearing, and layered fee structures that benefit the manager rather than investors.

Moreover, there are innate risks in the size and concentration exposures of unlisted private infrastructure such that once invested, exposures cannot be changed or sized for changing macro and geopolitical risks – listed can.

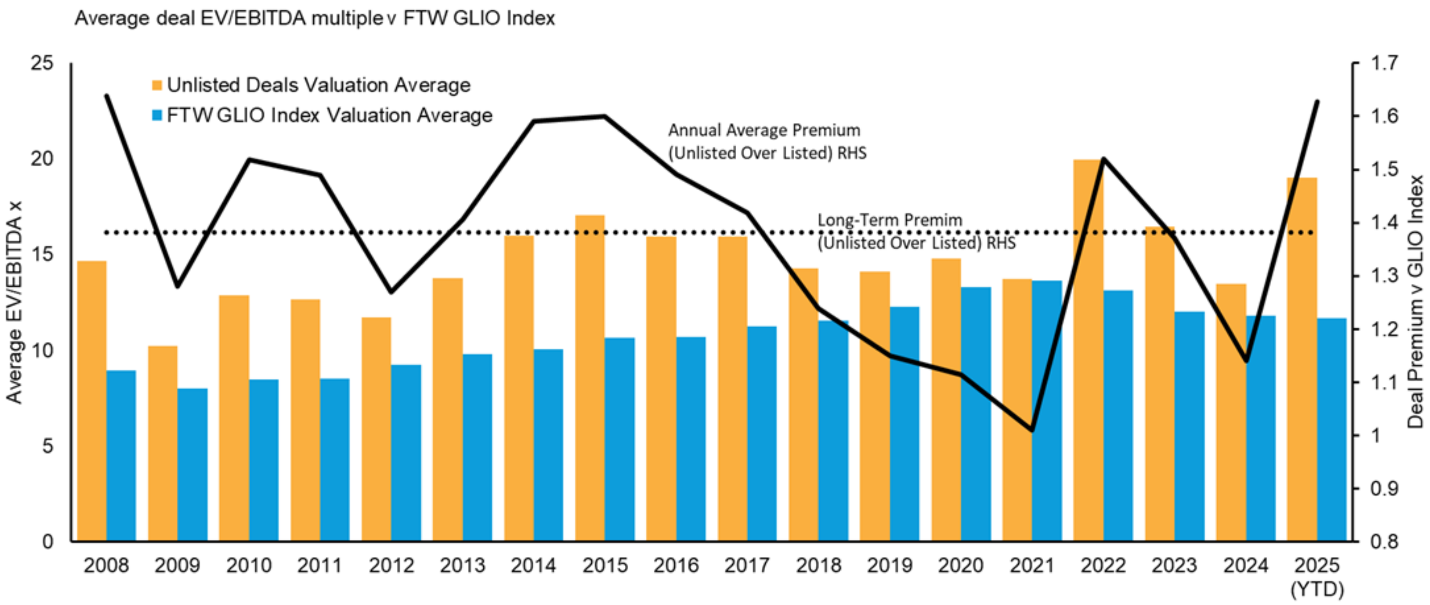
Another risk is the upward pressure on deal valuations in private infrastructure that sees assets bid beyond reasonable valuations at the start of deals, making it hard to generate returns for investors from inflated starting prices. Listed infrastructure offers regular opportunities to take advantage of temporary valuation adjustments to set or add to positions.

Overall, we think that the additional risks and relatively opaque cost structures in private unlisted infrastructure do not stand against the benefits of listed infrastructure, which include offering liquidity to adjust for changing risks, more transparency, and more opportunities to generate alpha.

Q: How do listed and unlisted infrastructure compare on valuations?

A: Put simply, the data on valuations shows that unlisted infrastructure deals made in private markets show a wide dispersion and tend to be written on higher valuations than those in the listed infrastructure space. On valuation, across all the years shown in Figure 2 on valuations (EV/EBITDA[2]), unlisted deals show a significantly higher deal valuation than listed markets, at a long-term premium of almost 40%, on average, compared to the valuations where the listed market trade.

Figure 2: Unlisted markets have a history of overvaluing assets

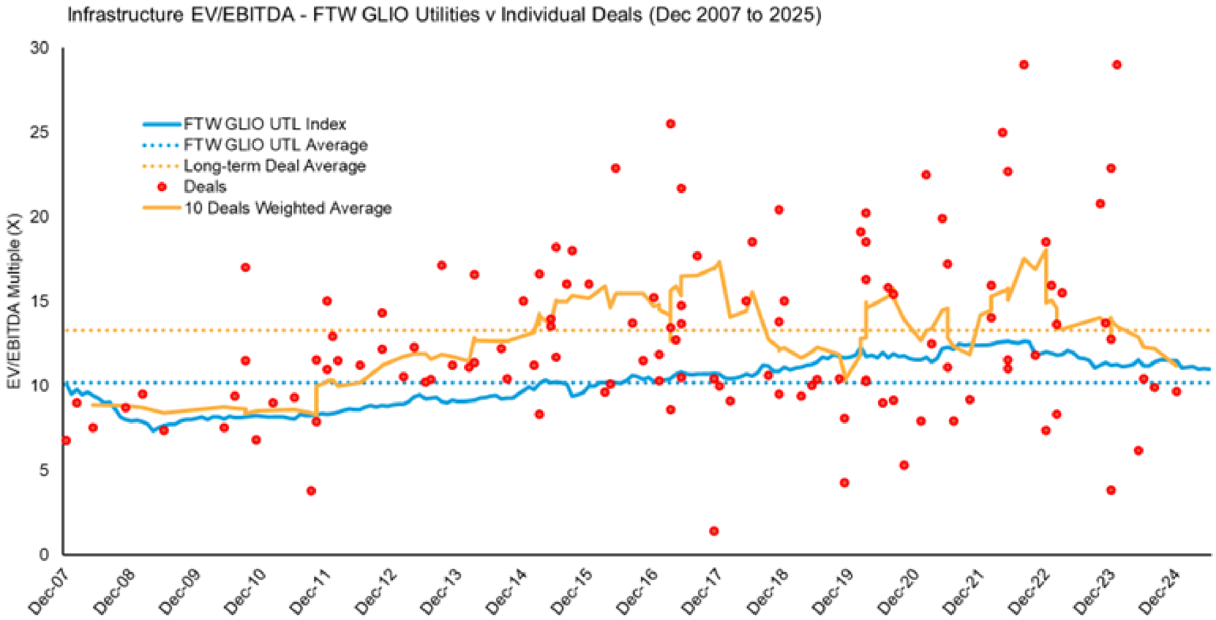


Source: Infralogic, GLIO (Global Listed Infrastructure Organisation), as at June 2025.

With respect to the dispersion in the valuations underpinning deals in infrastructure, in most cases unlisted deals are written with a wide dispersion relative to the deals made in the listed space (Figures 3 to 6). For example, in utilities, the dispersion has been wide, with the long-term average valuation showing deals written at significant additional expense in the private unlisted space compared to listed deals. The same pattern can be observed in transport infrastructure (Figure 4) and energy infrastructure (Figure 5).

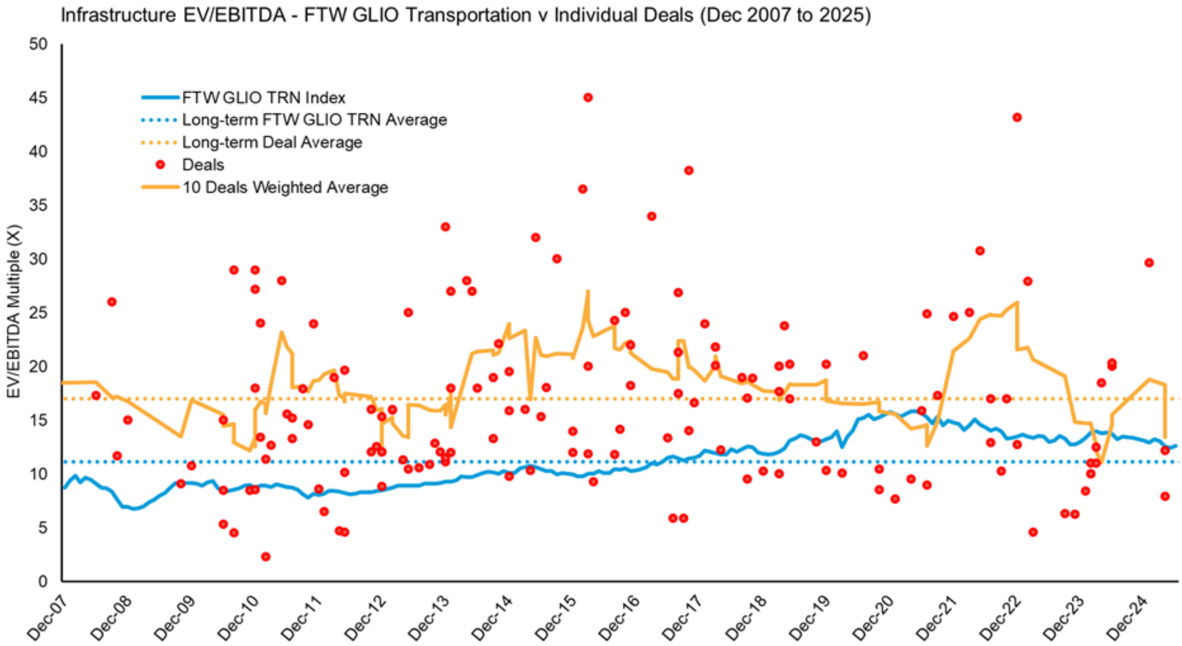
2. The valuation multiple measure of EV/EBITDA accounts for equity and debt funding and operational earnings. EV (enterprise value) divided by a proxy for earnings, EBITDA (earnings before interest tax and depreciation). EBITDA is used as a proxy for earnings for a clearer view on operational earnings before lumpy distortions like taxation, depreciation and amortisation are considered.

Figure 3: Unlisted infrastructure deals show a wide dispersion of valuations: Utilities



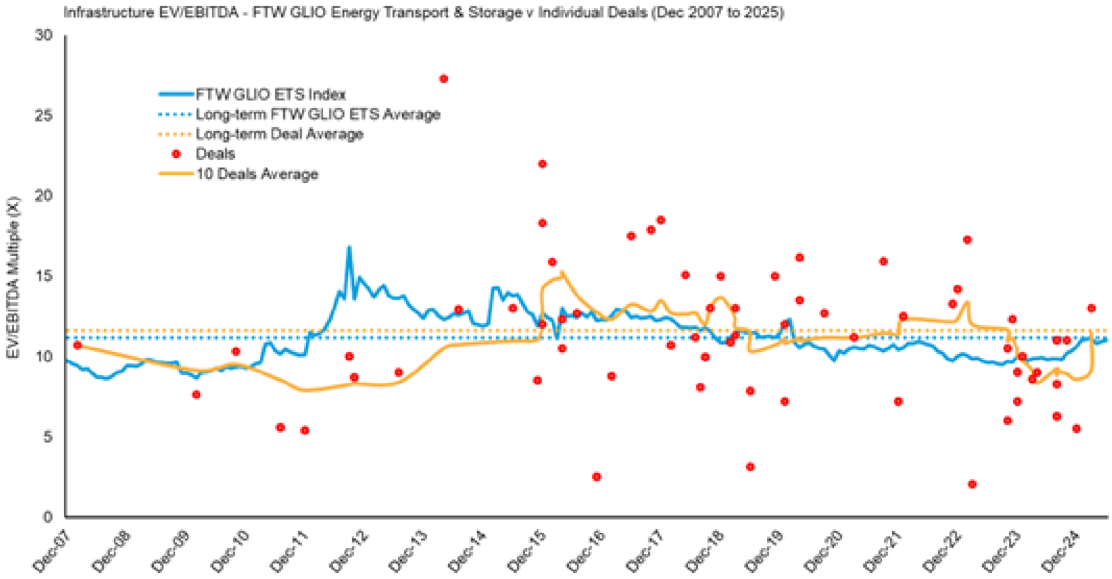
Source: Infralogic, GLIO (Global Listed Infrastructure Organisation), as at June 2025.

Figure 4: Unlisted infrastructure deals show a wide dispersion of valuations: Transportation



Source: Infralogic, GLIO (Global Listed Infrastructure Organisation), as at June 2025.

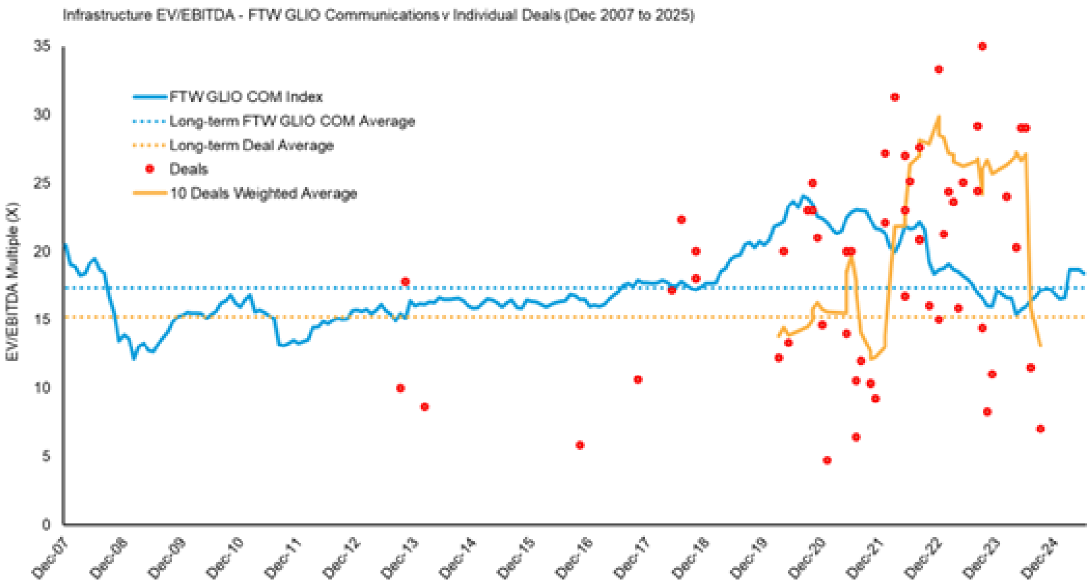
Figure 5: Unlisted infrastructure deals show a wide dispersion of valuations: Energy



Source: Infralogic, GLIO (Global Listed Infrastructure Organisation), as at June 2025.

Communications (Figure 6) also shows a wide dispersion in valuations for private deals, but in this case, the long-term deal average has been lower than that for listed markets, though there have been some expensive unlisted deals in the last few years.

Figure 6: Unlisted infrastructure deals show a wide dispersion of valuations: Communications



Source: Infralogic, GLIO (Global Listed Infrastructure Organisation), as at June 2025.

In summary on valuations, an infrastructure asset is not fundamentally worth more if it is held privately or publicly, even in terms of access to debt funding, as any investment-grade infrastructure asset can access investment grade credit markets at high credit rating margins if they have proven and quality regulated and contracted revenue streams. The valuation mirage, as we have described it, is actually to the benefit of listed investors as listed markets often offer more real-time opportunity to take advantage of volatility in valuations. For the unlisted investor sitting on 'paper valuations' produced by accountants and corporate advisers, relying on the relative valuations underpinning private funds is a false confidence because these assets are only worth what they can be traded for, and any valuation premium will simply adjust back to market on realisation of their investment.

Work by Ennis and Rasmussen (2025) on the difference between net asset value (NAV) and price for listed private equity funds that trade on the London Stock Exchange found that volatility and stock market correlation were actually far greater than when using NAV (based on theoretical 'mark to model' valuations by PE managers). Effectively, when you put unlisted valuations based on a 'mark to model' basis onto a listed market, then the listed market will literally 'mark them to market', with the disparity between NAV and price highlighting how much the market thinks actual value differs from price. Marketing the idea of low price volatility in unlisted assets has been called 'volatility laundering' by Asness (2023, 6 January), with the market increasingly asking if there is a problem in the purported stability of 'mark to model' valuations and what the true underlying volatility and valuation is for private equity investments (Tsekova, 2025, August 14).

Q: What do you say when people suggest unlisted infrastructure has a lower correlation to equities?

A: Arguments used to support allocations to unlisted infrastructure and other private assets are often based on the desire to add low correlation assets to diversify listed exposures. While this is a valid strategy, there are some significant considerations with respect to correlations and whether, to some extent, they are spurious statistics. Correlations between data series like returns are only as valid as the quality and efficacy of the data being compared. In the case of returns based on private unlisted infrastructure holdings it is important to note a number of quirks.

For unlisted infrastructure assets and their holding structures (funds, syndicates or private equity, for example), percentage returns are based on independent valuations of equity which can vary significantly and are based on assumptions and estimates, which are known to be open to negotiation. Valuations are done on a yearly accounting cycle so they can be significantly dated and entirely out of sync with valuation events for an infrastructure asset. Equity markets are able to adjust for such issues with their live valuation, bringing transparency as opposed to opaque risks as in private markets, and immediacy in the reflection of new information in prices (on the downside and the upside).

Correlations may not adjust for risk differentials in the structure of balance sheets, especially with respect to leverage, meaning that earnings streams may not be compared on a risk-adjusted basis, or a like-for-like basis. Privately held infrastructure assets are generally leveraged at higher levels than listed infrastructure assets.

Finally, with respect to correlations between similar assets held in different structures, such as unlisted and listed, the true correlation between the underlying real assets like infrastructure assets are likely to be closer to 1 on an economic basis. That is, what effects the value of infrastructure assets is likely to affect their economic values regardless of how they are held, or whether they are listed or unlisted, making correlations irrelevant.

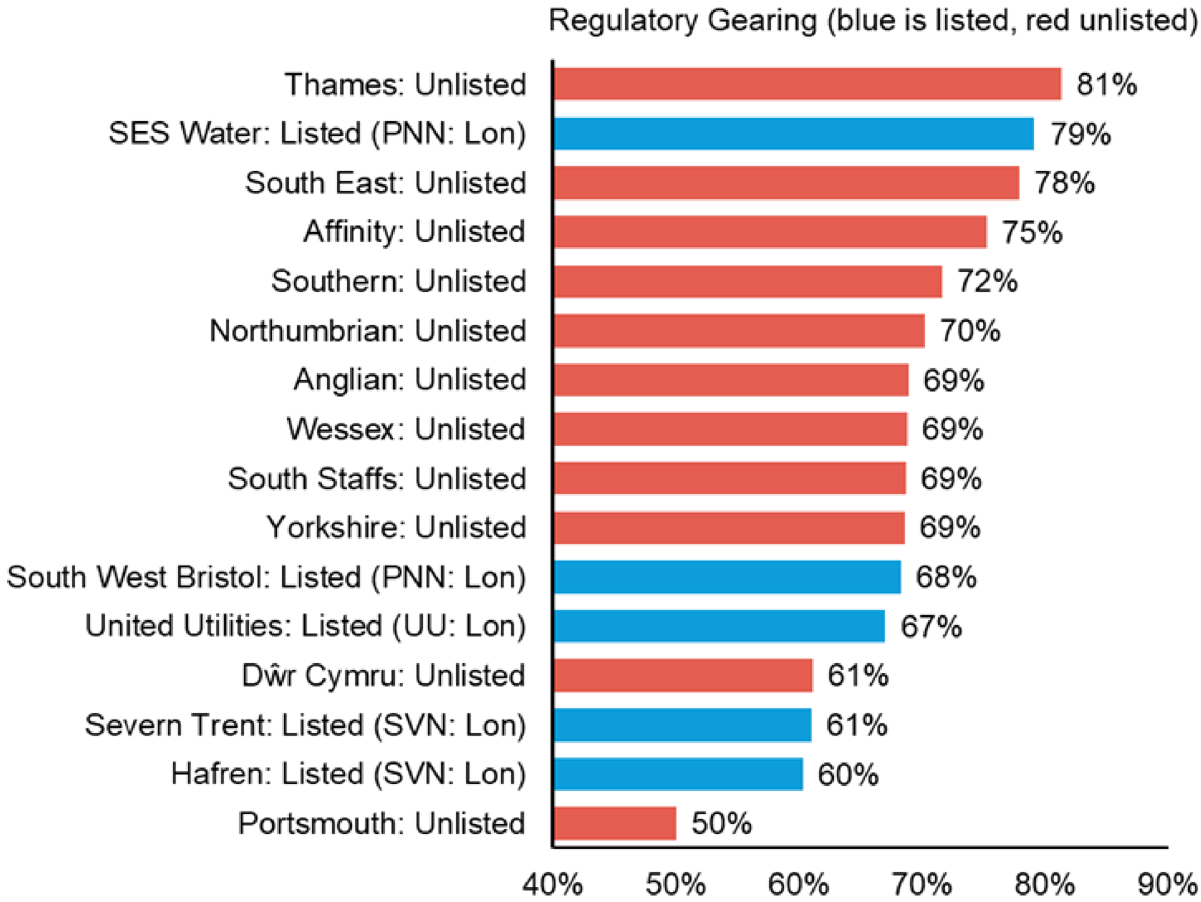
In a further perversion of correlation, the more unlisted assets a fund adds to its portfolio, whether infrastructure or property, the higher the correlation between those assets as they are marked to model on the same basis, and on similar assumptions. Such funds will have much higher correlations than a listed/unlisted blend, and the more funds add unlisted assets, the less they are diversified.

Q: You mentioned debt levels. How do you think of debt levels between listed and unlisted assets?

A: In unlisted infrastructure, as with private equity in general, one of the levers of value creation is leverage in the form of debt. In private markets, core infrastructure assets can be geared up to 80% or higher. Listed markets do not tend to tolerate such high levels of debt, or they mark stocks down that are over burdened with debt. Listed infrastructure names are some of the most highly geared listed companies mainly because proper regulated and contracted essential infrastructure cash flows are so predictable and stable that they happily accommodate such levels of gearing. The unlisted market takes leverage and debt to a whole new level, adding extra implicit risk to investor equity over and above that in listed markets.

It is difficult to find comparable data on debt levels in private markets due to lack of disclosure – one of the problems with unlisted infrastructure – however, one market where this data has been made transparent is water utilities in the UK. Ofwat, the regulator of water in the United Kingdom, publishes the key financials for all water utilities. It is clear for the UK that debt in listed water utilities is held at far lower levels than that for unlisted water utilities (Figure 7).

Figure 7: Listed water utilities show far lower gearing levels than unlisted



Source: Ofwat, UK, 2023/2024 Financial Resilience Report.

One exception in the analysis is SES Water, a subsidiary of the listed Pennon Group and part of the greater London water supply which was acquired in the unlisted market by the Pennon owned South West Water with a high level of debt. Pennon opportunistically acquired SES Water in 2024 to expand its operations, and with stated plans to improve its financial resilience which will involve reducing its debt burden. SES Water is the third smallest water utility in the UK and had become overburdened with debt under its previous unlisted owners.

When looking at size, debt levels and the revenue (funds from operations or FFO), it is clear that the overall economics in terms of funds generated from operations relative to debt are healthier for listed water utilities than unlisted (Figure 8). The size of the bubbles in Figure 8 represents the relative size of the utility based on RCV (regulatory capital value).

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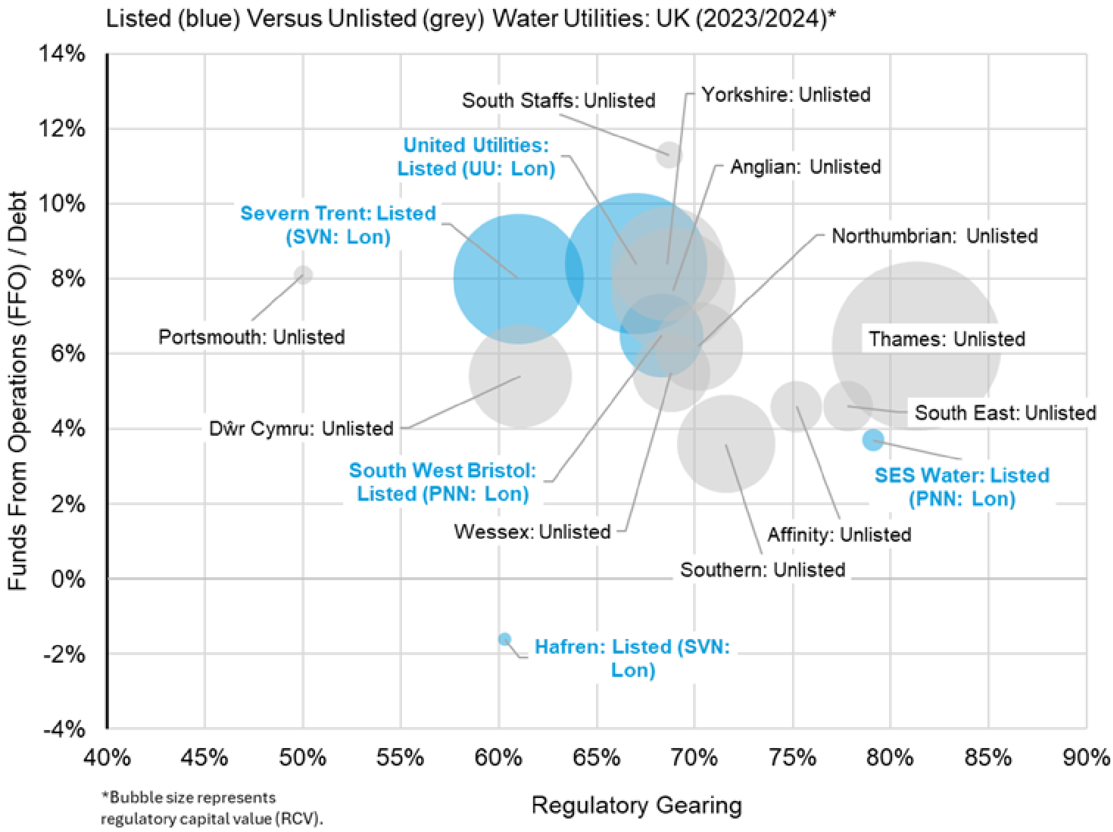
Figure 8: Listed water utilities compare more favourably on FFO/ Debt



Source: Ofwat, UK, 2023/2024 Financial Resilience Report.

Q: What is your outlook for listed infrastructure?

A: While tariffs and mixed signals from the US economy have introduced near-term uncertainty, we remain constructive on the outlook for both the US and Europe. The structural themes underpinning portfolio performance not only remain intact—they are accelerating. Notably, the increasing AI-driven buildout of data centres is driving a step-change in electricity demand, reversing decades of flat load growth. With no new coal generation coming online in North America, the resulting capacity gap will require a combination of renewables, flexible gas infrastructure, and significant investment in grid transmission—creating what we believe to be multiple investable opportunities across the Essential Infrastructure universe.

Against this backdrop, Essential Infrastructure remains well positioned. Its core characteristics—contracted or regulated cash flows, inflation linkage, and low earnings volatility—continue to offer defensiveness and income stability. Valuations remain attractive, particularly in areas aligned with long-term secular trends such as decarbonisation, digitalisation, and energy transition. We remain fully invested, with a continued emphasis on downside protection, capital discipline, and asset quality in an uncertain macro environment.

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