

**[The Birth of Yet Another Darn Asset Class -- Infrastructure \(Part 1 of 2\)](#)**

**Category : Asset Allocation and Personal Investment Risk Tolerance Articles**

**Published by [The Skilled Investor](#) on Jun/16/2007**

The Birth of Yet Another Darn "Asset Class" -- "Infrastructure" (Part 1 of 2)

Recently, *The Skilled Investor* published two articles:

The first article discussed how the financial industry keeps manufacturing new asset classes for brokers and investment advisors to sell to individual investors. *The Skilled Investor* raised the question of whether these new asset classes are likely to serve the interests of the average investor -- as much as they clearly serve the financial fee interests of the securities industry. (That article was entitled: "[Hear ye, Hear Ye, individual investors: Be wary of new investment asset classes.](#)")

The second article called into question whether "commodity futures" is really an asset class with a discernible risk premium and whether individual investors should invest a portion of their precious personal portfolios in commodity futures. A study by Claude B. Erb of the Trust Company of the West and by Campbell R. Harvey of Duke University called into question whether there are any solid economic fundamentals to back up the industry's efforts to promote commodity futures as an asset class for individual investors to buy-and-hold for the long-term. (That article by *The Skilled Investor* was entitled: "[Commodity futures in your investment portfolio -- Is there really any future for individual investors?](#)")

In reading the May/June 2007 issue of the *Journal of Indexes*, *The Skilled Investor* has come across yet another new asset class undergoing the security industry's birthing process. This new asset class is global "Infrastructure," and its justification as a new asset class was presented by an employee of State Street Global Advisors in an article entitled: "Infrastructure: The Next Big Emerging Asset Class" (pages 10-17). Generally, the definition of infrastructure is the publicly traded equity and debt securities of utilities, airports, ports, roads, hospitals, etc. *The Skilled Investor* is skeptical about this new global "Infrastructure" asset class. This skepticism is not rooted in whether investors should own equity or fixed income positions in global infrastructure. The question is: why should these securities be called out as a separate asset class?

Financial research tells individual investors to own capitalization weighted shares of the entire global market, as passively and cheaply and fully diversified as you can be. (See these categories of articles on *The Skilled Investor* website: [Diversify Assets \(12 articles\)](#), [Luck versus Skill \(4 articles\)](#), and [Returns and Risk Premiums \(10 articles\)](#). Is it a good idea to start tilting your portfolio toward "Infrastructure" investments, just because their values have had a good run-up in the past several years relative to the very broad and standard global equities and fixed income asset classes? Why call out "Infrastructure" as a separate "asset class" and assign it some arbitrary percentage of your portfolio? Why should infrastructure's proportion in your portfolio differ from infrastructure's current proportion of global market equity and fixed income assets, unless you are making some active bet about its relative performance in the future? Let's take a look into this "Infrastructure: The Next Big Emerging Asset Class" article to see whether a new rock star asset class truly is being born and why. These are data points from this Infrastructure article with *The Skilled Investor's* interpretation. Of course, others might see things differently than *The Skilled Investor*.

Macquarie Bank of Australia has established the Macquarie Global Infrastructure 100 Index. Holding in this index had *Journal of Indexes*

, page 48) Clearly, this "next big emerging asset class" is emerging in pretty plain sight.

The article goes through quite a bit of effort to tell you that this is not just a repackaging of boring old utilities companies

The article has lots of charts and graphs that make the point that this new "asset class" outperformed other assets in the past. Regarding the future, the article argues that there are supply and demand growth drivers that portend a bright future.  
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