# Despite the risks Infrastructure is still very attractive for investors says exec

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**Despite the number of risks associated with investing in infrastructure, Cube Infrastructure CEO and managing partner Renaud De Matharel says the returns still remain attractive.**

He told AltAssets, “Infrastructure investment was seen as a bond-like market when it started in the mid-90s, so investors were investing thinking they were going to get a very stable, predictable returns that would be comparable to those of a bond.

“Investors have now become aware that infrastructure is a private equity market that has its own series of risks that need to be carefully monitored in order to have proper performance on investment.”

Cube Infrastructure focuses predominately on brownfield infrastructure and public sector assets, preferably in the mid-market with investments ranging from €50m to €150m.

Along with the key issue of operational risk, “Another key risk that has revealed itself over the last five to ten years is the so-called change in law risk or political risk.

“This risk occurs often after the private sector has built and operated for some time an infrastructure asset and the public sector find itself under pressure about the cost of it and seeks to change the legal environment or re-negotiate the terms of the P3 / concession contract with the private sector because of that.”

An example of this of when the Spanish government called for a very strong investment in wind and solar energy between 1990 and 2010.  As the investments were completed and the assets were up and running, the government the decided to scrap the subsidies on all existing contracts and imposed on top of that additional taxes.

There are other risks which would further characterize infrastructure investment as a private equity business rather than as a bond like investment according to De Matharel.

“The most common ones are obviously volume and demand risks (often linked to GDP), the adequacy of tariff formulas to cover actual infrastructure operating costs, cross currency risk, etc.  No real mystery about these risks which are PE look-alike by nature.”

He also added as with private equity, putting too much debt on an investment increases the risk of total loss on an equity investment when a risk materialises.

“The presence of these risks should not refrain investors from investing in our business, which remains very attractive in many aspects to meet the risk-return profile they are seeking.

“In particular, the long term profile of P3 and concession contracts gives significant visibility on revenues and future cash flows and hence on recurring dividend payments.

“These recurring dividend payments constitute an attractive substitute to bonds for pension funds and insurance groups that are facing longer payment obligations to their aging clients in a very low bond yield environment.”