



# Investing in infrastructure?

Independent guide for investors about infrastructure investments

This guide is for you, whether you're an experienced investor or just starting out.



**ASIC**

Australian Securities & Investments Commission

## About ASIC

The Australian Securities and Investments Commission (ASIC) regulates financial advice, financial products and company laws. Our website for consumers and investors, MoneySmart at [www.moneysmart.gov.au](http://www.moneysmart.gov.au), offers you free and impartial tips and safety checks about the financial products and services we regulate.

## How can this booklet help you?

Read this booklet together with the Product Disclosure Statement (PDS) or prospectus and any other disclosure documents for the investment. ASIC does not endorse specific investments. However, this booklet can help you:

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Find out about the investment product itself.	
<b>Assess the risks</b>	<b>12</b>
Use the benchmark and disclosure principle information in the PDS or prospectus and other disclosure documents to assess the risks.	
<b>Think about your own situation and needs</b>	<b>36</b>
Decide if the investment suits your financial goals and objectives.	

1. Anything you put your money into should meet your goals and suit you.
2. No one can guarantee the performance of any investment. You might lose some or all of your money if something goes wrong.
3. The rate of return offered is not the only way to assess how risky an investment is.
4. 'High return means high risk' is a familiar rule of thumb. However, some investments, even if they seem to offer relatively modest returns, can be extremely risky.
5. Take your time and do your research before deciding what to invest in. Visit ASIC's website for consumers and investors, MoneySmart at [www.moneysmart.gov.au](http://www.moneysmart.gov.au), for more information.
6. You are taking a big risk if you put all your money into one investment. Spreading your money between different investment types ('diversification') reduces the risk of losing everything.
7. Consider seeking professional advice from a licensed financial adviser.

# Know what the investment is

## What is an 'infrastructure asset'?

Infrastructure assets are roads, railways, ports, airports, telecommunications facilities, electricity generation, gas or electricity transmission or distribution, water supply or sewerage, and hospitals.

## What is an 'infrastructure entity'?

With infrastructure investments, you put money into a single infrastructure asset or multiple infrastructure assets, such as the building and management of toll roads, telecommunications facilities and gas pipelines. Your money is channelled into these assets through infrastructure companies and/or investment funds (known collectively in this booklet as 'infrastructure entities').

For the purposes of this booklet, an infrastructure entity is a listed or unlisted registered managed investment scheme and/or company that has been offered to retail investors on the basis that the entity primarily invests in:

1. the physical plant, property or equipment of infrastructure assets
2. the right to operate infrastructure assets, or
3. other unlisted entities which, either directly or indirectly, invest in (1) and (2) above.

## Key features of infrastructure investments

Infrastructure is a long-term investment. Before investing in infrastructure, make sure you understand the following distinguishing features:

- Infrastructure entities may have a contractual right to operate an infrastructure asset for a set period of time (often known as a 'concession agreement'), rather than buying the asset outright. In these situations, control of the asset often reverts to the government at the end of the contractual term.
- Some infrastructure entities own less than 100% of their infrastructure assets, which affects their control over these assets.
- The construction and development of infrastructure assets can take many years and require significant upfront and ongoing capital expenditure. It may take a long time for the investment to generate cash flows.
- Infrastructure entities often rely on forecasts of the future use of an asset. If the assumptions on which these forecasts are based prove incorrect, the value of the investment may decrease.
- Infrastructure projects are often unique, which can make it difficult for you to compare one infrastructure investment with another. This can also make your investment difficult to sell.

- Certain types of infrastructure are subject to government regulation. For example, the prices some infrastructure entities can charge are set by the government. This may be an additional risk for investors.
- Infrastructure entities may borrow money to fund distributions to you. This may increase your risk and affect your return – either positively or negatively.
- Infrastructure entities may own only one asset or have a high concentration in one type of asset. Consequently, it may be difficult to sell these assets (that is, your investment) quickly, especially in adverse market conditions.

## How to invest in infrastructure entities

You can invest in either listed or unlisted infrastructure entities. Most infrastructure entities available to retail investors are currently listed on the Australian Securities Exchange (ASX).

Many listed infrastructure entities are structured as ‘stapled’ entities. This means when you invest, you will be issued with a single security that entitles you to both shares and interests in companies and trusts that invest collectively.

Some, but very few, unlisted companies and unlisted unit trusts are also available to retail investors.

There are some key differences between investing in listed and unlisted entities, as shown in the table below.

### Differences between listed and unlisted entities

	Listed entity	Unlisted entity
<b>How you buy and sell your investment</b>	Through a market (for example, ASX)	By dealing directly with the entity itself
<b>How the price of your investment is determined</b>	By the market (the price can change rapidly, sometimes for no obvious reason)	By the value of the entity’s assets
<b>How quickly you can sell your investment (that is, liquidity)</b>	Liquid and easy to buy and sell	Illiquid and difficult to buy and sell
<b>How your investment is regulated</b>	Subject to listing rules and ASIC’s ongoing market supervision	Generally not subject to any listing rules or ASIC’s ongoing market supervision

Make sure you fully understand the risks, benefits and characteristics of investing in infrastructure before you decide to invest.



## Do your research

Before you invest, find out as much as you can about the features and risks of the investment.

If money is being raised through a public offering, including a rights issue (when an entity gives you the option to invest more money after you have invested in the entity), the infrastructure entity must give you a PDS or prospectus (referred to in this booklet as the 'disclosure document').

The disclosure document should explain to you how the entity works, how your money will be used and the risks of the investment.

Legally, the disclosure document must include enough detail for you to be able to compare a range of similar investments and to make an informed decision about which one to invest in.

You should read the disclosure document in full. Concentrate on the sections that:

- explain the key features and risks of the investment
- tell you about the fees you will pay, and
- give you information about certain indicators (or 'benchmarks') and disclosure principle information which can help you assess the risks (see pages 14–35).

This information should be in the first few pages of the disclosure document, or the document should tell you where this information can be found.

The infrastructure entity should also tell you when there are significant changes to the information in the disclosure document (this is called 'ongoing disclosure'). The information should be updated at least annually. If you decide to invest in an infrastructure entity, check the entity's website or the ASX website and look for regular updates in the mail.

In addition, a listed infrastructure entity must make timely and regular disclosure of all information likely to have a material impact on the entity's security price.

This information will include at a minimum:

- financial statements
- management presentations, and
- information relating to the benchmarks and disclosure principles described on pages 14–35.

Before investing in a listed infrastructure entity, you should read all market-sensitive announcements published by the entity over at least the previous 12 months.

The disclosure document and ongoing disclosures should tell you about the infrastructure entity, what they will do with your money, and the terms of the investment.



Only infrastructure entities listed on the ASX need to lodge a disclosure document with ASIC. ASIC does not check or endorse the underlying investment described in a disclosure document in any way.

## Do you need advice?

Take your time and think things over before you invest. Get professional advice from a licensed financial adviser if you're not sure what to do.

ASIC's booklet *Getting advice*, available at [www.moneysmart.gov.au](http://www.moneysmart.gov.au), can help you understand personal financial advice and what questions to ask your adviser. If you're thinking about investing in an infrastructure entity, or if your financial adviser has recommended such an investment, make sure you find out the answers to the questions opposite.

## Questions you should ask

How does this investment fit into your financial plan and how will it help you achieve what you want?

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What are the risks of this type of investment and do you understand them?

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What will the infrastructure entity be doing with your money and what assets have they invested in?

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Could you explain to a friend or colleague the business model of the infrastructure entity and how the entity's assets generate income?

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# Assess the risks

The return offered on an investment is not the only way to assess how risky it is. ASIC has developed 9 benchmarks and 11 disclosure principles for infrastructure entities to help you assess the key risks.

The disclosure document should tell you if the entity meets each benchmark and provide you with the information set out in the disclosure principles. If a benchmark is not met, the entity should explain why not, so you can decide whether you're comfortable with the explanation.

The entity should also tell you, at least annually, of any significant changes to their performance against the benchmarks and update the information in the disclosure principles (through ongoing disclosure).

## Remember

The benchmarks and disclosure principles are not a guarantee that an infrastructure entity will perform well.

Even if the entity meets all the benchmarks and provides all the information in the disclosure principles, you could still lose some or all of your money if things go wrong.

The benchmarks and disclosure principles are simply designed to help you identify and understand the risks, and decide whether or not to invest your money.



Here's how you can use ASIC's benchmarks and disclosure principles to assess the risks in infrastructure entities:

Look for information relating to each benchmark and disclosure principle in the infrastructure entity's disclosure document.



Find out if the infrastructure entity meets each benchmark and whether they have provided the additional information set out in the disclosure principles.



If a benchmark is not met, does the entity explain why not and how the risk is dealt with in another way?



Are you satisfied with how the entity deals with this risk?



If not, are you willing to risk your money in this investment?

## ASIC's 9 benchmarks for infrastructure entities

The disclosure document for an infrastructure entity should tell you whether or not the infrastructure entity meets each benchmark. If a benchmark is not met, the entity should explain why not and how the risk is dealt with in another way.

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\* This benchmark applies only to infrastructure entities that are unit trusts.

<sup>^</sup> This benchmark applies only to unlisted infrastructure entities that are unit trusts.



## Benchmark 1: Corporate structure and management

Is the structure designed to maximise returns to investors, or returns to the entity or people operating the entity?

Infrastructure entities often have complex corporate and management structures. Before you invest, make sure you fully understand these structures, as well as their potential impact on the value of your investment.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if the entity's corporate governance policies and practices conform with the principles and recommendations published by ASX in Guidance Note 9A.

### *What's at stake for you?*

You need to be fully aware of any deviations in the entity's corporate governance structures from those recommended by ASX to enable you to assess their impact on the entity.



## Benchmark 2: Remuneration of management

Are payments to management linked to the performance of the entity?

The entity's management and board have significant influence over investment decisions made by an entity. These decisions will affect the value of your investment. It is important to understand the extent to which payments to management are derived from the entity's performance.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if incentive-based payments (for example, bonuses) to management are linked primarily to the performance of the entity itself, and not to the performance of other related entities.

### *What's at stake for you?*

If bonuses and performance fees are aligned with how well the investment performs, the infrastructure entity's management is more likely to critically assess how the entity acquires and disposes of assets.



## Benchmark 3: Classes of units and shares

Are your units or shares in the entity fully or partly paid? Are there any further payment obligations attached to these units or shares? Are all units or shares given equal rights and treatment?

Infrastructure entities may have different classes of units or shares, all with varying rights and obligations attached to them. To make a sound investment decision, you need to be fully aware of these varying rights and obligations.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if all units or shares issued by the entity are fully paid and have the same rights.

### *What's at stake for you?*

If the units or shares are partly paid, then you need to understand what obligations for further payments you may have.



## Benchmark 4: Substantial related party transactions

Are related party transactions assessed by an independent party?

Infrastructure entities often enter into substantial transactions with related parties that involve financial benefits. An independent assessment for a proposed related party transaction can help you to assess whether the transaction is in your best interests.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if the entity complies with ASX Listing Rule 10.1, which governs substantial related party transactions.

### *What's at stake for you?*

You need to be fully aware of any related party transactions, especially those involving financial benefits, to assess their impact on the entity and whether they may endanger your investment.



## Benchmark 5: Cash flow forecast

Are the entity's cash flow forecasts checked by the directors and auditors?

Ongoing cash flow and its sustainability is an important indicator of an infrastructure entity's ability to meet commitments, such as development costs or paying distributions to you.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if the entity's cash flow forecasts are checked and approved by directors and examined by auditors.

### *What's at stake for you?*

Assumptions that underpin cash flow forecasts need to be rigorously tested. If these assumptions are, for example, too optimistic, the entity may not be able to deliver on their promises to you, such as paying your cash distributions.



## Benchmark 6: Base-case financial model

Is the entity's 'base-case' financial model checked before any new material transactions are entered into and at least once every three years?

Development or acquisition of an infrastructure asset is often approved only after preparation of a detailed business plan. Financial models are used to value assets and estimate the returns they will generate. These financial models are complicated and involve critical assumptions, including forecasts of how an asset will perform over an extended period.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if the entity's financial models are checked by an independent party before any new material transactions are entered into and at least once every three years.

### *What's at stake for you?*

A financial model is only as good as the assumptions that underpin it. If the assumptions are, for example, too optimistic, the entity may not be able to generate enough cash flow to pay you a distribution, or the development of the asset may not be commercially viable.



## Benchmark 7: Performance and forecast

Does the entity disclose any forecasts following acquisition or development of an asset? Does the actual performance for the first two years of operation equal or exceed the previously disclosed forecasts?

The value of an infrastructure asset depends on its performance. If performance is less than expected, this may adversely affect the value of your investment.

The infrastructure entity should tell you whether the benchmark is met. The benchmark is met if the actual performance for the first two years of operation equals or exceeds the previously disclosed forecasts.

### *What's at stake for you?*

Knowing how your investment is performing compared with your expectations is important. Without such information, it will be more difficult for you to assess whether your investment is still meeting your investment needs and goals.



## Benchmark 8: Distributions\*

If the entity is a unit trust, where is the money you are paid coming from and is this distribution sustainable?

Distributions are payments you receive from the infrastructure entity during the year. These payments may come from a number of sources, including:

- income received (for example, toll road revenue)
- borrowings by the entity, and
- asset sales.

If the infrastructure entity is a unit trust, they should tell you whether the benchmark is met. The benchmark is met if the entity will not pay distributions from borrowings.

\* This benchmark applies only to infrastructure entities that are unit trusts.

### *What's at stake for you?*

Some infrastructure entities may promise to pay you a regular distribution through borrowing, regardless of whether they receive any income. Distributions from borrowing may not be sustainable. This is important to consider if you are depending on distributions for regular income.



## Benchmark 9: Updating the unit price<sup>^</sup>

If the entity is an unlisted unit trust, does the entity update the unit price on completion of a new asset valuation?

The price at which you buy and sell units reflects the underlying value of the infrastructure assets in which you have invested. It is important that unit prices are updated when appropriate.

If the infrastructure entity is an unlisted unit trust, they should tell you whether the benchmark is met. The benchmark is met if, on finalising a new valuation, the unit price will be reviewed and updated.

<sup>^</sup> This benchmark applies only to unlisted infrastructure entities that are unit trusts.

### *What's at stake for you?*

The market value of an infrastructure asset directly affects the price you buy and sell your units at. The unit price must reflect the most current value of an asset to avoid endangering your investment.



## ASIC's 11 disclosure principles for infrastructure entities

The disclosure principles, in addition to the benchmarks, highlight the investment characteristics that are most important to consider before investing in infrastructure entities.

### Disclosure principles for infrastructure entities

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\* This disclosure principle applies only to infrastructure entities that are unit trusts.

^ This disclosure principle applies only to unlisted infrastructure entities that are unit trusts.

## Disclosure Principle 1: Key relationships

Infrastructure entities often have business relationships with different service providers for the management of infrastructure assets, especially for assets under development. These relationships can have an important influence on commercial decisions made about your investment.

The infrastructure entity should tell you:

- any important relationships and related party arrangements relevant to your investment decision, and
- for any significant infrastructure asset under development, the key commercial relationships and the key participants that bear significant development-related risks.

### *What's at stake for you?*

Development risks may affect the value of your investment. Understanding the key business relationships, and who ultimately bears the risks for significant assets under development, is important for your investment decision.



## Disclosure Principle 2: Management and performance fees

Management fees, and sometimes performance fees, are paid to infrastructure entities. Some fee structures can adversely affect the value of your investment. Understanding how these fees are justified, funded and paid is an important element in assessing your investment.

The infrastructure entity should tell you:

- all fees and costs associated with the management of the entity's assets, and
- if performance fees are paid to the entity's managers, how these fees will be paid – for example, are performance fees paid from the operating cash flow?

### ***What's at stake for you?***

Some managers may be entitled to a larger fee when, for example, the value of an infrastructure asset increases. This may create a conflict of interest between the managers and investors. Managers may have an incentive to buy assets at inflated prices in order to charge more fees.



## Disclosure Principle 3: Related party transactions

Infrastructure entities often enter into transactions with related parties. While these transactions are common and sometimes necessary, they may cause conflicts of interest that affect your investment.

The infrastructure entity should tell you:

- the value of the benefit and the amount being paid to the related party
- the nature of the relationship
- whether the arrangement is on 'arm's length terms'
- whether investor approval for the transaction has been sought
- the risks of the related party arrangement
- the entity's related party policies and procedures
- details of any management agreements with related parties, and
- for transactions that involve a significant infrastructure asset:
  - the steps taken to evaluate the transaction, and
  - a summary of any independent expert opinion obtained for the transaction.

### ***What's at stake for you?***

Make sure you fully understand related party transactions and their potential impact on the value of your investment.



## Disclosure Principle 4: Financial ratios

Financial ratios are a guide to the financial health of your investment. It is important that you understand these ratios.

The infrastructure entity should tell you:

- the actual financial ratios achieved if any target financial ratios have been disclosed, and how they are calculated, and
- an explanation of what the financial ratios mean in practical terms and how they can be used to determine debt-related risk.

### ***What's at stake for you?***

Financial ratios are often used to assess the financial wellbeing of an infrastructure entity – for example, the entity's debt position. Some infrastructure entities borrow money to develop assets to help increase their returns. If the value of their assets falls, this debt can significantly increase the risks to your investment and may result in you losing some or all of your money.



## Disclosure Principle 5: Capital expenditure and debt maturities

Developing an infrastructure asset often requires significant capital expenditure. Some entities also borrow large amounts of money to fund this expenditure. Both factors may increase the risk of your investment.

The infrastructure entity should tell you:

- the planned capital expenditure for the next 12 months, and how it will be funded, and
- information about the entity's debt, including a breakdown of when debts are due to be repaid.

### ***What's at stake for you?***

It is important to know if an infrastructure entity:

- has significant capital expenditure planned and the potential impact this will have on cash flow
- has a significant amount of debt that is due to be repaid in the short term, or
- is struggling to meet their obligations to lenders.

If the entity is struggling to meet their obligations, they may be forced to sell assets, possibly at a discount, to repay debts.



## Disclosure Principle 6: Foreign exchange and interest rate hedging

Many infrastructure entities manage assets that are located overseas. The income from these assets is likely to be in foreign currencies. The returns on your investment may be affected by changes in foreign currency exchange rates.

Many infrastructure entities also borrow money and take on debt to fund their developments. The value of this debt will be affected by changes in interest rates.

The infrastructure entity should tell you:

- their foreign currency exchange and interest rate hedging policy, and
- whether the entity's current exposure (currency and interest rate risk) conforms with this policy.

### ***What's at stake for you?***

Many entities have hedging policies in place to minimise their foreign currency and interest rate risks. If these risks are not properly managed, the value of your investment may be reduced by adverse changes in foreign currency exchange rates and interest rates.



## Disclosure Principle 7: Base-case financial model

Financial models are often used in the buying, selling and managing of infrastructure assets. These models are complicated and involve critical assumptions, including forecasts of how an investment will perform over an extended period.

For an acquisition of a significant infrastructure asset, the entity should tell you about their base-case financial model, including:

- the key assumptions and the source of these assumptions
- the process the directors took to confirm that the assumptions were reasonable, including whether an independent expert provided an opinion on the model, and
- any conflicts of interest.

The infrastructure entity should also tell you:

- up to five of the key assumptions in their base-case financial model that are likely to have the most material impact on the entity's operating performance and development assets
- a reasonable estimate of the operating capacity of significant infrastructure assets
- any discrepancies between the actual performance and forecasts for the first two years of operation, and
- any discrepancies between assumptions used to raise debt and equity.

### ***What's at stake for you?***

A financial model is only as good as the assumptions that underpin it. The value of your investment over time often depends upon the accuracy of these assumptions. Understanding your investment and knowing how it performs in comparison with these assumptions is important.





## Disclosure Principle 8: Valuations

Knowing what an infrastructure entity's assets are worth can help you assess the entity's financial position. To work out how reliable these valuations are likely to be, you need to know how they are done.

The infrastructure entity should tell you:

- details of the entity's valuation policy
- if, and how, investors are given valuation documentation or a summary of the valuation, and
- any potential conflicts of interest that may arise when the valuations are made.

### ***What's at stake for you?***

If the entity revalues assets infrequently, or does not use independent valuers, the valuation may not fairly estimate what the assets are worth.

You need accurate information about how well your investment is performing to make an informed investment decision.



## Disclosure Principle 9: Distribution policy\*

Distributions are payments you receive from the infrastructure entity during the year. Many entities have distribution policies in place that govern, for example, the frequency and source of distributions.

If the infrastructure entity is a unit trust, they should tell you:

- their policy on distributions and any rights they have to change this policy
- on payment of distributions, the portion attributable to, for example, income, capital and debt, and
- the risks associated with distributions being paid from sources other than operating cash flow.

\* This disclosure principle applies only to infrastructure entities that are unit trusts.

### ***What's at stake for you?***

It is important to understand the distribution policy and whether it meets your investment needs.

In addition, you need to know if distributions are paid from debt, because this may not be sustainable.

This is especially important if you are depending on distributions for regular income.



## Disclosure Principle 10: Withdrawal policy<sup>^</sup>

Infrastructure assets are less 'liquid' than some other investments, which means they cannot be as easily sold and converted to cash. This could limit your ability to withdraw your money when you need it.

Infrastructure entities that are unlisted should tell you:

- your withdrawal rights, and the maximum time the entity will have to satisfy your withdrawal requests
- the entity's withdrawal policy and any significant risk factors that may affect withdrawals
- the bank/lender used to fund withdrawals (if withdrawals are funded from debt)
- how you are notified of any material changes to your withdrawal rights, and
- if the amount of capital in the infrastructure entity has been reduced by more than 10% in the previous 3 months.

<sup>^</sup> This disclosure principle applies only to unlisted infrastructure entities that are unit trusts.

### ***What's at stake for you?***

Many unlisted entities do not allow you to get your money back before the project ends. Even if withdrawal is allowed, you may still have to wait for a long time. Before investing, make sure you can wait for the required period of time.



## Disclosure Principle 11: Portfolio diversification

Portfolio diversification refers to the variety of infrastructure assets in an entity. Like an investor, an infrastructure entity can reduce risk by investing in more than one asset or investing at more than one location.

The infrastructure entity should tell you:

- the details of their portfolio diversification policy
- the actual composition of the portfolio, and how this compares with the entity's diversification policy, and
- if there is a significant variance between the entity's actual investments and their diversification policy, an explanation of why and what steps they are taking to fix the variance.

### ***What's at stake for you?***

Deviations from the disclosed policy may indicate problems with the performance and value of the assets.

A prolonged deviation could affect the entity's performance and increase the risk, affecting the value of your investment.



# Think about your own situation and needs

## Does the investment meet your goals?

Whenever you invest your money, it is important to have a financial goal in mind and a strategy for achieving it. For example, your goal may be a secure income for your retirement.

Think about getting professional advice from a licensed financial adviser to help you develop a suitable investment strategy according to the level of risk you're comfortable with. Then measure all investments against that strategy.

## Have you spread your investments to manage risk?

Most people have heard the saying, 'Don't put all your eggs in one basket'. When it comes to investing your money, a good way of managing risk is to spread your money between different investment types, such as cash, fixed interest, property and shares. The spread will depend on your financial goals and how much risk you're comfortable with. These different investment types are known as 'asset classes'.

Spreading your investments to manage risk is called 'diversification'. Investing solely in infrastructure is not diversification.

By spreading your money both across different asset classes and between different investments within the same asset class, you reduce the risk of losing everything. If you put only part of your total funds into any one type of investment, you won't lose everything if one investment produces poor results or fails completely.

## What returns are you being offered?

'High return means high risk' is a familiar rule of thumb. However, as with all rules, there are exceptions to look out for.

Some investments that appear to offer relatively modest returns can be extremely risky. That's why it's important to think about more than just the return when deciding whether to invest.

When comparing rates of return, make sure you compare 'apples' with 'apples' (that is, similar investments).

## Can you get your money back early?

If you plan to invest in an unlisted infrastructure entity, consider what will happen if you need to get your money out quickly. Are there penalties or restrictions? How long might you have to wait?

If you need flexibility, think about investing in other financial products (or listed infrastructure entities) that allow you to withdraw your money without heavy penalties or significant delays.

## Do you know how risky the investment is?

Investing in infrastructure is riskier than term deposits offered by banks, building societies and credit unions. You are investing in a company, a trust or a stapled entity, not depositing your money with a financial institution.

Ask whether the return you are being offered by the infrastructure entity is high enough to compensate you for the risks you are taking.

### **Can you accept the risks?**

A primary risk with an infrastructure entity is that the entity may not generate enough cash flow to meet their costs and debt repayments, and be unable to pay you distributions or return your money (or the value of your investment) when you ask for it.

If you don't understand these risks or you're not comfortable taking any risks with your money, look at other financial products instead. Get professional financial advice if you're not sure about an investment decision.

### **Do you know what you're investing in?**

If you're acquiring securities in an infrastructure entity through a public offering or rights issue, check what the entity plans to do with your money. This information should be clearly set out in the disclosure document, but keep asking questions until you really understand.

If you are acquiring existing securities in a listed infrastructure entity, make sure you understand the entity's business model, the entity's assets (including their location) and how much debt the entity has.

Knowing what your money will be used for and what the entity has invested in previously can help you assess the risks and decide whether you are comfortable with the investment.

### **Is the investment related to infrastructure development?**

If your money will be used to develop infrastructure assets (rather than to acquire existing operational assets), think about these extra risks:

- Will the development be completed on time and on budget?
- What assumptions has the infrastructure entity made about the use of the asset in the future, and the growth of this usage?
- How is the development valued?
- How will the entity meet their cash flow needs before the asset is completed?

The disclosure document and ongoing disclosures should help you answer these questions.

## Misleading advertising? Hard sell?

Have you come across an advertisement for a financial product that you think is misleading?

Or have you been pressured by a sales person to make a decision when you didn't have enough information, or weren't sure that the product was right for you?

Phone ASIC on 1300 300 630 to tell us about it.

Go to [www.moneysmart.gov.au](http://www.moneysmart.gov.au) for:

- strategies to help you avoid sales pressure
- information about how to complain, and
- what to look for when investing.

### **Remember:**

- The benchmarks and disclosure principles are not a guarantee that an infrastructure entity will perform well.
- Even if the entity meets all the benchmarks and provides all the information set out in the disclosure principles, you could still lose some or all of your money if things go wrong.
- Any investment should meet your goals and suit you.
- ASIC does not endorse specific investments.



## ASIC's benchmarks and disclosure principles can help you

The following benchmarks and disclosure principles are designed to help you:

- understand the risks, and
- decide whether to invest your money.

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\* This benchmark and disclosure principle applies only to infrastructure entities that are unit trusts.

^ This benchmark and disclosure principle applies only to unlisted infrastructure entities that are unit trusts.

ISBN 978-0-9805533-3-8

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