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Listed infrastructure funds – an empirical review in the light of the financial crisis 2007-2008

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In recent years infrastructure funds developed to be an innovative opportunity for investors looking for stable returns and dividends and thus supported financing infrastructure investments. But in the last months listed infrastructure funds and especially their capital structure and policy came into critique, so that in 2008 they lost reputation among financing experts.

This paper aims to survey the development of listed infrastructure funds in the last years focusing especially on the economic crisis and the credit crunch. This is important in order to determine whether only prominent funds suffered due to their structure and governance. Therefore the following three topics will be addressed, using the full sample of listed infrastructure funds: descriptive statistics of listed infrastructure funds, investment and dividend policy and the capital structure.

We provide descriptive statistics to show the growing importance of this innovative investment vehicle over time and across countries. We also highlight the investment policy in terms of sectors, strategy and volume of invested capital. We compare the risk-return-profile of this sample with listed infrastructure stocks as well as listed private equity.

A common critique on the dividend policy of listed infrastructure funds is that some pay out distributions exceeding their earnings and thus risk their financial sustainability. We aim to verify this critique by analyzing the data on earnings and dividends of the funds over time.

It is often argued that due to high-leverage, a steady increase in equity capital and a small liquidity base, funds were forced to sell assets underpriced. We empirically verify these structures and highlight the development in recent years and their interdependencies.

This paper thus reflects the past development of listed infrastructure funds in the light of the economic crisis. It evaluates their capacity as an innovative and sustainable way of financing infrastructure and its maintenance.