

## **Infrastructure Investing and Opportunities for TRS**

Infrastructure investments are those assets that provide essential services to communities, businesses and governments that have inherent competitive advantages (if not a monopoly) because of high barriers to entry or regulatory concessions. There is a common misconception that infrastructure investments are limited to toll roads. In reality, the asset class is much more broadly defined and might include parking lots, airports, electricity distribution centers, subways, schools, etc. These are typically investments with long lifetimes that provide a high rate of return with low risk.

Infrastructure investments as an asset class has an estimated total value of up to \$20 trillion. A small fraction of infrastructure investments currently take advantage of private sector capital. The value of the global infrastructure market available for private investment is estimated at \$2.8 trillion. The Organization for Economic Co-operation and Development, a group of 30 member countries that share a commitment to democratic government and market economy, expects total expenditures requirements for infrastructure to be \$27 trillion through 2030. Based on the current global financial crisis, commitments to infrastructure projects could be even higher.

There is a huge global demand for infrastructure funding – both in developed and developing countries. Infrastructure investments are attractive because they provide high rates of return with low comparable risk, and their performance is not closely linked with inflation or other market forces that can impact other investments. These investments also have long lifetimes that can meet a pension fund's long-term liability needs.

Because infrastructure investments typically produce respectable rates of return with low risk, they make attractive investment opportunities for TRS. Under TRS' diversified investment strategy, infrastructure projects represent 2 percent to 5 percent of the total Trust. TRS looks globally at these investments because they are not just limited to Texas or even to the United States. TRS investment managers evaluate each project on its own merits and using specific criteria. While TRS is not involved in any infrastructure investment program dedicated exclusively to Texas projects, any potential investment opportunities in this area will be considered as will all other potential investments.

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