



Source: UBS

Returns from the inconspicuous

4 July 2025, 15:56 UTC, written by Daniel Kalt

Infrastructure developments are often inconspicuous and yet central to the functioning of our modern society. For investors, investments in infrastructure could bring stable returns and portfolio diversification advantages.

Every morning, we turn on the tap as a matter of course, get on a bus on the way to work, or work in a pleasantly cooled office—without usually sparing a thought on how smoothly these invisible services make our lives easier. Behind these everyday actions is a complex infrastructure network that functions reliably around the clock and keeps our modern society running. Precisely because these services are so inconspicuous and reliable, investments in infrastructure projects generally offer a combination of stability and security. They can enjoy the inconspicuous benefits of solid, long-term returns, while investing in the backbone of our economy.

It is not only the comforts of our everyday lives that require well-developed infrastructure. Various future challenges will require huge investments around the world, and in various areas. We are only at the beginning of this investment cycle. With regard to climate change, there is often only talk of alternative energy sources such as photovoltaic and wind turbines. However, investments in adaptations to changing environmental conditions will be just as important. Flood or coastal protection structures, urban cooling systems, recycling plants as part of an expanded circular economy, or the decentralised conversion of our electricity grids are just some of the numerous infrastructure projects that will have to be tackled over the coming years. Infrastructure must also be adapted to a rapidly aging society worldwide. This includes basic medical care, age-appropriate living, and changing mobility, travel, and consumption habits, meaning many areas of our basic infrastructure have to be adapted to an older society.

And finally, geopolitical changes must also be taken into account. In a fragmented world, regional ports, freight terminals, and hubs of all kinds are gaining in importance. They become the toll booth where every container ship has to pay, no matter what the balance of power in world politics is at any given time. At the same time, the rapid developments in the field of artificial intelligence bring an enormous hunger for data and computing capacity, which can only be overcome

with further investments in data and data centers, as well as in additional electrical energy capacity. In parallel with the arms race for technology leadership between the US and China, the risks of hybrid warfare are also increasing and require additional investment in countering disinformation campaigns and cyberattacks of all kinds.

This list makes it clear how important the smooth functioning of our often inconspicuous infrastructure is for a modern, open society. Investments in such broadly diversified portfolios of infrastructure investments could also bring various advantages to private investors. On the one hand, infrastructure investments have yielded high, stable returns in recent years. On the other hand, they have a very low correlation to equities and bonds. They could therefore be a good portfolio diversifier. Even an admixture of 5% can significantly reduce the overall risk of a classic portfolio consisting of 60% equities and 40% fixed-income investments. In the vast majority of cases, the long-term contracts underlying infrastructure assets are directly linked to inflation. Infrastructure investments can therefore be regarded as "real assets" that could provide investors with extensive protection against inflation.

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