

No regrets infrastructure

Stephen Jordan, portfolio manager and executive director at Morrison, the New Zealand-headquartered infrastructure investment firm, explains why Europe's infrastructure boom will reward investors who focus on economic fundamentals rather than political momentum. Piyasi Mitra

In a wide-ranging conversation for Funds Europe, Stephen Jordan makes one point repeatedly: infrastructure investors must separate political momentum from economic reality. Decarbonisation and digitalisation, he argues, are powerful forces, but not all opportunities are created equal.

Economically driven transition

Jordan says decarbonisation is no longer just an ESG narrative. It is increasingly about energy security and affordability, a shift that broadens political backing and lowers the odds of abrupt policy reversals. That evolution, he suggests, has made certain assets more resilient.

The strongest opportunities, in his view, sit within "no regrets" capital expenditure — investments such as electricity networks that improve consumer outcomes while advancing electrification. These assets tend to remain investable across political cycles because their economic logic stands on its own.

By contrast, he warns that projects dependent on multi-year subsidies are inherently exposed to election cycles and fiscal tightening. Fund selectors should scrutinise political timetables and avoid overpaying for development pipelines reliant on continued state support.

On digitalisation, Jordan remains constructive. Data intensity, AI adoption and cloud migration continue to reshape

infrastructure demand. But allocators, he cautions, must look beyond growth narratives to contract durability and counterparty strength. Long-duration, inflation-linked or capacity-based contracts can underpin heavy capital expenditure; short-term agreements leave investors vulnerable to supply-demand swings.

Even within digital infrastructure, economics vary widely. Colocation data centres operate differently from hyperscale facilities. Fibre networks do not exhibit uniform pricing power across markets. Slower 5G rollout in parts of Europe presents both opportunity and competitive uncertainty for tower operators. And listed digital assets may move with broader technology sentiment, even when cash flows remain stable. Valuation discipline, he stresses, is critical as rates normalise, especially where private-market benchmarks can anchor public pricing through potential privatisations.

"Policy should reinforce... not substitute"

Asked how allocators can distinguish policy-driven opportunities from those with sustainable, market-based cash flows, Jordan outlines three indicators.

First is revenue quality: income secured through long-duration, regulated or contracted arrangements, preferably inflation-linked. Second is price formation — whether returns rely on merchant exposure or on more stable, regulated frameworks. Third is physical

necessity. Does the asset relieve grid congestion, enable electrification or support essential connectivity? Or does it primarily depend on subsidies?

"Policy should reinforce an asset's economic logic rather than substitute for it," he says, pointing to EU-level initiatives such as Trans-European Transport Network and Connecting Europe Facility as markers of long-term strategic alignment rather than temporary incentives.

Fragmented execution, shared ambition

While Europe shares broad climate and digital ambitions, execution is fragmented. EU-level initiatives may accelerate electrification and cross-border connectivity, but national regulatory regimes vary sharply in tariff design, return allowances and inflation indexation.

Some jurisdictions offer predictable

review cycles and transparent cost-recovery frameworks; others retain political discretion that clouds revenue visibility and capital expenditure recognition. Fiscal support also diverges depending on budget capacity and national energy priorities.

For portfolio construction, that means regional diversification is not optional. Jordan argues that selectors must stress-test portfolios against interest-rate shifts, tariff reforms and fiscal tightening, particularly across EU and non-EU markets.

Operational competence over themes

When evaluating managers positioned for systemic transformation, Jordan advises selectors to prioritise operational and regulatory competence over thematic alignment.

Infrastructure, he notes, is expanding beyond traditional utilities into digital

platforms, energy-transition assets and hybrid technologies. Managers need genuine operational understanding — ideally with restructuring experience — to manage risk, valuation and correlation effectively. Without that grounding, exposure to fast-moving themes can drift along the risk curve.

Robust due diligence should include scrutiny of counterparty strength, cost inflation, construction oversight and refinancing exposure. Effective managers translate structural transformation into tangible investment outcomes: pricing liquidity appropriately, assessing capex realistically and benchmarking listed valuations against private markets with discipline.

In volatile macro conditions, infrastructure can stabilise portfolios by combining defensive, inflation-linked earnings with long-term visibility. Regulated networks act as anchors; usage-driven digital assets add structural

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growth under durable contracts. Listed vehicles offer liquidity, enabling tactical rebalancing without forfeiting exposure to long-dated cash flows.

Ultimately, Jordan returns to fundamentals. Diversification across geographies, technologies, and the value chain reduces dependence on any single regulator or political regime. Investments, he insists, must stand on their own commercial merits — fully funded, not reliant on continuous market access or government support.

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