Fair Value or Fair Guess? Inside the Engines of Infrastructure Valuation



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About the Author



Timothy Whittaker, is Director of the EDHEC Infra & Private Assets Research Institute (EIPA). He was awarded his PhD in Finance from Griffith University in 2013. His research interests are infrastructure finance, public private partnerships, valuation and asset pricing. In addition to his PhD, Tim holds a Master of Business (Financial Management) from Queensland University of Technology and a Bachelor of Economics as well as a Bachelor of Commerce from the University of Queensland and is a member of CPA Australia. The valuations of unlisted assets anchor everything from capital-allocation and risk-management decisions and regulatory reporting. Yet, despite the principles-based guidance of IFRS 13, ASC 820, and the IPEV Guidelines, day-to-day practice remains opaque and highly discretionary. This paper provides the first large-scale empirical portrait of those practices. Drawing on a global survey of 79 institutional investors and service providers, we document how market participants forecast cash flows, calibrate discount rates, set terminal values, and decisions on whether to revalue assets in response to market stress. The evidence reveals three systemic patterns. First, conservatism: 76% of respondents report selling assets at prices above their latest Net Asset Values, with typical premiums between 6% and 20%. Second, methodological fragmentation, respondents employ widely divergent approaches to critical inputs, from discount-rate construction to terminal-value models. Third, governance gaps, over 60% rely primarily on management forecasts with limited independent challenge, and just one-third adjust valuations during market turbulence. Together, these findings point to a persistent valuation gap that dilutes comparability, obscures risk, and weakens oversight in private-market portfolios. We conclude by proposing concrete measures to tighten the link between reported fair values and market-clearing prices and to bolster confidence in an asset class that is increasingly central to institutional portfolios.

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Despite the growing institutional interest in unlisted infrastructure and private assets, there remains a fundamental lack of clarity around how these assets are valued. While fair value accounting frameworks such as IFRS 13 and ASC 820 provide principles-based guidance, they leave considerable room for discretion. This has led to wide variations in how investors approach valuation, especially in illiquid and bespoke asset classes such as infrastructure. The absence of granular empirical evidence on actual valuation practices represents a critical blind spot in both academic research and investment oversight.

Investors, regulators, and asset managers increasingly depend on reported Net Asset Values (NAVs) to evaluate performance, manage risk, and allocate capital. Yet, concerns persist that valuation processes are opaque, inconsistently applied, and potentially subject to manipulation or bias. These concerns are heightened in volatile market environments, where the credibility of valuations becomes even more important. Understanding how investors determine valuations and how those practices vary is essential to improving the governance and transparency of the private markets ecosystem.

This paper investigates how institutional investors estimate and govern valuations for unlisted assets, with a particular focus on infrastructure. We use an industry survey to document current practices across key dimensions such as cash flow forecasting, discount rate construction, terminal value estimation, and revaluation frequency. We also explore how governance structures, management inputs, and market stress influence valuation behaviour.

The results reveal significant fragmentation and inconsistency in valuation practices. Many investors report applying conservative assumptions, yet systematically understate value relative to eventual exit prices. There is limited responsiveness to changing market conditions, and considerable variation in how discount rates and terminal values are determined. Over-reliance on management forecasts is also widespread, with few mechanisms for systematic challenge or adjustment.

This paper contributes new empirical evidence on how valuation is implemented in practice, exposing the limitations of current governance structures and offering a grounded basis for improving valuation oversight. The findings are relevant to asset owners, fund managers, auditors, and regulators seeking to strengthen the integrity and comparability of private market valuations. The paper first examines the current research on private asset valuation. Next it discusses the survey methodology and responses. Finally, it discusses the results and provides areas where current practice can be improved and concludes.

Valuation of Unlisted Assets

Since the introduction of IFRS 13 in 2005, the fair value measurement of unlisted assets, such as private equity and infrastructure, has become a fundamental requirement in financial reporting. This shift marked a significant change in how these illiquid and often complex assets are evaluated. A similar regulatory approach was later adopted under U.S. GAAP with the issuance of ASC 820

Introduction

in 2008, which also emphasized the use of fair value for the recognition and reporting of unlisted assets (Easton, Larocque, & Sustersic Stevens, 2020). These developments have sparked extensive academic and professional discourse on the implications, challenges, and methodologies associated with fair value accounting for unlisted investments.

Fair Value is defined by both IFRS 13 and ASC 820 as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Obviously, obtaining markets prices for unlisted assets is impossible, as a result, the accounting standard setters have allowed for the valuations to be reported using three tiers of valuation hierarchy based on available information. The first tier relates to assets that have a market price that is clearly observable, in this case this is the valuation that is to be reported in the accounts. The second tier allows for the valuation of assets using market prices for a similar asset. This could be matrix pricing of bonds or other valuation models that take observed prices and value the specific asset. Finally, level three inputs for valuations is for assets that are unlisted and without any listed analogues. The rules allow for ostensibly internally generated valuations for assets that are unable to be traditionally marked-to-market like listed stocks and bonds. For the purposes of this paper, we are focused on this third tier in the valuation hierarchy.

Given the inherent subjectivity and complexity in valuing Level 3 assets additional guidance beyond the accounting standards has emerged to support consistent and credible valuation practices by International Private Equity Valuation (IPEV). These guidelines back the use of fair value as prescribed by IFRS 13 and ASC 820, but are more prescriptive as to the methods that can be employed to estimate the fair value of the unlisted company (see, (International Private Equity and Venture Capital Valuation Guidelines Board, 2022). These include the Market, Income and Cost Approach. The market employs multiples derived from public or recently traded private companies. The income approach employs the discounted cashflow approach. Finally, the cost approach measures the investment at the price paid. For this study we focus mainly on the first two approaches. Ostensibly these methods are trying to obtain as close as possible to updated market pricing for unlisted assets. However, these rules provide for broad interpretation of appropriate inputs. For instance, (International Private Equity and Venture Capital Valuation Guidelines Board, 2022) states that multiples should be chosen so that they are considered reasonable given the size, risk and earnings prospects of the company being valued. However, it does not provide guidance about how many comparable multiples should be included, nor how recent the transactions should be. This lack of clarity can lead to opportunistic choices of valuation inputs, allowing valuations to be gamed, making

IFRS 13 attempts to mitigate this risk through disclosure requirements. Specifically for assets fair valued under Level 3 rules, IFRS 13 requires the disclosure of the inputs used for the valuation of the assets as well as chosen methodology for the valuation. Furthermore, if there has been any change in valuation methodology, this must be disclosed as well as the sensitivity of the valuation to changes in inputs. However, this does not address the issues around opportunistic choice of inputs for valuations.

While these disclosure requirements are designed to improve transparency, they do not fully eliminate the potential for opportunistic use of discretion in the valuation process. Despite fair value rules being in place for over a decade, there remains considerable debate about the reliability of valuations for unlisted assets. A central concern is whether these standards still allow excessive managerial discretion in selecting valuation methodologies and inputs—particularly for assets classified under Level 3. It comes as no surprise then, that research has found that it can be used to manage earning through opportunistic behaviour by managers (see (Magnan, Menini, & Parbonetti, 2015), (Yao, Percy, Stewart, & Hu, 2018) and (Robinson, Smith, & Valencia, 2018)). This can also be observed for investment funds, as the level of discretion managers are allowed for valuations has resulted in manipulation of fund returns. Both (Barber & Yasuda, 2017) and (Brown, Gredil, & Kaplan, 2019) find that in situations where managers who are underperforming or possess poor reputations are raising another fund, manipulate valuations and hence, earnings. Meanwhile, top-performing funds tend to understate valuations and subsequently, returns.

Furthermore, fair value accounting—particularly for Level 3 assets—has been widely criticised for its opacity and the difficulty it presents to investors trying to interpret the underlying valuation assumptions. Level 3 valuations often depend on complex models and unobservable inputs that are neither standardized nor easily verifiable. This complexity can obscure the economic reality of asset values, making it challenging for investors to assess the credibility of reported figures or compare valuations across firms. As a result, concerns have been raised about whether fair value disclosures truly serve the informational needs of financial statement users. Empirical evidence supports the notion that investors prefer greater transparency and more detailed disclosures. Studies such as (Muller, Riedl, & Sellhorn, 2015), (Chung, Goh, NG, & Yong, 2017) (Fiechter & Novotny-Farkas, 2017)) show that investors value additional information around the valuations of assets held. These findings suggest that the current disclosure regime, while an improvement over previous standards, may still fall short of delivering the clarity and comparability that users of financial statements require.

However, despite these criticisms, recent research presents a more nuanced picture, particularly in the context of investment funds, suggesting that the adoption of fair value accounting has led to improvements in financial reporting quality. For instance, earlier biases in private fund valuations, where carrying values often failed to reflect subsequent recoveries or impairments, appear to be diminishing following the adoption of fair value standards (Crain & Law, 2018) and (Jenkinson, Landsman, Rountree, & Soonawalla, 2020). This shift is attributed to the more rigorous valuation frameworks mandated under IFRS 13 and ASC 820. Moreover, fair value adoption has been found to enhance the accuracy of valuations, reducing the gap between reported asset values and their eventual realisation (Crain & Law, 2018) and (Easton, Larocque, & Sustersic Stevens, 2020).

These developments indicate progress, yet they do not fully resolve the fundamental tensions at the heart of unlisted asset valuation, namely, the persistent trade-off between necessary managerial discretion and the risk of opportunistic reporting. In summary, the literature clearly illustrates that the valuation of unlisted assets involves inherent challenges stemming from the absence of observable market prices and significant managerial discretion. Accounting standards such as IFRS 13 and ASC 820 have introduced guidelines designed to standardize valuation practices and enhance transparency through detailed Level 3 disclosures. However, existing studies repeatedly highlight the tension between necessary managerial judgment and the potential for opportunistic manipulation, particularly evident among underperforming or reputation-conscious fund managers (Barber & Yasuda, 2017; Brown, Gredil, & Kaplan, 2019). Despite such criticisms, empirical research acknowledges that fair value standards have generally improved the reliability and accuracy of financial reporting, reducing historical biases in private asset valuations (Crain & Law, 2018; Jenkinson et al., 2020). Nonetheless, significant gaps remain concerning how asset managers practically apply valuation methodologies and the specificity of the disclosures they provide.

The valuation of unlisted infrastructure assets carries direct and material implications for institutional investors, particularly Limited Partners (LPs), who rely on reported Net Asset Values (NAVs) to monitor investments, attribute performance, select General Partners (GPs), and fulfil regulatory obligations. The quality and consistency of valuations is not merely an accounting formality. NAVs underpin a range of investment decisions and risk management practices central to modern portfolio management, these will be discussed in turn below.

For LPs, NAVs function as the cornerstone of investment oversight. Quarterly or semi-annual NAV reports are often the only formal updates received from GPs on the financial position of the fund's holdings. These values influence rebalancing decisions, drive internal reporting, and inform assessments of general partner performance. As the (International Private Equity and Venture Capital Valuation Guidelines Board, 2022) notes NAVs are used to make capital allocation decisions, monitor fund performance, and satisfy reporting requirements. However, variability in valuation inputs and timing across managers introduces inconsistencies, which reduce comparability and introduce noise into oversight processes. Without a standardized framework, LPs must interpret figures shaped by varying assumptions about discount rates, terminal values, or market comparables. NAVs also affect how investors attribute performance between skill-based alpha and market-driven beta. In illiquid markets, valuation smoothing can mask risk and distort IRRs or MOICs (see, (Jenkinson, Landsman, Rountree, & Soonawalla, 2020). This distortion affects GP selection, as LPs compare performance metrics across funds. If one manager uses a conservative exit multiple while another applies aggressive growth assumptions, their reported NAVs will diverge even with identical underlying performance.

Inconsistent valuation practices also affect portfolio construction. Asset allocation decisions depend on accurate assessments of risk-adjusted returns, and mispriced infrastructure assets can lead to either over- or under-allocation (see, Ang, Chen, Goetzmann, & Phalippou, 2014). For example, if conservative valuations understate true economic value, unlisted investments may appear less attractive relative to listed equities. Conversely, inflated valuations could obscure downside risks.

Introduction

Benchmarking of performance is also complicated by the absence of standardised valuation practices. Industry indices, such as those compiled by Preqin and Burgiss aggregate self-reported fund data, which can be inconsistent in the way the valuations have been calculated. This undermines index comparability and distorts risk-return profiles used in strategic asset allocation.

As discussed above, it is crucial to understand how valuations of unlisted assets are determined. Ensuring consistency in approaches is critical to ensure investors understand the risk and returns of private assets. This study aims to directly address this gap by asking investors for the first time the mechanics of how they value their assets. This survey will illuminate the key determinants influencing managers' discount-rate decisions in practice. This research contributes crucial insights into whether current valuation practices effectively address investor concerns regarding valuation transparency and managerial discretion. In doing so, this research seeks to bridge the persistent gap between valuation theory and practice in the private asset domain. To understand how the industry approaches valuing illiquid assets, a survey was designed and sent to investment professionals around the world. The series of questions covered key areas such as valuation practice, inputs to valuation models, valuation methodology and perceived valuation drivers. It is through this survey we are able to draw conclusions about current valuation practice and provide comment and analysis.

Sample and Design

The survey of professionals was designed to obtain the description of current practice. The survey was the result of prior interviews with investment professionals in 2022 and was sent out in 2023 and 2024, eliciting 79 responses that could be used. Whilst the survey did allow for responses about private infrastructure debt, the number of responses was low. So, in the interests of maintaining anonymity, these results were not analysed.

Survey Respondees Characteristics

We begin by exploring the demographic profile of the survey respondents. Specifically, we considered the location of their organisation's head office, the type of infrastructure investment approach, the organisation's role within the infrastructure ecosystem, and the respondent's job title. As shown in Table 1, the majority of respondents were affiliated with organisations headquartered in Europe, followed by those based in North America and then Australia.

This table presents the distribution of institutional investors' head office locations as reported in the survey.					
Australia	5%				
Canada	4%				
France	5%				
Germany	4%				
Italy	4%				
Luxembourg	10/0				
Netherlands	1 %				
Norway	1%				
South Africa	1 %				
Switzerland	1%				
United Arab Emirates	10/0				
United Kingdom	5%				
United States of America	5%				
Other (please specify)	4%				
Not stated	57%				

Table 1 Distribution of Survey Respondents by Head Office Location

We next consider the investment focus of survey respondents. Table 2 shows, the majority of respondents were focused on equity investments in unlisted infrastructure. A smaller proportion (13%) reported a combined focus on both debt and equity, while only 10% of respondents exclusively target private infrastructure debt.

Table 2 Investment Focus of Survey Respondents

This table reports the primary investment focus of survey respondents.				
Both	13%			
Private infrastructure debt	10%			
Unlisted infrastructure equity	77%			

Table 3 presents the types of infrastructure assets that respondents primarily target. We adopt the conventional industry classification of asset strategies, 'Core', 'Core-plus', 'Value-added', and 'Opportunistic', to align with commonly used market terminology. However, it is worth noting that prior research suggests that categorizing infrastructure assets using the TICCS (The Infrastructure Company Classification Standard) framework may provide a more robust understanding of asset-level risk characteristics. We can observe that the majority of respondents focus on Core and Core-plus areas of infrastructure. These are the lower risk, more traditional infrastructure assets. This is followed by Valued-added, which is more emerging infrastructure assets, not traditionally considered infrastructure. With only 1% focusing on opportunistic infrastructure, which is more private equity rather than infrastructure. Interestingly, 13% of the respondents do not use these classifications to describe their portfolios, either using in-house or TICCS.

Table 3 Infrastructure Asset Strategy Focus of Survey Respondents

This table summarizes the strategic focus of respondents in terms of infrastructure asset styles.				
Core	25%			
Core-plus	23%			
Opportunistic	1%			
Value-added	22%			
Other	13%			
Not stated	16%			

Table 4 shows the type of investor that responded by organisation type. The question was to determine if the investor owns assets directly, invests in funds, works for either a specialist or general asset manager or is a service provider. Of the respondents, 55% were asset owners. Of these, 30% invest directly in the assets whilst the remaining 25% invest through funds. Of the remainder, 32% of respondents worked for either a specialist or multi-asset manager and 13% worked for valuation service providers.

This table classifies survey respondents by institutional type.					
Asset owner investing directly in infrastructure assets	30%				
Asset owner investing in infrastructure funds	25%				
Multi-asset fund manager with infrastructure-related products	18%				
Specialist infrastructure fund manager	14%				
Valuation service provider	13%				

Finally, Table 5 highlights the title of the respondents. The most common title was Managing Partner, followed by respondents classified as 'Other' or Portfolio Managers. These senior roles suggest that most participants possess substantial insight into their firms' valuation practices, thereby increasing confidence that the responses accurately reflect institutional approaches to asset valuation.

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This table reports the job titles of individuals who completed the survey.					
Associate	3%				
General Partner	4%				
Investment Officer	3%				
Managing Partner	14%				
Other (please specify)	10%				
Partner	1%				
Portfolio Manager	9%				
Not stated	57%				

Table 5 Job Titles of Survey Respondents

With the respondents' demographics, investment focus, and seniority established, we now examine their approaches to valuing unlisted infrastructure assets. Gaining insight into these valuation processes is essential for understanding how firm-specific factors and broader market conditions are incorporated into reported asset values.

Valuation Process

The first series of questions examined the valuation process, this documents, for the first time the regularity of valuations as well as understanding if market stress triggers a re-evaluation of the value of the unlisted assets. Table 6 shows the results for valuation frequency. It shows that the vast majority of respondents revalue their assets on a quarterly basis. This is followed by both semi-annual and annual valuation frequencies. Interestingly, 9% of the respondents revalue their assets more frequently with 5% revaluing monthly and 4% revaluing daily. These are obviously rare organisations with the majority of respondents revalue their assets at a significantly slower cadence.

Table 6 Reported Valuatio	n Frequency of I	nfrastructure	Investments
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This table presents the frequency with which survey respondents report conducting valuations of their infrastructure investments.					
Daily	4%				
Monthly	5%				
Quarterly	28%				
Semi-annually	9%				
Annually	9%				
Not stated	46%				

This slowness in updating valuations is also represented in Table 7 which presents the results for if the firm re-values their assets in periods of market stress. Whilst 32% of respondents do, 23% say that market stress does not trigger revaluation events.

Table 7 Revaluation Practices During Periods of Market Stress

This table summarizes respondents' approaches to revaluing infrastructure assets during periods of market stress.					
Yes	32%				
No	23%				
Not stated	46%				

It is clear to see that revaluation processes currently in practice by investors are poor and unreactive to changing market conditions. These two factors would be key suspects for the lack of volatility in reported returns for unlisted assets.

Valuation Inputs

The frequency and reactivity of valuation practices provide an important foundation, but to fully understand how asset values are derived, we must now explore the specific inputs and assumptions that shape those valuations. This includes both the characteristics investors deem important and the technical approaches used in forecasting and discounting cash flows. We start by examining what factors are considered important for valuations and their impacts, then mechanics of how the valuation is constructed. This first examines how the cashflows are forecasted, time horizon for forecast and how the discount rate is obtained. Finally, we examine respondents; perceptions of how the valuations should be reported and accuracy of these valuations.

Table 8 Factors Cited as Relevant to Infrastructure Asset Valuation

This table presents the proportion of respondents identifying various factors as relevant inputs to infrastructure asset valuation.					
Size	8%				
Leverage	14%				
Profitability	13%				
Growth	10%				
Market-driven revenue model (e.g., price determination)	12%				
Early investment stage (e.g., greenfield stage)	12%				
Short term interest rates	6%				
Long term interest rates	14%				
Industry valuation	12%				

We first examine what the respondents perceive are the most important characteristics of an infrastructure asset for its valuation. These results are presented in Table 8 and Table 9. In Table 8 we first examined the factors that the respondents considered had an impact on the price of an asset. It is interesting that there are several factors which are considered to have an impact on valuations. The level of debt (leverage) and the cost of it are considered most important by 14%

of respondents whilst profitability of the underlying business is considered to have an impact by 13% of respondents. Next, we see that it is the revenue model (how exposed the asset is to market risk), investment stage and industry peers considered to have an impact on the valuation by 12% of the respondents. Given the long-life of an infrastructure asset, that only 6% of the respondents considered short-term rates to be important is not surprising. What is surprising however, is that size is only considered important by 8% of the respondents. This is inconsistent with academic evidence where size was found to be a priced factor.¹ Whilst Leverage, Profitability and Growth are all considered import factors explaining valuations, the failure of the industry to consider Size is interesting and could support claims that investors are mis-pricing infrastructure assets.

Table 9 Perceived Relative Importance of Valuation Factors for Unlisted Infrastructure Assets

from 1 (most important) to 9 (least important).									
Level of importance (1 most important, 9 least important)	Size	Leverage	Profitability	Growth	Market-driven revenue model (e.g., price determination)	Early investment stage (e.g., greenfield stage)	Short term interest rates	Long term interest rates	Industry valuation
1	8%	2%	17%	6%	19%	17%	0%	11%	21%
2	2%	20%	22%	15%	11%	7%	4%	11%	9%
3	10%	19%	24%	7%	14%	2%	0%	17%	7%
4	10%	19%	3%	16%	10%	10%	3%	19%	10%
5	0%	25%	4%	8%	4%	21%	4%	17%	17%
6	13%	13%	0%	6%	0%	13%	25%	13%	19%
7	9%	9%	0%	9%	9%	18%	18%	18%	9%
8	20%	0%	0%	0%	0%	40%	40%	0%	0%
9	0%	0%	0%	0%	0%	0%	0%	0%	0%

This table ranks the perceived importance of various factors used in infrastructure asset valuation, based on a scale

Table 9 presents the relative importance respondents assigned to the various factors they believe influence asset valuation. According to Table 8 the industry valuation was identified as the most important factor for the valuations, closely followed by the revenue model of the asset, then the stage of the life for the infrastructure investment and profitability. The diversity of opinion around what is most important, was not reflected in the firm characteristics that were considered not important. Whilst no respondent said any variable was not important there was a level of plurality in responses with both the stage of investment and short-term interest rates both determined as of lesser importance by 40% of the respondents. Whilst size was determined of lesser importance by 20% of respondents. It is interesting that the factors identified as priced in infrastructure (Leverage, Profitability and Growth) are not considered the most important in valuing an asset. These factors are considered second or third level importance. Whilst long-term interest rates are only considered to be mid-level importance for valuing an asset. Table 9 shows that it is clear that there is diversity of views as to the most important factor that drives the valuation of an infrastructure asset. The startling fact that the factors identified in (Blanc-Brude & Tran, 2019) are priced characteristics indicates that there are areas of practice that can be improved in valuing infrastructure assets. 1 - See (Blanc-Brude & Tran, 2019)

We next compare whether the respondents view the factors we have discussed above are considered to have a positive or negative impact on the valuation. Of the variables, Size, Profitability, Growth and industry valuation have clear positive impacts on the valuation. Whilst, short-term rates, the investment stage of the asset and leverage have clear negative impacts on the valuation. The revenue model of the infrastructure asset is mixed with an almost even number of respondents saying it is positive or negative to the valuation of the asset. Whilst the majority claim it is a positive, it is not as clear as the other firm characteristics. This would be a clear area for future research to understand this result more fully.

This table reports the percentage of respondents who perceive each factor as having a predominantly positive or negative effect on infrastructure asset valuations.

	Positive Impact	Negative Impact
Size	77%	23%
Leverage	38%	62%
Profitability	96%	4%
Growth	95%	5%
Market-driven revenue model (e.g., price determination)	57%	43%
Early investment stage (e.g., greenfield stage)	20%	80%
Short term interest rates	0%	100%
Long term interest rates	18%	82%
Industry valuation	91%	9%

A final question understanding the valuations was asked getting the respondents to indicate what variables they believe drive the returns for infrastructure assets. These results are presented in Table 11. The results suggest that investors see cash flow generation as the primary driver of returns in infrastructure equity investments. The most frequently cited source, selected by 37% of respondents, is consistent cash flows, reflecting the traditional appeal of infrastructure as a provider of stable, predictable income. This is closely followed by increasing cash flows (25%), highlighting expectations of growth, either through inflation-linked revenues, operational improvements, or contractual escalations. Asset revaluation was selected by 22%, indicating that capital appreciation is also a significant contributor to perceived returns. In contrast, only 11% identified a decrease in interest rates as a key source, suggesting that investors may not be relying heavily on further rate declines to enhance valuations or drive performance. Finally, 5% chose 'Other', implying some respondents foresee returns arising from more bespoke or alternative mechanisms.

Table 11 Expected Primary Sources of Return in Infrastructure Equity Investments

This table summarizes respondents' views on the main drivers of return in infrastructure equity investments.	
Decrease in interest rates	11%
Asset revaluation	22%
Consistent cash flows	37%
Increasing cash flows	25%
Other (please specify)	5%

We now turn to analyse the methodologies employed by the respondents to value their infrastructure assets.

Valuation methodology

Identifying which factors are considered important for valuation reveals investor priorities, but how these views are operationalized depends on the models and data sources used. We next examine how respondents estimate future cash flows, terminal values, and ultimately, how they arrive at a valuation figure. This section examines the responses regarding a series of questions examining how infrastructure assets are valued. We begin first by looking at cash flow estimation and how it is done, then look at questions around terminal values finally we look at discount rate estimation. Firstly, we examine the source of the cash flow forecast, the results of which are presented in Table 12. We see that the cashflows are sourced directly from management with 60% of respondents using the management forecast either directly, running scenarios or sensitivity analysis on their numbers. A further 10% take management's cash flow forecast and adjust them to account for optimism biases. Only 26% of respondents create their own forecasts with 5% not using cash flow forecasts or discounted cash flows to value their assets. By relying on management forecasts, it is clear the investors do take the view that management know their business better and so are in a position to provide accurate forecasts. However, the fact that 17% of respondents take these forecasts without exercising some form of judgement as to their appropriateness is informative. We next examine any adjustments made by the investors for valuing an asset.

This table presents respondents' preferred methodologies for estimating future cash flows in private infrastructure valuation.	
Construct cash flow estimates in house	26%
Discount management forecasts as they could be over-optimistic	10%
Do not estimate cash flows or use DCF	5%
Replace management's assumptions and run sensitivity analyses	7%
Run scenarios (e.g., base, best, worst case) on management forecasts	36%
Use management forecasts directly	17%

Table 12 Preferred Approaches to Estimating Future Cash Flows for Private Infrastructure Companies

Table 13 examines what sort of adjustments the respondents make to the cash flow forecast, when they do make them. We can observe that no consistent adjustment made with investors adjusting for multiple reasons. In the "Other" category, respondents provided examples such as adhoc adjustments based on macroeconomic expectations for growth or inflation. The lack of consistent adjustment provides evidence that each investor has its own standard valuation adjustments.

Table 13 Adjustments Made to Estimated Future Cash Flows in Infrastructure Valuations

This table reports the types of adjustments survey respondents apply to future cash flow estimates.		
Increase cash flow by categorizing operating leases as financing expense	20%	
Decrease cash flow by impairment of assets from unexpected business risks (e.g., climate change)	30%	
Increase cash flows due to anticipated synergies from future potential acquisitions	20%	
Other (please specify)	30%	

As infrastructure assets are long-lived assets, the final question about cash flows examines the forecast horizon that the respondents employ. As shown in Table 14 the respondents were questioned as to their preferred forecast horizon and 59% say they prefer to forecast for the life of the asset, whilst 24% forecast for the fund duration. This indicates a strong preference among respondents for aligning cash flow forecasts with the full economic life of the asset, reflecting the long-term nature of infrastructure investments, while a smaller but notable group anchors forecasts to the typically shorter duration of the investment vehicle.

Table 14 Preferred Time Horizon for Estimating Future Cash Flows in Infrastructure Investments

This table presents respondents' preferences regarding the time horizon use infrastructure valuation.	ed for projecting future cash flows in
Asset life (if fixed)	59%
Fund duration (if less than asset life)	24%
Other fixed horizon that is greater than fund duration but less than asset life	14%
Other fixed horizon that is lower than asset life and/or fund duration	3%

Whilst forecasting cashflows for the life of the asset, is preferred by the respondents, the other approach is to estimate a terminal value for the asset and use this after forecasting for a set time. Table 15 presents the results where the respondents were questioned on their use of a terminal value. The results indicate that a majority of respondents, 68% estimate a positive terminal value for unlisted infrastructure equity assets, suggesting that most investors believe these assets retain value beyond the explicit forecast period. This reflects the expectation that such assets continue to generate cash flows or hold residual value even after the end of the investment horizon. Conversely, 32% of respondents do not estimate a positive terminal value, possibly due to conservative valuation approaches, regulatory constraints, or the assumption that the asset's value is fully realized during the forecast period.

Table 15 Use of Terminal Value in Valuations of Unlisted Infrastructure Equity Assets

This table reports whether respondents include a positive equity assets.	terminal value in their valuation of unlisted infrastructure
Yes	68%
No	32%

The survey results in Table 16 reveal a diversity of approaches used to estimate terminal value for unlisted infrastructure equity assets, with no single method dominating the landscape. The most preferred approach, cited by 29% of respondents, is the zero-growth perpetuity model. The adoption of which reflects a conservative approach assuming stable cash flows into perpetuity. This is followed by exit multiple approaches based solely on private comparables (21%), and models incorporating both private and listed comparables (13%), indicating that a significant proportion of respondents prefer market-based methods anchored in transaction data. Another 13% favour the stable growth perpetuity model, which allows for modest long-term growth, while only 8% rely exclusively on listed comparables for the exit multiple. A small minority, 4%, assume a terminal value of zero at the end of the asset's useful life, likely reflecting a particularly conservative or

asset-specific valuation stance. Additionally, 13% selected 'Other', highlighting the use of bespoke or alternative methods. Overall, these findings illustrate the lack of consensus and the tailored nature of terminal value estimation in infrastructure valuation practices. The lack of consensus in terminal value calculations reflects the common theme we have identified in the adoption of valuation methodologies. This is obviously as a result of the difficulty in valuing an unlisted asset. However, it is concerning as to the ability of producing comparable valuations for these assets.

Table 16 Preferred Methods for Estimating Terminal Value in Infrastructure Equity Valuations

This table outlines respondents' preferred approaches for estimating terminal value in the valuation of unlisted infrastructure equity assets.	
Assume zero at end of useful life	4%
Exit multiple approach based on listed comparables' multiples	8%
Exit multiple approach based on private and listed comparables' multiples	13%
Exit multiple approach based on private comparables' multiples	21%
Stable growth perpetuity model (i.e., Gordon growth model with g $>$ 0)	13%
Zero growth perpetuity model (i.e., Gordon growth model with g=0)	29%
Other (please specify)	13%

Discount rates

Central to the discounted cash flow approach is the choice of discount rate, which determines how future cash flows are brought back to present value. We therefore turn to examine how respondents select and calibrate discount rates, and whether they believe conventional models like CAPM are fit for purpose in the context of private infrastructure. Table 17 reports the responses to the question "Do you think the capital asset pricing model (CAPM) is appropriate for computing discount rates for private infrastructure assets?" The responses to this question indicate a nearly even split in views. A slight majority, 51%, believe that CAPM is suitable, whilst substantial 46% disagree, pointing to significant scepticism about CAPM's ability to adequately capture the unique risk characteristics and illiquidity premiums associated with private infrastructure. This division highlights the ongoing debate within the investment community about the relevance of standard asset pricing models in private markets, and underscores the need for more nuanced or tailored approaches to discount rate estimation in infrastructure valuation.

Table 17 Perceived Appropriateness of CAPM for Discount Rate Estimation in Private Infrastructure

This table presents respondents' views on the suitability of the Capital Asset Pricing Model (CAPM) for estimating discount rates in the context of private infrastructure investments, either during portfolio construction or asset screening.		
Yes	51%	
No	46%	

We next seek to understand the respondents' views on how discount rates should be calibrated to value assets. Table 18 presents the results where respondents were asked if discount rates should be calibrated to reflect the latest market information. The results show overwhelming consensus among respondents, with 95% agreeing that discount rates should be calibrated to reflect the latest

market information. This strong alignment underscores a shared recognition of the importance of market-based inputs in valuation, consistent with both IFRS and U.S. GAAP definitions of fair value as the price that would be received in an orderly transaction between market participants. The emphasis on current market data likely reflects an intent to ensure that valuations remain relevant, comparable, and reflective of real-world pricing dynamics. Only 3% of respondents disagreed, indicating minimal resistance to this principle. Overall, these findings suggest that adherence to fair value standards is broadly accepted in infrastructure valuation practice.

Box 1

Unpacking Flawed Practices in Private Asset Assessment Poor CAPM-based discount rate (flawed inputs):

• Risk-free rate: 2% (e.g., 10-year government bond), but using a moving average of past yields (≈1.5%) to "smooth volatility."

This is a common practice, as evidenced from this excerpt from an annual report.

Adjusted risk-free rates: the Group uses the 12-month rolling average of the 10-year government bond rate, or its equivalent, as a proxy for the risk-free interest rate in the countries in which an Infrastructure Company is located.

• Beta proxy: choose a listed comparable with beta = 0.8 but without adjusting for privateasset leverage differences -> understates systematic risk.

• Market risk premium: use long-run historical average of 5% (ignoring current high volatility environment where forward-looking surveys suggest 6.5%).

• Additional illiquidity/control premium: add 4% arbitrarily, without a clear empirical basis.

Again, this is common as provided in this excerpt from a fund annual report: Illiquidity and Specific Risk Premiums: contrary to the adjusted risk-free rate and the beta, which are market-specific, Illiquidity and Specific Risk Premiums are specific to each Infrastructure

• Derived discount rate:

Company.

- CAPM base: $1.5\% + 0.8 \times 5\% = 1.5\% + 4.0\% = 5.5\%$
- Then add ad-hoc illiquidity premium $4\% \rightarrow 9.5\%$.

Table 18 Support for Market-Based Discount Rate Calibration in Fair Value Estimation

This table reports respondents' views on whether discount rates should be calibrated to reflect the latest market information in order to arrive at fair value, consistent with IFRS and U.S. GAAP definitions of fair value as the price in arm's length transactions.

Yes	95%
No	3%

Turning now to understanding the calibration for the discount rate, Table 19 presents where the respondents' obtain their data for calibration. The responses indicate that recent private transactions are the most commonly used source of pricing data for calibrating discount rates, with 50% of respondents relying on them to reflect the latest market information. 21% of respondents use data from listed equivalents, suggesting that public market proxies still play a role, particularly when private transaction data is limited or unavailable. Meanwhile, 29% selected 'Other', highlighting the use of alternative sources or methodologies—such as appraisals, broker quotes, internal models, or blended approaches—that may offer greater flexibility or asset-specific insights.

Table 19 Sources of Market Data Used to Calibrate Discount Rates

This table summarizes the types of pricing data respondents use to align discount rates with current market conditions.	
Data from listed equivalents	21%
Recent private transactions	50%
Other (please specify)	29%

For the respondents that indicated they used data from recent private transactions, Table 20 shows that the number of transactions employed to calibrate the models. The responses reveal a wide range of practices in terms of how many comparable private transactions are considered in any given quarter when calibrating discount rates or assessing valuations. The most common approach, chosen by 38% of respondents, is to rely on a restricted set of transactions, typically up to five. In contrast, 31% of respondents reported using all available transactions in the market. Whilst, another 19% take a middle path, using all transactions but excluding outliers, likely to mitigate the impact of anomalous deals. Meanwhile, 13% rely on an extended set of transactions, such as up to 15, balancing breadth with some curation. These varied responses highlight the heterogeneity in market practices and reflect differing priorities in terms of precision, data availability, and comparability when benchmarking private infrastructure transactions.

Table 20 Number of Comparable Private Transactions Considered per Quarter

This table presents respondents' practices regarding the number of comparable private infrastructure transactions they consider in a typical quarter.	
all available transactions in the market	31%
all available transactions minus outliers	19%
extended set of transactions (e.g., up to 15 transactions)	13%
restricted set of transactions (e.g., up to 5 transactions)	38%

Box 2

A More robust multi-factor/risk-premia approach:

• **Risk-free rate:** Use current appropriate government yield (e.g., 10-year at 2%). No smoothing via moving averages, that is use market-observed rate at valuation date.

• **Systematic factor exposures:** Based on empirical model (e.g., Blanc-Brude & Gupta 2024): exposures estimated for (Exposure examples only; actual exposures calibrated from data or proxies.):

- Market factor (beta) = 1.0 (after adjusting for private leverage differences)
- Size factor = 0.2 (small tilt)
- Value factor = 0.1
- Leverage factor = 0.3
- Term-structure factor = 0.15

• Factor premia: Empirically estimated from a broad sample of private-infrastructure transactions (These premia are updated regularly as new transaction data arrive.):

- Market premium: 6.5%
- Size premium: 1.2%
- Value premium: 0.8%
- Leverage premium: 1.5%
- Term premium: 0.5%
- Constructed expected return:
 - $= \text{Risk-free } 2\% + (1.0 \times 6.5\% + 0.2 \times 1.2\% + 0.1 \times 0.8\% + 0.3 \times 1.5\% + 0.15 \times 0.5\%)$
 - = 2% + (6.5% + 0.24% + 0.08% + 0.45% + 0.075%)
 - = 2% + 7.345% = 9.345%
- Total discount rate: ≈ 9.345%

In this example, the approach yields a lower discount rate than the CAPM-based example, and because the risk factors are updated continuously with each new trade or data point, it aligns more closely with fair-value estimation. Additionally, the transparent breakdown of factor exposures and premia supports challenge, audit, and periodic updates, thereby enhancing methodological rigor. Employing models such as Blanc-Brude & Gupta (2024) allows for reliance of empirically estimated premia from relevant private transactions.

Accuracy of valuations

Even if inputs and methods are carefully chosen, the ultimate test of a valuation framework is how well it aligns with market reality. We conclude this section by assessing how accurate investors perceive their valuations to be, especially by comparing reported valuations to realized prices at exit. Firstly, the respondents were asked if they obtained a price greater than the valuation. These results are presented in Table 21 and show that a significant majority of respondents—76%—report achieving exit prices above the latest reported equity valuation when divesting infrastructure equity investments. This suggests that, in many cases, the internal or reported valuations may be conservative relative to actual market-clearing prices. Meanwhile, 24% of respondents indicated they do not typically achieve a premium on exit. The fact that a clear majority obtain a price greater than the valuation was considered 'fair value', then it should be approximately equal to the price achieved in an orderly transaction between market participants, as defined under both IFRS and U.S. GAAP. Persistent deviations—particularly where exit prices consistently exceed reported

valuations—imply that current valuation practices may underestimate the true economic value of the assets. This raises questions about whether discount rates, cash flow assumptions, or terminal values are being conservatively applied or whether market conditions at exit are systematically more favourable than those reflected in interim valuations. Ultimately, the findings suggest a potential misalignment between reported fair value and realized market value, warranting further scrutiny of valuation methodologies and calibration practices in the infrastructure investment industry.

Table 21 Realized Exit Prices Relative to Latest Reported Equity Valuations

This table summarizes respondents' experiences with prinvestments.	ricing outcomes during exits from infrastructure equity
Yes	76%
No	24%

We now examine how much the valuation deviates from the price received on investment exit. The results of this question is presented in Table 22 below. The data shows that infrastructure equity exits typically occur at a modest premium to reported valuations. Most respondents report premiums in the 6–10% (35%) or 11–20% (35%) range, indicating that exit prices often exceed valuations by mid-single to low-double-digit percentages. Another 27% report smaller premiums of 0–5%, suggesting limited uplift. Only 4% report premiums as high as 21–50%, pointing to occasional but notable gaps between internal valuations and actual exit prices.

Overall, the results in this section indicated that the valuations of the infrastructure assets are either not calibrated correctly, or are inaccurate as the disparity between the price received on exit and the valuation is significant. For this disparity to exist, either the valuations are not done frequently enough, or the inputs to the valuation models are chosen selectively to ensure very conservative valuation results. This has significant impacts further downstream, with investors relying on these valuations from everything for return calculations and attribution to risk management.

This section provides a comprehensive snapshot of current practices in the valuation of unlisted infrastructure assets, revealing both areas of consensus and significant variation. While most respondents follow broadly accepted principles, such as relying on discounted cash flow models, forecasting over asset life horizons, and aligning discount rates with market data, there is a marked lack of consistency in how these principles are operationalized. Key inputs such as cash flow forecasts, terminal values, and discount rates are often derived using idiosyncratic or management-led assumptions, and adjustments to these inputs vary widely access institutions.

Table 22 Premiums Realized on Investment Exits Over Last Reported Equity Valuation

This table reports the approximate percentage premiums respondents typically realize upon exiting infrastructure equity investments, compared to the latest reported valuation.	
0-5 %	27%
11-20 %	35%
21-50 %	4%
6-10 %	35%

Perhaps most strikingly, the evidence points to a persistent and systematic underestimation of asset values. The majority of respondents report achieving exit prices above the latest reported valuations, often by substantial margins. This raises important questions about whether current valuation practices truly reflect fair value as defined by accounting standards, or whether they serve more conservative or internal purposes. The misalignment between reported and realized values suggests that either inputs are not being updated frequently or market signals are being insufficiently incorporated into valuation models. In the next section we examine these findings further and discuss how valuation practice can be improved.

Discussion

Overall, the results of the survey presented in the previous section highlight significant areas of improvement that need to be addressed for unlisted asset valuation. These include conservatism in valuations, a lack of responsiveness to market conditions and over reliance of management's forecasts. Furthermore, the lack of consistent processes to determine discount rates, terminal values all create difficulties in producing valuations that are meaningful and informative for investors. These will all be discussed in turn below.

The finding that 76% of respondents consistently realized exit prices higher than their latest internal valuations indicates systematic conservatism. This suggests interim valuations may not adequately reflect fair value, potentially misinforming investment decisions by LPs. Addressing this requires methodological improvements such as employing historical analysis to calibrate adjustments systematically, reducing overly conservative biases.

In another reflection of the conservative approach to accounting valuations, the finding that despite volatile market environments, only 32% of respondents reported actively revaluing assets in response to market stress. This limited responsiveness contributes to valuation smoothing and potentially masks underlying asset volatility and risks, complicating effective risk management and accurate performance attribution.

Turning now to the mechanics of the valuation process, the finding that the respondents split almost evenly between those who support using CAPM and those who do not for determining the discount rate, indicates widespread uncertainty regarding the applicability of traditional financial models to private infrastructure investments. While 95% of respondents agree that discount rates should reflect current market conditions, there is no consensus on the appropriate methods or data sources to determine this, highlighting a crucial area for improved guidance and practice standardisation.

It follows, that given the lack of consensus around discount rates other inputs to the valuation process, terminal value estimation, also faces significant diversity of opinion. Respondents employ diverse models ranging from zero-growth perpetuity to various exit multiples. This further exacerbates valuation inconsistency. This ambiguity directly affects comparability and potentially undermines the robustness of long-term investment performance evaluations.

Finally, this survey has identified an overreliance on management forecasts for valuations. With over 60% of respondents primarily utilize management-provided cash flow forecasts without substantial independent adjustments or scrutiny. This practice introduces risks associated with optimism biases, particularly where adjustments are not standardised or consistently applied, reinforcing the necessity for clearer guidelines on validating and adjusting management inputs.

Most importantly, the survey reveals substantial variability in valuation practices among investors in unlisted infrastructure assets. The lack of standardised approaches makes it difficult for investors, regulators, and other stakeholders to effectively compare asset values, performance metrics, and risks across different managers and funds. Such variability can erode investor confidence, complicate due diligence, and ultimately weaken the overall efficiency of capital allocation in private markets. Consequently, these findings underscore an urgent need for standardized valuation protocols. Developing and implementing clearer, universally accepted guidelines or standards could greatly enhance transparency, comparability, and investor confidence, enabling more informed decision-making and potentially improving overall market stability and integrity.

Given the results of this survey, regulatory bodies and industry standard setters should consider stronger oversight and clearer guidance to enhance valuation reliability. Implementing structured frameworks that mandate transparency in valuation inputs, explicit discount rate calibration, and consistent responsiveness to market conditions would significantly improve investor protection and market efficiency.

This would involve in improving practices in two separate areas. The first would be improving the transparency and comparability of inputs for the valuation of unlisted assets. To promote comparability the following actions should be implemented:

• Discount rates should be anchored to observable risk-free rates plus explicit premia for factors that are known to be priced (sector risk, leverage, size and maturity of asset).

• Managers should decompose the discount rate into its components (e.g., base rate, risk premia) and disclose them in quarterly reporting.

• Inputs such as inflation assumptions, revenue forecasts, and comparator multiples must be cited from external or internal sources with such information available to users of the valuations.

• High/low sensitivity ranges should accompany each key valuation input to allow investors to assess tail risk and upside bias.

The next major improvement in the valuation process would be to improve the valuation processes of the managers. These include the frequency, valuation approach, and internal challenge mechanisms.

• Firstly, revaluations should occur quarterly, and automatically when a significant event occurs that has a material impact on valuation occurs (e.g., refinancing, new contract, asset completion, pandemic).

• The valuations produced by discounted cash flow (DCF) models must be validated against other valuations methods such as market multiples or secondary sales.

• All managers should create a valuation committee which has the mandate to review all changes in valuations that are greater than 5% and as well as override inaccurate valuations, subject to appropriate procedures.

• Finally, at least once a year, independent parties should benchmark valuations.

Conclusion

The survey conducted provides clear evidence of substantial variability and inconsistency in valuation practices among investors in unlisted infrastructure assets. These findings highlight significant fragmentation within the industry, particularly in the methodologies employed, such as forecasting cash flows, terminal value estimations, and discount rate calibrations. This diversity significantly hampers comparability across different investment vehicles, presenting challenges for investors, regulators, and stakeholders in assessing true asset values and investment performance. Moreover, systemic conservatism in valuations was identified, with the majority of respondents consistently achieving higher exit prices compared to their internal valuations, predominantly reflecting premiums ranging from 6% to 20%. This reveals a potential structural bias within current valuation methodologies, calling into question the accuracy and reliability of interim valuations and their alignment with fair value.

Additionally, the survey underscores limited responsiveness among investors to changing market conditions, with only a third actively adjusting valuations during market stress periods. This rigidity could lead to valuation smoothing, masking volatility and creating risks for accurate performance measurement and risk management.

The lack of consensus on the appropriate application of financial models, especially the Capital Asset Pricing Model (CAPM), further underscores the uncertainty prevalent in the industry regarding suitable valuation techniques for private infrastructure assets. Coupled with ambiguity around terminal value calculation methods and an over-reliance on management forecasts, these practices amplify risks associated with valuation accuracy.

Given these insights, there is an urgent need for enhanced governance frameworks and standardized valuation protocols to foster transparency, comparability, and investor confidence. Regulatory bodies and industry stakeholders should actively pursue the development and implementation of clearer valuation guidelines, incorporating explicit calibration of discount rates, rigorous validation of management inputs, and proactive responsiveness to market dynamics.

Future research should focus on empirical analyses of management forecast accuracy, longitudinal studies on valuation consistency, and explorations of valuation adjustments during market stress. These areas present promising avenues for deepening our understanding and ultimately improving valuation practices within the unlisted asset market. Through these measures, the industry can significantly enhance the integrity and reliability of valuation outcomes, promoting healthier investment environments and more robust investor decision-making.

Survey Questions from EDHECinfra Valuation Survey

1. Describe your organisation's role in the context of infrastructure investment.

2. What infrastructure asset class do you invest in? If you invest in both, please select the one your are most active in.

3. How would you characterize your unlisted infrastructure equity investment strategy? Select your dominant strategy if you focus on more than one.

4. Which of the below classification(s) do you use to segment unlisted infrastructure equity investments?

- TICCS: The Infrastructure Company Classification Standard
- GICS: Global Industry Classification Standard
- NACE: Nomenclature of Economic Activities
- Other (please specify)

5. Which of the characteristics of a private infrastructure asset or financial markets affect your valuation of private infrastructure equity? Select all those that apply.

- Size
- Leverage
- Profitability
- Growth
- Market-driven revenue model (e.g., price determination)
- Early investment stage (e.g., greenfield stage)
- Short term interest rates
- Long term interest rates
- Industry valuation

6. Please rank these characteristics in importance (1 is the most important).

- Size
- Leverage
- Profitability
- Growth
- Market-driven revenue model (e.g., price determination)
- Early investment stage (e.g., greenfield stage)
- Short term interest rates
- Long term interest rates
- Industry valuation

7. Do these characteristics lead to higher or lower equity valuations (i.e., a higher exposure to factor A tends to lead to higher (+) or lower (-) valuations?

- Size
- Leverage
- Profitability
- Growth
- Market-driven revenue model (e.g., price determination)
- Early investment stage (e.g., greenfield stage)

Appendix

- Short term interest rates
- Long term interest rates
- Industry valuation

8. How frequently do you update the valuation of private infrastructure equity?

9. During periods of market stress (e.g., Covid) do you perform valuation more frequently?

10. Which approach for estimating the future cash flows of private infrastructure companies do you agree with most?

11. What is your preferred time horizon for future cash flow estimation?

12. Which of the below adjustments do you make to estimated future cash flows? Select all those that apply.

• Increase cash flow by categorizing operating leases as financing expense

• Decrease cash flow by impairment of assets from unexpected business risks (e.g., climate change)

- Increase cash flows due to anticipated synergies from future potential acquisitions
- Other (please specify)

13. Do you estimate a positive terminal value for unlisted infrastructure equity assets?

14. What is your preferred method for the estimation of terminal value?

15. Do you think the capital asset pricing model (CAPM) is appropriate for computing discount rates for private infrastructure assets (when in portfolio or being screened)?

16. Do you agree that to arrive at fair value, discount rates should be calibrated to reflect the latest market information? (IFRS & U.S. GAAP define fair value as prices paid in arm's length transactions.)

17. What pricing data do you use to calibrate the discount rate to reflect the latest market information?

18. How many comparable private transactions do you observe in any given quarter?

19. What listed proxy do you use for private infrastructure equity?

20. What, in your view, is the main reason for not calibrating the discount rate to market information in private infrastructure markets?

21. When investing in infrastructure equity, what do you foresee as being the key source of return from the investment? Please select the top three.

- Decrease in interest rates
- Asset revaluation
- Consistent cash flows
- Increasing cash flows
- Other (please specify)

Appendix

22. During investment exits, do you typically manage to achieve a price greater than the latest reported equity valuation?

23. Approximately, what percentage premium do you realize on investment exits when compared to the latest reported equity valuation?

24. During periods of market stress (e.g., Covid) do you perform valuation more frequently?

25. What is your job title?

26. In what country are your business headquarters?

27. Where are your invested infrastructure companies' headquarters located? Select all regions that apply.

- North America
- South America
- Western Europe
- United Kingdom
- Rest of Europe
- Oceania
- Asia
- Africa

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