

June 2020 | Video transcript

Investing for the long-term: 'Be patient and focus on the big trends'



Michael Sabia, chairman of Canada Infrastructure Bank, shares his views on how infrastructure and real-estate investors can succeed in an increasingly uncertain world.

The Global Infrastructure Initiative (GII) Summit, held virtually in June 2020, featured a panel discussion on “Resetting after COVID-19.” Michael Sabia, newly appointed chairman of the Canada Infrastructure Bank, was one of the panelists.

Sabia assumed his new role in April 2020, after 11 years as president and CEO of Caisse de dépôt et placement du Québec (CDPQ), an institutional investor with more than C\$340 billion (approximately US\$250 billion) in assets in private equity, infrastructure, and real estate worldwide. Sabia is also the director of the Munk School of Global Affairs and Public Policy at the University of Toronto.

Following are edited excerpts of his remarks.

Video transcript

Michael Sabia: I'll speak as an investor and I'll just make a few points. First point: I think investors in this circumstance need to be patient. Infrastructure investing is a long-term game and it's not something that should play out over a period of months; it's something that plays out over a period of many years. I don't think the consequences of the pandemic—and the first-time-ever shuttering of, essentially, the global economy—have yet begun to fully reveal themselves. And until such time as we have a vaccine, I think it's going to be very difficult to understand what the next normal looks like from an infrastructure point of view. So all that says to me as an investor is, “Be patient.” This should be long-term capital, and things need to unfold before there'll be enough information to try to make broader decisions. That's number one.

Number two: I think it's also important for investors to act and to think surgically. What do I mean by that? If you look across the range of infrastructure categories and subcategories, many of them have demonstrated a tremendous amount of resilience, both to the pandemic itself and to the pandemic's economic consequences. I'm thinking here about things like logistics, anything to do with digital infrastructure, power systems, renewables, water systems. All of that continues to be very positive.

I agree that the pre-vaccine period is a bumpy period. But if you're a long-term investor—if you're thinking post-vaccine—and if you're already the owner of those assets, then ask yourself: Is travel going to come back step by step in a post-vaccine world? I think so. Will people continue going downtown, going to offices? Those offices will probably be differently configured, but will people continue to go? I think so. In other words, if you have a high-quality asset or if you had a high-quality asset prior to the crisis, I think there's a pretty good chance you're going to have a high-quality asset postcrisis. Now, it's true that volumes may change, and that may have some impact on overall returns. But are they likely to be something that transforms a high-quality infrastructure asset into a bad investment? I don't think so.

I know a lot of people who wrote, in the midst of the 2008–09 financial crisis, that the world will never be the same—that in whatever way the world emerged from that crisis, it would be very different than the world prior to the financial crisis. Well, I don't think that happened. I think, actually, the years that followed the financial crisis in some ways were perhaps too similar to the world that preceded it. Now, in saying that, I'm not diminishing the consequences of what's happened here. They're obviously important.

But I also think it's important, in the midst of a time like this, to remember that there are fundamental economic and social trends driving the evolution of our world—and those things are going to continue. Climate change, geopolitical evolution, technological change and the impact it has on job safety—those things are going to continue because those are the underlying big drivers of the evolution of our world order. As an infrastructure investor, we need to be focused on a lot of those underlying issues. There's a tendency in these circumstances to overstate what might be going on and to not focus on those long-term continuing trends—big things like climate change that will transform our world. There are big opportunities in infrastructure around climate change.

This is an excerpt from McKinsey's Global Infrastructure Initiative (GII) Summit, held virtually on June 10–11, 2020. For more on the GI Summit, visit globalinfrastructureinitiative.com.

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