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Infrastructure investing is a network business



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Infrastructure is often viewed as a collection of individual assets: a dam, a port, a transmission line, a water scheme. But that framing misses the real investment case. Infrastructure does not create value in isolation. It creates value through connection.



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During a recent Ninety One site visit to one of the Trans-Caledon Tunnel Authority's major water projects, the scale of the asset made the investment opportunity feel immediate and tangible. It also raised an important question: if the physical asset is so visible and understandable, why invest through a diversified infrastructure fund rather than directly in a single project?

The answer lies in the difference between owning one vulnerable node and gaining exposure to the resilience and growth of the wider network. Individual assets may seem discrete and easy to understand, but they are part of larger, interconnected systems – energy grids, water value chains and transport corridors – whose value depends on the strength of the broader network. For this reason, infrastructure exposure is rarely built through standalone projects, but through diversified portfolios spanning sectors, assets, regions and counterparties.

Power plants depend on generation, transmission and distribution networks. Water schemes rely on river catchments, storage and transfer systems that serve multiple regions. Transport corridors connect production centres to ports and markets. In every case, the economic value of a single asset extends well beyond its physical location. Its impact is shaped by the connectivity, productivity and returns it enables across the wider economy.

The Lesotho Highlands Water Project is a powerful example of this geographic network effect. While the physical infrastructure is in Lesotho, much of the economic benefit accrues in South Africa's industrial heartland. By supplying water into the Vaal River System, Lesotho effectively serves as a strategic reservoir for Gauteng, a province that contributes about 35% of South Africa's GDP and supports major industrial users such as Sasol and Eskom¹.

Viewed through this lens, South Africa's emerging infrastructure opportunity becomes clearer. Public-sector infrastructure ambitions remain substantial. The 2026 Budget Review estimates that national government, municipalities, provinces and state-owned companies will spend more than R1 trillion on capital investment over the next three years.

This is not a single pool of capital earmarked for new projects. It is spread across various public entities and programmes, with a significant share allocated to maintaining and upgrading existing infrastructure networks.

At the same time, fiscal constraints and capacity pressures mean the state cannot deliver the full pipeline of investment needed to strengthen electricity transmission, expand logistics corridors, secure water supply and improve social infrastructure. As a result, policymakers are increasingly looking to private capital to help finance these systems alongside public institutions.

Turning infrastructure plans into projects on the ground, however, is rarely straightforward. Projects often require years of preparation before they are ready for financing. In practice, the pace of infrastructure investment is shaped less by the availability of capital than by the ability to prepare, structure and scale bankable projects.

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1. World Bank, Lesotho Highlands Water Project Case Study, 2008 (updated); and Statistics South Africa, Provincial GDP data, latest available release.

In South Africa, that process is still evolving. Government remains central to the system – both as owner of key infrastructure networks and as the architect of the policy and regulatory frameworks that shape investment opportunities. Reforms aimed at improving project preparation and attracting private capital are gradually creating a more investable environment across priority sectors such as energy, transport and water.

This complexity is precisely why investors typically access infrastructure through specialist strategies rather than individual projects.

As South Africa works to modernise and expand its infrastructure systems, the role of private capital will become increasingly important.

As South Africa works to modernise and expand its infrastructure systems, the role of private capital will become increasingly important. Public resources alone are unlikely to meet the scale of investment required to strengthen energy systems, improve logistics corridors, secure water supply and expand digital connectivity.

Encouragingly, sector reforms, growing institutional investor interest and a gradually strengthening project pipeline are beginning to create a more investable infrastructure landscape.

For investors, infrastructure offers exposure to the essential assets that underpin economic activity while generating the potential for long-term, attractive, income-oriented returns. Diversified infrastructure portfolios provide a practical way to participate in the development of these critical systems – and in the long-term growth of the real economy.

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