



Yield Optimization and Risk-Adjusted Returns for Infrastructure Institutional Investors

An interactive roundtable organized by InfraCredit, bringing together Chief Investment Officers, Chief Risk Officers of selected pension funds to explore innovative mechanisms for yield optimization and risk-adjusted returns in infrastructure investment. The session provided a platform to discuss practical applications of the Tranche Guarantee Structure and its role in enabling institutional investors to achieve higher returns while maintaining investment-grade credit quality in long-term, local-currency infrastructure financing.



Background

Nigeria's infrastructure financing gap remains significant, underscoring the urgent need for long-term domestic capital to support sustainable economic growth. Although the country's pension industry now manages over ₦22.5 trillion in assets, less than 1% of these funds are currently invested in infrastructure or private sector projects. This limited participation is not due to a lack of capital, but rather a persistent mismatch between available investment instruments and institutional investors' need for safety, liquidity, and yield balance.

Traditional fixed-income instruments have not adequately combined capital preservation with return enhancement, leaving pension and insurance portfolios heavily concentrated in short-dated or government-backed securities. Bridging this disconnect requires innovative credit structures that can both de-risk infrastructure assets and deliver competitive, risk-adjusted returns to investors.

To address this gap, InfraCredit has developed the Tranche Guarantee Structure, an innovative investment model that introduces differentiated risk–return layers within a single infrastructure transaction. Under this model, Tranche A is fully backed by InfraCredit’s unconditional and irrevocable guarantee, creating a AAA-rated investment-grade security that preserves capital and provides predictable cash flows. In contrast, Tranche B is an unguaranteed tranche structurally stapled to Tranche A, benefitting from shared covenants, monitoring, and cross-default protections while offering higher yield to investors willing to assume moderate exposure.

This “stapled” structure ensures that investors in Tranche A also hold a minimum portion of Tranche B, fostering risk alignment, governance discipline, and shared accountability. Through this innovation, InfraCredit is enabling pension funds, insurance companies, and asset managers to participate confidently in larger-ticket infrastructure transactions, diversify their fixed-income portfolios, and achieve better pricing outcomes all while supporting the development of Nigeria’s local currency capital markets.

Strategic Objective

The Yield Optimization and Risk-Adjusted Returns Knowledge Exchange Programme was convened to deepen institutional investors’ understanding of innovative credit structures, particularly the Tranche Guarantee Structure as a practical solution to bridge the gap between investors’ risk-return requirements and the long-term financing needs of infrastructure projects.

The session sought to demonstrate how structured credit enhancement can align safety with superior yield performance, allowing pension funds, insurance firms, and fund managers to diversify fixed-income portfolios without compromising credit quality.

Participants

The Investor Roundtable brought together 17 Chief Risk, Investment and Compliance Officers, from 7 pension funds.



Summary of Feedback from Pension Funds



Pricing and Yield Expectations:

Investors expressed the need for clear and competitive pricing, with some suggesting a premium of 100–150 basis points for Tranche B..



Documentation and Stress Testing:

Participants requested detailed documentation, including stress testing scenarios, to support internal approvals and address concerns about systematic shocks and capital preservation.



ESG and Climate Risk Integration:

Questions were raised about the integration of ESG and climate risk factors into the risk assessment and pricing models.



Case Studies and Market Examples:

Investors requested more case studies and examples of similar transactions, both locally and internationally, to help convince their boards and demonstrate the effectiveness of the model.

Conclusion

The Yield Optimization and Risk-Adjusted Returns Knowledge Exchange Programme underscored the growing readiness of Nigeria’s institutional investment community to embrace innovative instruments that balance credit quality with competitive yield.

Participants agreed that InfraCredit’s Tranche Guarantee Structure represents a timely and practical innovation capable of bridging the divide between infrastructure financing needs and investor requirements for predictable, risk-adjusted returns. The model’s built-in features credit enhancement, covenant protection, and shared monitoring were viewed as strong enablers of confidence and alignment across all stakeholders.

The roundtable reaffirmed that yield optimization through tranche-based securities can serve as a catalyst for deepening Nigeria’s domestic debt capital markets.



INVESTOR'S
**ROUND TABLE
DISCUSSION**