

The Infrastructure Equation

DISTINGUISHING ESSENTIAL SERVICES FROM DURABLE BUSINESSES

This is part of the I Squared Infrastructure Explained series, which explores how we define, allocate to, and invest in infrastructure.

Infrastructure supports the systems people rely on every day, from energy and transportation to data and logistics. But not all infrastructure offers the same investment characteristics. Across sectors, the opportunity set has expanded beyond traditional assets to include a wide range of essential services and platforms.

At I Squared, we focus on assets that deliver essential services, are positioned to generate dependable income and growth, and hold a defensible competitive position. This position or “moat” can be physical, such as owning a port where there is no alternative port, or contractual, such as holding a long-term government highway concession; either way, it creates a high barrier to entry for competitors.

I Squared’s Infrastructure Equation



ESSENTIAL DEMAND



MOAT



I INFRASTRUCTURE

Not every essential service is a good investment, in our view. Infrastructure becomes compelling when demand is essential and the economics are protected.

ESSENTIAL DEMAND: SERVICES THAT MUST WORK

- Used every day
- Critical to society or economic activity
- You notice immediately when it fails
- Needed in good times and bad

MOAT: WHAT PROTECTS THE ECONOMICS

Physical Moat

- Hard to replicate or bypass
- Limited routes, locations, or access

Contractual / Structural Moat

- Long-term agreements or regulated frameworks
- Predictable, visible revenue
- High switching costs or embedded relationships

Applying the Infrastructure Equation

GAS PIPELINE

ENERGY TRANSPORT



ROUTE SCARCITY + CONTRACTS



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STUDENT TRANSPORTATION

MOBILITY



CONTRACTS + ROUTE DENSITY



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GAS STATION

FUEL DISTRIBUTION



LOW BARRIERS + HIGH COMPETITION



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The Takeaway for Investors

Not all essential services are strong businesses. While many infrastructure assets are important, their investment quality depends on whether their economics are protected. Focusing on the presence of a moat helps distinguish between businesses with durable, predictable cash flows and those that remain exposed to competition or volatility.

This distinction matters because it shapes how infrastructure behaves as an investment. Businesses defined by essential demand and protected economics can offer a different set of characteristics than more cyclical or sentiment-driven assets. The next question is how these characteristics translate into a portfolio context.