

# Denmark's Frankenfund – it's live...

---

**Angus Leslie Melville**

11/08/2017

This week witnessed the birth of a fund that bears all the hallmarks of Frankenstein's monster and it has now been unleashed on emerging markets. In a staggering display of Nordic good sense, Denmark's largest company – a global leader in the ports and shipping space – has been spliced with three pension funds to create a monstrous vehicle to invest across African infrastructure and energy.

Dr Frankenstein's hand must have been at work as they fused two very different types of organisation from four bodies into the one Frankenfund. The partnership between a large industrial player and three pension funds from its home country has to be a new breed, brought to life by the artifice of an evil genius.

The team is led by AP Moller Capital (\$150 million invested in the new fund), the recently-formed investment management sub-division of AP Moller Holding, which controls Moller-Maersk.

The other parties are

- PensionDanmark – the blue-collar pension fund (\$150 million)
- PKA – labour market fund similar to PD (\$150 million)
- Lægernes Pension – Denmark's pension fund for medical doctors (\$100 million)

It hit first close this week with \$550 million in the kitty, exuding confidence that they will reach the \$1 billion target within one year... though some are hinting that it will make final close before the start of 2018.

With a swagger that is a little less customary for a northern European organisation, AP Moller Capital has named it "Africa Infrastructure Fund I" – pointing to its confidence that not only will it bring in a great deal more cash before final close... but that more funds will follow.

The Africa fund will primarily operate out of offices in Dubai, led by Kim Fejfer who spent the last 12 years at Moller Maersk growing APM Terminals into one of the world's most successful port operators.

Fejfer took up this new role at the end of 2016 and is supported by:

- Lars Reno Jakobsen – until recently a senior VP at AP Moller where he was focused on Africa and, like Fejfer, is very much a ports man
- Jens Thomassen – joins from Denham Capital, bringing infra fund knowledge having previously been a director at HGC Capital (2007-12), and GE Financial Services prior to that (2004-07)
- Joe Nicklaus Nielsen – proving you can't have too many ports people (starting to notice a trend yet?). He is a dyed-in-the-wool APM Terminals person having worked there since 1998, most recently serving as VP for port investments and then interim CFO

You would be forgiven for thinking that the primary focus would be port terminals, but that is anything but the case,

according to Fejfer. It will target core transport and energy to start with. Before long, of course, it will (like all other funds) career down the time-honoured path of stretching the definition of infrastructure to encompass anything they want.

As to focus nations, while they are not ruling out any at this stage (apart from the obvious ones, obvs) the initial priority list includes: Morocco, Egypt, Ethiopia, Kenya, Tanzania, South Africa, Nigeria, Ghana, Cote d'Ivoire and Senegal.

And to do this, they are going to need bodies. The four-strong team will expand to around 20 people, spread across two offices in Dubai and Copenhagen. The Danish team will lead investor relations and fund operations, while the Middle East will drive investment activity.

Fejfer says the fund's focus will be energy and transport-related infra encompassing everything from power generation and distribution through to renewables, rail, roads, airports and distribution centres. When it comes to ports, he ruled out container terminals but did leave the door open to other facilities.

"We have, of course, been working on a pipeline of relevant investment opportunities, and now with the first close achieved, these projects will move into the next phase," says Fejfer. "But this is Africa and things can take a little longer than you would expect. It is more important that we make good solid investments where we know the risk we will be taking, rather than landing fast and quick with our first investments."

### **Word from the pension funds...**

With some DKK223 billion (\$35.2bn) AUM, PensionDanmark has around 11% exposure to the infra space. The fund is already invested in Africa in farmland, sustainable farming projects and a number of renewable energy infrastructure projects. It is a co-investor in Lake Turkana Wind project in Kenya.

In this space, the pension fund is primarily invested in the likes of wind farms, biomass and transmissions facilities – primarily in Western Europe and North America.

Torben Möger Pedersen, chief executive of PensionDanmark, says: "Our intention with the new fund is to increase our investment in Africa."

He adds: "We established a new type of partnership between the owner family behind the large Danish shipping conglomerate – AP Moller Holding – and our three pension funds. The idea is to tap in to the experience of the AP Moller group in Africa where they have been active for many decades, doing that by using people with the right background and market understanding.

"Most infrastructure funds are run by people with a finance background and are backed by the likes of Goldman and Morgan Stanley, but this is a genuine partnership with people who have boots on the ground and with an industrial – not a financial – background."

With DKK260 billion (\$41bn) assets under management, of which 6-7% is already invested in the infrastructure space (mostly in developed markets), PKA is no stranger to this sector and has a team in place to maintain that.

It is involved in four offshore wind farms (direct investors) in northern Europe and a biomass plant in the UK. It is also invested in several infra funds around the US and Europe through which they are invested in everything from gas networks and distribution through to road and rail.

Peter Damgaard Jensen, chief executive of PKA, says: "We know from our existing funds that what we really end up investing in can be slightly different to what we say at the beginning that we would be investing in. However, working with Maersk – with its expertise in terminals around the globe, including Africa, and with a great deal of expertise in that area – it would be natural that we at first looked at infrastructure connected to terminals."

He adds: "We have been investing in emerging markets for the last 10 years, both in private equity and in some infrastructure projects. Our experience is that some of the countries that have had some development are often easier to

find projects in than those that are starting from zero.”

As for Lægernes Pension, it is the least active player in the infra space with just 2% of its DKK115 billion in assets allocated to the sector – which echoes its involvement in this new fund as the smallest contributor. However, in coming years the pension fund plans to raise this to 5% which will be achieved through this fund and future funds, and – to be honest – mostly through wind farms.

Chresten Dengsøe, chief exec of Lægernes Pension, says: “The team has many years of experience and a proven track record in the region and we expect them to provide attractive investment opportunities going forward.”

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-in](https://www.ijglobal.com/sign-in), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*