IJGlobal

Infra funds – global fundraising

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While 2018 failed to log a mega fund final close – something infra hacks love to hang a story round – this last year managed to break fundraising records across a slew of smaller vehicles, the vast majority of which are (not surprisingly) focused on equity.

Having set a fundraising benchmark of almost $100 billion in a calendar year, it feels like the race is on to beat it again in 2019… and we're already off to a flying start.

Our data analysts have already logged final closes on three funds in January with a combined value of $5.6 billion, and they anticipate a further $19.7 billion to follow in Q1.

The largest fund to have closed so far this year is MIRA's $5 billion Macquarie Infrastructure Partners IV. This is a 10-year, closed-ended, unlisted fund targeting core and core-plus equity, primarily brownfield infra across North America. This fund came in $1.5 billion higher than target.

January has also seen final close on the $500 million New Energy Capital Infrastructure Credit Fund II by New Energy Capital. Its fund strategy includes the full gamut of equity, senior debt and mezz for renewables in North America.

The other final close so far this first quarter is the $142 million Nouvelles Energies by RGreen Invest which has a two-year fund life and a one-year investment period. This is more of a bridging debt fund for European renewables and sits a little uncomfortably next to the other two.

With another $19.7 billion of fundraising slated to close this quarter, 2019 is off to a flying start. Primary among these funds is the Europe-focused Ardian Infrastructure Fund V with a €5.5 billion target, followed by Digital Colony Partners with a target size of $3 billion (it will exceed the $4 billion hard cap) and a largely North America digital infra focus.

With the speed that funds are raised, we fully expect some that have been announced fairly recently to close in quick order. This is to be expected – as often as not, once word leaks out that they're in the market again, they have already pulled in a healthy chunk of capital and the rest trundles in once word reaches the cheap seats.

However, there is no doubt that mega funds are here to stay. It has been two years since GIP's Global Infrastructure Partners III closed at the start of 2017 with $15.8 billion. Its closest rival is the $14 billion Brookfield Infrastructure Fund III from the end of 2016. It's quite a long way down to the next biggest fund – GIP's $8.25 billion Global Infrastructure Partners II from 2012... which possibly does not warrant the mega pre-fix.

On the open-ended side of the market there is the $40 billion Blackstone Infrastructure Partners that was announced by the US-based private equity manager in May 2017. It will focus 70% of its capital in North America and the Public Investment Fund of Saudi Arabia made already committed $20 billion, but this is reliant on matching funds.

With those funds on the immediate horizon, it's quite clear that mega funds are alive and kicking.

Regional focus…

Looking back over the funds to have made it to final close in the last calendar year, it is interesting to note their regional focus.

Of all the funds to have closed, 13 have a global focus. Most of these keep their investment options open to pretty much anything that even has a whiff of infra about it from any corner of the planet, though two of them focus purely on telecoms, and one each for renewables and mining.

And then you have the sufficiently-vague "multiple" categorisation which likely rules out riskier parts of the planet, but leaves the door open to enjoy access to "multiple sectors".

North America and Europe remain dominant with 21 and 18 respectively. That is pretty much to be expected. It is at the other end of the scale where we can expect to see moment in the near future.

Only three funds from last year were targeting infra across Asia Pacific, a mere two for Latin America, and a lonely one for Sub-Saharan Africa. This is something we anticipate will shift in the short term, particularly for APAC.

In November, we reported on the launch of a maiden infra fund by ARA Asset Management with an early-stage target of $1 billion with a primary strategy for APAC, but leaving the door open to invest in Europe. Grant Dooley was brought on board from Hastings last April and sources say fundraising is already doing well.

The same month *IJGlobal* also reported that KKR was planning its first Asian infra fund with a target size of between $1.5 billion and $2 billion. At the same time, it announced that it had hired in Hardik Shah from Brookfield and it is understood he will be playing a key role in driving this fund.

Meanwhile, earlier last month (January), we reported that Global Infrastructure Partners planned to raise an India-focused infra fund. It is understood that MK Sinha – managing partner and co-head at GIP India – will lead this fund after the sale of Highway Concessions 1 (HC1), the road platform it acquired from IDFC Alternatives last April.

Evolve or stagnate

Infrastructure funds can never stand accused of being resistant to change and those that have stagnated have disappeared without a trace.

As competition drives up prices for true infrastructure assets in established markets, funds are being forced to lean move beyond core-plus to embrace core-plus-plus – or forge ahead into unmapped territory.

What could go wrong? Oodles of cash. Unmapped territory. Unfamiliar acquisitions.

Nyah – it'll be fine.

