

Infra fundraising – oops we did it again

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It's unseemly to crow about one's victories in the heavily-contested area of data gathering on fundraising by unlisted, global infrastructure funds... but sadly, it's also irresistible.

Over the course of 2018, *IJInvestor* logged final close on \$104 billion raised by funds – closed- and open-ended, with equity and debt strategies – putting us a country mile ahead of our rivals.

Without being so crass as to thumb our noses at competitors – *Infrastructure Investor*, *Preqin* and *Inframation* – it feels just to point out that across the same time period (full-year 2018) the best of them logged just \$85 billion, while the lowest came in at just \$80 billion.

That's \$20 billion of clear water between us and our closest rival.

For those of you who doubt these claims, feel free to run an eye over the quarterly editorial (bearing in mind that, as with all data research, it is fixed for that one day so the numbers that follow will not exactly reflect the copy) for the publication of each infra fund report:

- [Q1 2018](#) – \$25.4 billion
- [Q2 2018](#) – \$23.4 billion
- [Q3 2018](#) – \$39.9 billion
- [Q4 2018](#) – \$14.8 billion

And there we have it. A cool \$104 billion of funds raised throughout the course of 2018 to target equity (primarily) in addition to mezz and senior debt across global infrastructure and energy... and core plus (whatever that ends up being).

Now that the crowing's starting to get a bit old, having focused heavily on equity in the last editorial, let's take a look at debt funds that have been the source of so much discussion in recent years.

Infra debt funds

Amounts raised by unlisted infrastructure debt funds over the course of the last three years has been in steady decline with \$9.51 billion raised in 2018; \$13.46 billion raised in 2017; and \$16.14 billion in 2016.

While debt plays a significant role in all of these funds, it is not an exclusive focus for some.

This last year – 2018 – the \$9.51 billion was achieved through 12 funds:

- \$5.33 billion – senior debt only, across five vehicles
- \$807.55 million – mezz only, across two vehicles
- \$3.37 billion – five mixed (equity/debt) funds

The year before – 2017 – a total of \$13.46 billion was raised by 19 funds through:

- \$5.92 billion – senior debt only, across nine funds
- \$1.18 billion – senior debt and mezz, across three vehicles
- \$2.68 billion – two mezz-only funds
- \$3.67 billion – five mixed funds (equity/debt)

Meanwhile in 2016, some \$16.14 billion was raised by 19 funds:

- \$6.61 billion – five senior debt funds
- \$2.07 billion – five vehicles with a senior debt and mezz strategy

- \$2.99 billion – mezz only, by two vehicles
- \$4.47 billion – seven funds with a mixed strategy of equity/debt

To give a flavour of the nature of these funds, the last five to have closed towards the end of 2018 are:

- [Archmore Infrastructure Debt Platform II](#) – UBS Asset Management’s \$1.13 billion fund that hit final close in December and targets debt on core infra across Europe
- [Eiffel Energy Transition](#) – Eiffel Investment Group’s \$397.12 million fund to target debt on European renewables – FC November
- [Darby Latin American Private Debt Fund III](#) – Darby Overseas Investment’s \$300 million fund focused on equity, debt and mezz on LatAm infra – FC October
- [C2 Taiyo Fund I](#) – C2 Energy Capital’s \$21 million fund focused on equity and debt on (broadly) renewables in North America – FC October
- [Prudential Capital Energy Partners](#) – Prudential Capital Group’s \$343 million fund focused on mezz in North American energy – FC September

Sticking with the time scale from above – vehicles that achieved final close from start 2016 through to end 2018 – geographic and sector focus is key to give a solid view of market direction.

Geography:

- Europe – 28 funds
- North America – 22
- Asia Pacific – 19
- Latin America – 12
- MENA – 7
- Sub-Saharan Africa – 6

Sector focus:

- renewables – 43
- power – 36
- transport – 30
- oil and gas – 28
- social infra and defence – 24
- water – 24
- telecoms – 14

There you have it: debt for European renewables is quite clearly leading the field by number of funds. And with primary financing (and refinancing) of offshore wind gathering pace, that debt should find an easy home – but may struggle against an increasingly competitive banking sector.

View from the front row

Casual perusal of the stats leads one to believe that infra debt funds are in terminal decline – plummeting from \$16.14 billion in FY 2016 to \$9.51 billion last year – but the truth is far from that.

Talking to people in the industry this week, there was broad recognition that 2018 had been something of a fallow year, but expectation is that 2019 will witness a bounce. Perusal of the *IJInvestor* database reveals that 119 funds are currently out fundraising, targeting a combined \$85 billion.

Granted, it is a wide lens through which to view a global market... all infra sectors (including ones that would give the infra purist a migraine) in all corners of the world.

One senior figure at a well-known infra debt fund bemoans it’s a challenging topic to discuss holistically, adding: “In established markets, the core sector has been under pressure as too many people chase too few opportunities – and they have responded in different ways. Some have become more opportunistic while others have specialised, and others again have broadened it out.”

He goes on: “The sense I get is that the hype ran well ahead of reality – but reality has been established now. You don’t find people out on the road offering assets that reflect the UK and Dutch markets of six years ago. Furthermore, with the rise of impact and green funds, a lot of what

falls in the infra space can also be categorised as energy and green.”

However, another does not see diminished interest: “Every time we have raised funding, we have brought in roughly what we wanted. We haven’t had to scale people back or shut things down, but – equally – we have not been 10-times over-subscribed.”

As to whether that was down to the team gauging the market bang on, or not over-egging the pudding – the source could not call it.

The bigger the player, the greater the success on fundraise and deployment, but there will always be a place for niche funds with a well-honed focus.

As one senior source says: “Organisations that allocate capital to debt funds tend to be sizeable, and they go large when they participate. We have had various re-ups from clients in the multi-hundreds of millions each time, but this tends to be quite lumpy. This year so far we have seen a tick-up in amount of capital potentially coming into this space, as opposed to a tick-down.”

There seems to be an inexhaustible amount of debt in the market willing and ready to target infrastructure and energy – of which infra debt funds form part of the solution – all we can hope is that there are enough targets for it all.

In the meantime, we at IJ will just continue to do a better job than our rivals mapping the market and identifying its scale during fundraise and deployment (thumbing nose all the way).

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