Infra funds – it’s hammer time

Angus Leslie Melville

27/04/2018

Infrastructure’s full of surprises. Hardly a week goes by that the eyebrows don’t shoot up to the hairline (still got one) over some development or another. And this last week has seen more than its fair share of surprises.

Last week’s Friday Editorial gave an early view of our findings to be published in the *IJInvestor: Funds & Investor Report*. This was an editorial that did not go without remark. It incurred the wrath of *IJ* Funds Editor Viola Caon who, in the future, won’t be letting me see the numbers until she’s ready to publish them.

Last Friday we were crowing at having identified 16 first quarter 2018 final closes for infra funds valued at $21.6 billion – which compares favourably with our rivals who had as few as 4-7 final closes in Q1 with capital raised amounting to $5.7 billion at the lowest end, and a bit over $10 billion at the upper.

Shortly after hitting the send button on the weekly editorial and sinking back into the chair, breathing a sigh of relief, an email popped up on the screen from a fund manager: “We would be interested in a trial. Curious if you had our $1.27 billion close on your list?”

Stress levels spiked again. Question shot out to the data team. Viola throws a filthy look, grinds her teeth and prepares to re-write her executive summary. And lo – we didn’t know about it. Nobody knew about it.

And that’s the beauty of live data, it ain’t set in stone until you publish (which, fortunately we have not done yet).

So it’s with another bellowing guffaw of delight – this one louder than last week’s – that we hammer home the message that Q1 2018 infra fund final closes NOW sits at 16 with a value of $23 billion.

To repeat the message from last week, $23 billion does represent a considerable drop when compared to Q1 2017’s figures of $30.75 billion. But it looks fairly respectable when you strip out GIP’s spike fundraise of $15.8 billion.

Without GIP, the underlying market sees adjusted figures of $14.95 billion compared to Q1 2018’s $23 billion which is a more fair comparison… but then – blow it – GIP did close its monster fund, so we’re down, well down!

If you want to receive a copy of the report that shall be published shortly, email me at angus.lm@ijglobal.com

A curious climate

One of the elements of the report that was highlighted in last week’s editorial was that 70% of capital raised in Q1 2018 was pulled together by the five largest funds.

Mulling over the data with the team, one is left wondering whether fundraising getting easier?

To the casual observer, it would appear that it is as infra funds amassed $23 billion by the end of Q1 – a wall of cash by anyone’s estimation, especially when you look at the last three full-years of fundraising stats:

- $70.58 billion – 2017
- $74.8 billion – 2016
- $87.85 billion – 2015 (the all-time market high)

So far in Q2, *IJInvestor* has logged one further final close and a first close across equity and debt.

Talking to chums around the industry this week, the general consensus is that – yes – it's a lot easier to fundraise nowadays… but there's a caveat or two to throw in there.

One infra debt fund manager says: "If you have good track record and a compelling story, yes, it's easier. For infra debt, investors are becoming more selective. If you have a solid asset management platform and you have delivered on the investment side, it is still complex… but you have more opportunities now than you used to."

Another fund manager says: "If you need a few gazillion, it seems pretty easy to raise equity… from what I read in your paper, anyway! As for debt, it's about how many investors have a need for the type of assets that debt represents in this market.

"It's like everything – despite all the warnings that past performance is not a reliable indicator of future results – the reality is, if you have track record it's becoming relatively easy. And since the sector is becoming more understood by ever more people, easier again."

Another adds: "A lot of people are starting to think the sector is over-heated, but if people are already established, it's not a problem. We have not encountered any problems raising capital – it's more about managing the flow."

There we have it. It's about as easy to raise money for infra funds as it is for that beggar who has worked the same patch for years… you know the one… just below the swanky car showrooms on Berkeley Square.

All it takes is for a couple of infra fund managers to promenade by and share some of their largess and Billy's off home to his Pied a Tèrre in Orpington.