

# Infra funds – cards on the table again

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In anticipation of publication of our quarterly funds and investors report, the temptation is too great to hold back our key findings, laying our cards on the table and smiling knowingly at rivals that our data wins the day again.

The [IJInvestor](#) data team has been slogging its collective heart out for the last three months, pulling together findings on final close fundraising activity by global infrastructure funds targeting equity and debt, showing a stellar third quarter in a market that's already alarmingly liquid.

For Q3, we have logged 19 final closes with almost \$40 billion raised (funds that hit final close), registering a huge step up on the corresponding period for 2017 when \$11.4 billion was raised across 13 funds.

And there we have it – clear as the nose on your face – more cash being raised by bigger funds and all of it chasing infrastructure and energy investments (and yes, sorry, it's got to be said) stretching the definition of infrastructure and blah, blah, blah.

This year to date has seen final closes valued at \$88.7 billion against \$57.7 billion in 2017 (Q1-Q3), far outstripping the last full-year (Q1-Q4 2017) total of \$74.7 billion. And all that achieved by final closes on 55 so far in 2018, against 69 across the whole of last year.

To put that into context, 2015 had – until now – been the biggest full year for fundraising with \$88.2 billion raised across 89 funds. That, of course, was given an early boost with the GIP mega fund at \$15.8 billion.

Bringing it back to this quarter, Q3 is the most active this year by value of final closes with \$40 billion comparing favourably to Q2 with \$22.2 billion and Q1 on \$24.3 billion. If this trend continues, Q4 should be impressive and the full-year setting a new benchmark.

As to fundraising, funds are making it to first close faster than ever. This is a data point that we are always a little cautious over as the date funds reveal to market they are fundraising comes a lot later than the actual start date.

## Towering stack of cards

So there we have it. Oodles of cash chasing a limited number of assets as funds do a lot of fast talking – and wide smiling – to convince investors that the asset they are about to inject a vast amount of cash into ticks a sufficient number of boxes to meet their criteria.

I could bang on now about how smaller funds will start to fall over, but that's already been said.

A clear market trend is now established that success breeds success on the fundraising front and every time a fund goes out to market, the next one is considerably bigger than the last.

According to our data (report out next week), exceeding targets in fundraising is increasingly commonplace with three-

quarters of funds raising 101-150% of target size in Q3 2018, against a similar proportion (76%) in Q2 and 70% in Q1.

Overall, the number of funds to have raised more than 100% of their target size in 2018 is considerably higher than the previous year – 83% on average in 2018, against 61% in 2017. This latest quarter shows the highest results with 92% of all closed funds exceeding targets.

But there's more than that. Their deployment of capital is blisteringly swift. In fund docs, managers claim money will be deployed over the next four – possibly five – years.

In reality, it's deployed within a year or 18 months, with managers complaining about high prices – but spending it all the same.

Bearing in mind that once around 75% of capital is deployed, they're back in fundraising mode, wearing out shoe leather with the same (and new) investors who are impressed that so much capital was deployed so swiftly... and there's another fund... which will be bigger than the last.

And why do you think that is?

Fund managers can see the writing on the wall and they're acting now to ensure they have enough dry powder to see a market correction through... or that they have so many assets under management that they have jobs for the foreseeable future.

What we see here is a fundamental misalignment of interest between those who raise the money and those who are giving it to them.

As one source said this week: "It is an unprecedented time for fund managers to go out and raise, and an element of why the fundraising is so high is that people are thinking – let's just get the commitments and get the funds under management up.

"They're thinking that if things slow down, they will have a few 15-year funds under their belts and they all have jobs for the next 10-15 years."

It's all very human, but that doesn't make it any less worrying. There is clearly a disconnect between those who invest in funds and those who deploy it... but then again, we all know bankers who have lent to projects they don't believe in so that they get their bonuses.

Until the entire finance community is replaced by artificial intelligence and all infra hacks are fired in favour of a search engine, the human element will always prove a force to reckon with.

And if the full year doesn't amount to a cool \$110 billion, I'll eat my hat.

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