The great infra fund bean feast

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In a world ruled by data – its capture, storage and the limitless capacity for manipulation – one of the mainstays of an infra hack's life is to anticipate market shifts based on hard facts and a rather splendid database.

This week's Friday missive turns the focus on infrastructure funds and the anticipated uptick in activity that's impacting the industry and looks set to dish up a bean feast for the entire community for years to come.

Taking a short-term view, the *IJInvestor* database reveals that 29 infra funds mature this year and next, vehicles targeting the sector around the globe with a combined value of:

- 2019 – $3.8 billion – across 11 funds
- 2020 – $28 billion – across 19 funds

For the sake of clarity, there is one Asian fund with a vintage year of 2011 that matures this year for which we do not have a final close value, and a few of them have the option to extend.

To be fair, funds that mature this year have likely already divested the vast majority of their assets. Carrying on that theme, 2020 maturity funds should be well progressed in efforts to either sell assets, flip them into a continuation fund, or extending the fund's life… if that's an option.

The biggest funds that mature this year – all three of which have a 2007 vintage year (having snuck over the line just before the fan got clogged) – are:

- Carlyle Infrastructure Partners – $1.15 billion at final close
- NovEnergia II Energy & Environment – $784 million
- NIBC European Infrastructure Fund 1 – $540 million

When it comes to funds that mature in 2020, they are a bit larger as the upward creep towards mega funds started with confidence slowly returning post Lehman Brothers:

- ArcLight Energy Partners Fund V – 2010 vintage year – $3.3 billion
- EnerVest Energy Institutional Fund XII – 2010 vintage year – $1.5 billion
- Cube Infrastructure Fund – 2008 vintage year – $1.3 billion
- KKR Global Infrastructure Investors – 2011 vintage year – $1 billion

Please bear in mind that these funds are likely in advanced processes for divesting – if not already entirely divested. If you want to know about the ones that are more likely to be in the market right now (which will require access to our splendid database), you should really talk to our delightful Bertie Nield who will be only too happy to sell you a subscription.

Taking a bit more of a drill-down into these maturing funds, there's an interesting tale to be told about their strategies…

and hence the nature of the assets sitting within these vehicles.

Those that mature this year are:

- 60% – domiciled in Europe
- 40% – invest in multiple sectors, which is a bit of a catch-all (use your imagination)
- 30% – exclusive renewable energy focus
- 30% – target Europe only
- 30% – have either a global remit or can focus on multiple regions

As for those that mature in 2020, they are:

- 47% – domiciled in North America
- 26% – domiciled in Europe
- 21% – domiciled in Latin America
- 53% – invest in multiple sectors
- 16% – target conventional and renewable energy
- 16% – exclusively target renewables
- 26% – with a global remit for investment
- 21% – focused on Latin America
- 16% – focused on Europe
- 16% – focused on North America

The industry view…

Any person opining that fire sales are on the horizon is an outrageous buffoon and should be horse whipped on the spot.

There is no nervousness in the market and high prices are being achieved (which will continue to be a theme, driven by demand in spite of greatly increased deal flow in coming months/years as funds divest assets).

Consider for a moment the wall of cash that's been building to target assets in this space. Regular readers will recall an editorial in early May on infra fund fundraising that revealed $20.6 billion was raised in Q1 2019 – putting this year well on track to match last year's high of $104 billion, which divides quarter-by-quarter:

- Q1 2018 – $25.4 billion
- Q2 2018 – $23.4 billion
- Q3 2018 – $39.9 billion
- Q4 2018 – $14.8 billion

As said then – and repeated now – that's a lot of money to add to coffers that are already over-flowing as funds struggle to deploy capital on anything that looks even remotely like infra (and often not at all).

The most likely trend is that we will continue to see funds continue to recycle assets into continuation vehicles, a shift *IJGlobal* spotted back in the summer of 2016 when our very own Alexandra Dockreay – since relocated to Sydney as out APAC editor – wrote about in The Rise of "Frankenstein funds".

It is well known that funds prefer to continue managing assets and picking up management fees (potentially also performance fees) rather than jettisoning assets and having to find something new to buy.

Some funds will take advantage of the high prices being achieved now, which will feed the machinery and keep everyone happy with assets that, hopefully, sit a lot closer to funds' investment mandates.

As one source says this week: "It's the opposite now of the Lehman times in terms of demand."

Another funds source says: "They will just keep going and either raise new funds or put them into continuation. To be honest, I think most of them don't want to end the funds and have to sell down the assets.

"They are keen to hang on to them and – when they can set up continuation funds – they do so. Very few funds seem to be under-performing and have to sell infrastructure assets because they are under-performing."

It's a lively market and set to get even livelier. Whether it be sales – and there are going to be a lot of them – or the creation of continuation funds, there's a bean feast on the way for the whole market to enjoy.

And if you're really desperate to buy right now, you can always snap up Prestwick Airport… which has to be worth more than the £1 Infratil was paid for it in 2013.