Infrastructure – the final frontier

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Sitting at home bashing away at an aging laptop having spent last night in London with more infra funds than you should be able to squeeze into an extraordinarily large room, one cannot help but wonder where the market's heading.

From a couple of conversations with infrastructure luminaries – blushing at the notion of name dropping – and off the back publishing our quarterly fundraising report… the time has come to start talking about taking stock… but not actually doing so.

Now I'm not going to bore you with the hackneyed stretching-definition line, blab on tirelessly about the ever-growing wall of cash and definitely ignoring Earth Day 2022, which happens to be today… I'm going to do them all, and draw the inevitable conclusion – crazy's getting a whole lot crazier.

If you're not already aware of it – shame on you for not having an *IJGlobal* subscription – the quarterly fundraising and M&A report reveals that in Q1 2022 there were final closes on unlisted funds to the tune of $65 billion which is terrifying as in the whole of 2021 (a record year for fundraising) there were final closes on $136 billion.

In just 3 months, we're almost half-way towards that breath-taking sum.

As one infra fund luminary – the lead at one of the biggest fund managers out there – said to me last night at the Infrastructure Industry Foundation bash (corker of a night, by the way): "It's a bit worrying that so much money has been raised already as we're about to go out to market again."

Given the organisation where this individual works, it ain't gonna be a small fund.

My reply was that he had nothing to worry about. With a solid brand and market-leading position, they won't struggle to fill the coffers… but they might struggle to find things to spend it on!

The $65 billion that hit final close in Q1 was achieved by just 24 funds, the biggest of which were:

- KKR Global Infrastructure Investors IV – $17 billion
- Stonepeak Infrastructure Fund IV – $14 billion
- Partners Group Direct Infrastructure 2020 – $6.4 billion
- InfraVia European Fund V – $5.5 billion

Looking at those rather impressive funds, it's worth noting that the KKR vehicle is the largest this manager has ever pulled together for infra and one of the biggest of all time – behind Global Infrastructure Partners IV on $22 billion from late 2019; and Brookfield Infrastructure Fund IV on $20 billion in 2020.

And it's relentless. While writing this Friday Editorial, an email arrived from Ardian announcing close on what it claims to be a "record $5.25 billion infrastructure secondaries fund" – Ardian Secondary Fund VIII Infrastructure (ASF VIII Infrastructure). Ardian says this is the "world's largest infrastructure secondaries fund" to date and that it was significantly oversubscribed, reaching hard cap within 9 months.

Blimey. It all rather leaves one thinking that now we have all these enormous boats – manipulating a line from the movie *Jaws* – we're gonna need a lot bigger fish.

And this is where the resulting M&A frenzy gets a bit spicey and many a chuckle will be had over the assets shoe-horned into these vehicles while insisting vigorously to LPs that if you look at them from a certain angle… you know, they really are infra-like. Let's add another plus onto that Core ++.

To absurdity and beyond

There was a LinkedIn post and a press release (embargoed till Monday… but broken by another title, so I can ignore it) that have me wondering about the direction these funds will take. The first was for a "space fund" and the other was about an airport for electric vertical take-off and landing (eVTOL) vehicles in Coventry… of all places.

For the here and now, power is front and centre as energy security settles in as flavour of the decade given Russia's invasion of Ukraine and people finally waking up to how important it is to achieve this goal. Of course, this has been said for years on end, and now anything that ticks the energy security box is a dead-cert winner.

For example, this week IJ reported on a hydrogen fund that would reach its €1.5 billion target before the end of April, and soon after it will hit its €1.8 billion hard cap. Given this vehicle was launched last autumn, that kind of says it all. Hydrogen – and I don't care what anyone says – is not proven and while I agree it is part of the solution and they will "make it work somehow", there's a little too much enthusiasm being focused that direction. That aside, "smart money" will continue to pile in.

But let's get back to what caught the eye and wonder how long it will take before infra funds start looking up for the next opportunity.

Enter stage left the Herius Capital – Space Fund. The LinkedIn post was to announce new members to its advisory board: Katarzyna Malinowska, director of the Space Studies Center at Kozminski University, Poland; Pedro Duque who served in the Spanish government as Minister for Research and Innovation; and Johann-Dietrich Wörner, former director general of the European Space Agency.

As they state on the post: "We can't wait to start working together on identifying the highest potential space companies and build a successful ecosystem."

Scoff not. This is an interesting company and it's but a matter of time before some of our bleeding-edge brethren start expounding the virtues of similar organisations.

Herius Capital describes itself as a "thematic private equity and venture capital fund bolstering the Central and Eastern European space ecosystem" by investing in pioneers to benefit humanity in the short- to mid-term (I wonder if they ever define that timescale).

It states: "We aim to fill a gap that currently exists in the investment domain in the burgeoning space sector of the Central and Eastern European region ... We pride ourselves on having a disciplined data-driven investment strategy. With that, we carefully evaluate the viability, scalability, and societal benefit of each idea and investment opportunity to invest in future market-leading companies in the NewSpace industry."

Stopwatch out… click.

And while you're still looking up for the next opportunity, a lot closer to the ground is Monday's (25 April) announcement that Urban-Air Port is opening Air-One – what it claims to be the world's first fully-operational hub for eVTOL vehicles – in the UK.

For those of you wondering what the heck that all means, just think about air taxis and autonomous delivery drones and let the cogs grind towards infrastructure, filter down to transport asset, tick the ESG box… and reach for the cheque book.

This market first has backing from the UK government and is supported by Supernal (part of Hyundai) and it "heralds a new age of zero-emission, low-congestion urban transport"… not to mention giving the authorities a whole new way of infringing our civil liberties.

Urban-Air Port anticipates more than 200 vertiports will crop up across the world over the next 5 years and it already plans a couple more sites in the UK – London and the West Midlands. Further afield, one is planned for Los Angeles, as well as developments on the cards for Australia, South Korea, France, Germany, Scandinavia and South East Asia.

So – what are we all worried about? Just keep raising funds. There's always going to be something to spend it on. And there's always going to be someone to buy it once you've extracted your value.

Oh yeah… Earth Day… that's today.