

# The End is Nigh for infra funds

Angus Leslie Melville

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It's long been darkly muttered in infra nooks and crannies. Heck, it's been mentioned in one or two Friday Editorials. In truth, I'm sick of saying The End Is Nigh for infrastructure funds... well, kind of... for some of them.

With a sigh of relief, the sandwich board is shucked off, megaphone set aside as predictions of doom and gloom become reality, and realisation dawns that it's more fun predicting doom than pointing at an actual bomb.

This week, *IJGlobal* broke the news that Dalmore Capital has halted fundraising on its latest vehicle – [DCF4](#) – and is understood to be shifting focus to asset management, (largely) shutting down the London office, while (most of) the team has been served notice.

While it's rude to speculate, most folk reckon that Dalmore will head down the Innisfree route and sit on the PPP assets until contract end. It may hive off its stakes in Corey, Cadent, Thames Tideway Tunnel and Porterbrook Rail, but that all rather depends on the investors.

And that's the crux of today's piece – the increasingly active role investors play. Word on the street has it that sentiment has shifted for this capricious crew of dosh deployers, and we're witnessing a flight to scale.

## Consolidation

As investors increasingly take fright at this challenging world we live in, it is inevitable that herd mentality will kick in more than is already the case, and they will place their bets only on the favourites – both fund manager and strategy.

This may be what we are seeing play out with Quinbrook Infrastructure Partners as industry whispers emerge that it is being targeted for acquisition. In an email dialogue with David Scaysbrook – managing partner of Quinbrook – earlier this week, he wrote to refute rumours that Fenchurch Advisory Partners had been mandated to handle its sale.

He wrote: “We have received many unsolicited approaches recently to invest in Quinbrook, but we are not selling the company or actively entertaining anything similar. Fenchurch has helped us deal with the various enquiries and that part is factual, but that's as far as it goes.”



Talking to people around the infra fund community this week, there's an awful lot of this going on. All the big players are peeping through the minnows' windows to assess the wares.

It's starting to feel like investors have had their fill of Core++ and Core+++ (salmon farms no more) and they want to see fund managers shift back closer to their original mandates. Further, they want the confidence that only scale can bring so

fundraising will see greatest success among the biggest players... which is a trend we have increasingly identified over the years in our funds reports.

As the coffers get bigger and the need to deploy capital becomes increasingly pressing, matched with a more conservative approach to investment strategy, this is going to have the inevitable result of the big funds targeting smaller funds and plundering them for assets that look a lot more like infrastructure than many things that have traded “infra-like” in recent years.

Which rather leads one to wonder whether buying the whole shooting match – the whole fund... lock, stock and barrel – doesn’t make quite a lot of sense.

Chats immediate prompt reference to [DigitalBridge acquiring AMP Capital’s](#) global infrastructure equity investment management business earlier this month; and John Laing at the end of last year acquiring 3 infrastructure assets from [AMP Capital’s Irish Infrastructure Fund](#).

Taking it a little further back, you have Schroders’ acquisition of a [75% stake in Greencoat Capital](#) that we reported on in May 2022; Patrizia’s [acquisition of Whitehelm Capital](#) last February, ending its 23-year spell as an independent investor; and Colliers’ acquisition in January 2022 of a 75% interest in [Basalt Infrastructure Partners](#) (to name a few).

The notion of monster funds snapping up the minnows – while rather appealing from a journalistic perspective (especially from a headline front) – is less likely to happen than a ramp up in M&A as funds cherry pick the assets they actually want (so as not to be stuck with the dross they don’t).

Having said that, it’s not impossible that we could see some consolidation among the minnows which would prove to be an interesting development. Popcorn at the ready for the vanity bonfire.

Buying the whole fund would only really work if sufficient asset overlap made it a cheap way of gaining majority control of assets, rather than paying a control premium in an asset-specific M&A transaction.

So really – the end isn’t nigh. But the vultures are most certainly circling more traditional infrastructure assets in minnow funds at a time when prices remain frothy and minnow play hard-to-get.

But as one eternally-optimistic source says: “There's growing optimism that interest rates are peaking and will start to fall later this year. As such, growing the book now could be a good strategy as when interest rates do fall the value of those assets will go up... and buying a smaller fund is a lot easier than growing organically.”

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