Inframation
An Acuris company

in association with AZTEC GROUP

Unlisted Infrastructure Report

2019 Edition

Specialist news and intelligence that creates advantage

Introducing Inframation and SparkSpread

SparkSpread and Inframation provide energy and infrastructure, news, analysis and data.

The world's top banks, corporates, developers, advisors, investors and government departments use our services.

With a subscription you'll benefit from real-time actionable intelligence via our websites, apps and daily news briefings. Our in-depth content will enable you to find out what's happening before it becomes news.

Our unique data platforms profile the leading projects, advisors, investors and lenders.

Request trial access at
inframationgroup.com or sparkspread.com

Contents

02 Soaring fundraising points to record year for infrastructure
2019 looks set to be another record-breaking year for infrastructure fundraising. But with capital being increasingly concentrated in the hands of a number of select managers, the fundraising environment is not as easy as it may immediately appear

06 Fundraising statistics
Analysis of the primary fundraising trends shaping the infrastructure market in the first six months of 2019

08 Administration in focus
Infrastructure administration specialist Richard Anthony of the Aztec Group discusses the benefits of partnering with a specialist outsourced administrator, and highlights what GPs should look for to build a successful, long-term relationship

10 Accessing the infrastructure opportunity
A look at the key considerations taken by investors looking to allocate to the sector following 15 years of private fund investment

www.inframationgroup.com

Soaring fundraising points to record year for infrastructure

Pablo Martinez
Research Analyst

The soaring levels of fundraising which have characterised the unlisted infrastructure fund market in the last few years are showing no signs of slowing down.

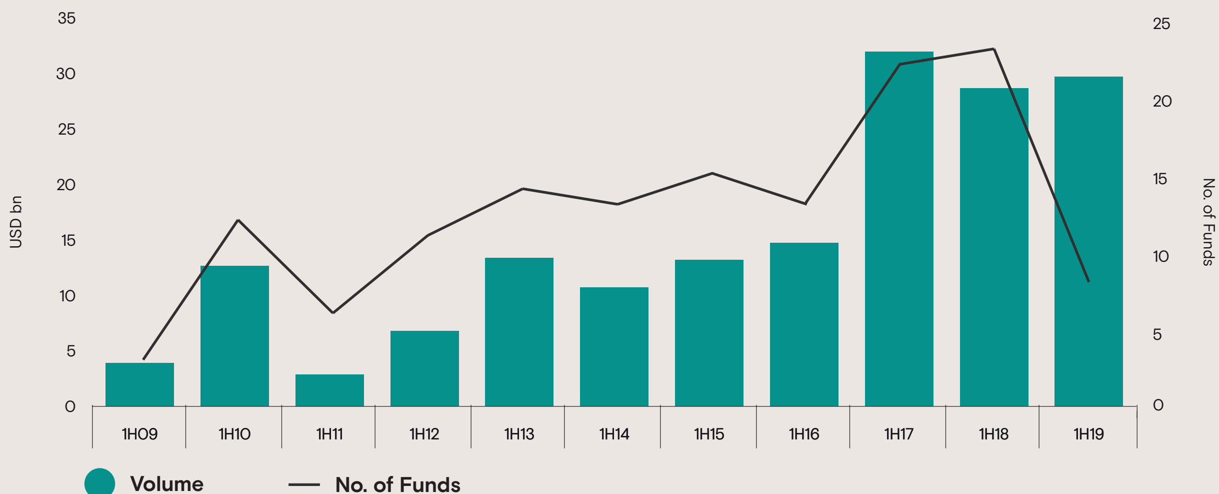
Whilst the USD 30.7bn raised so far in 2019 sits broadly in the same region as the USD 28.6bn and USD 32bn raised in the first halves of 2018 and 2017 respectively, the second half of the year looks set to take on a strongly bullish note.

The projected final closes of Global Infrastructure Partners IV (GIP IV) and Brookfield Infrastructure Fund IV (BIF IV) are likely to take fundraising numbers for 2019 to record-breaking levels, as the sector's top-tier firms raise larger amounts of capital in shorter amounts of time.

The year so far has seen the final close of 11 unlisted funds. Of these, seven were pure infrastructure funds, while four were dedicated renewables funds.

This represents a lower total than in previous years, with 20 funds being raised in 2018 and 15 in 2017 over the same period of time, giving a higher average fundraise for 2019. Average fundraise, however, is an increasingly misleading metric due to the polarised concentration of capital among funds.

1H 2019 unlisted infrastructure fundraising comparison



Source: *Inframation Data*

2019 looks set to be another record-breaking year for infrastructure fundraising. But with capital being increasingly concentrated in the hands of a number of select managers, the fundraising environment is not as easy as it may immediately appear

Record capital in an increasingly polarised asset class

The year so far is a case in point. Of the USD 30.7bn raised between 11 funds, USD 24.0bn was split between just three: EQT Infrastructure IV, which closed at EUR 9bn (USD 10.2bn); Ardian Infrastructure Fund V (AIF V) which closed at EUR 6.1bn (USD 6.9bn); and Macquarie European Infrastructure Fund VI (MEIF VI), which closed at EUR 6bn (USD 6.8bn).

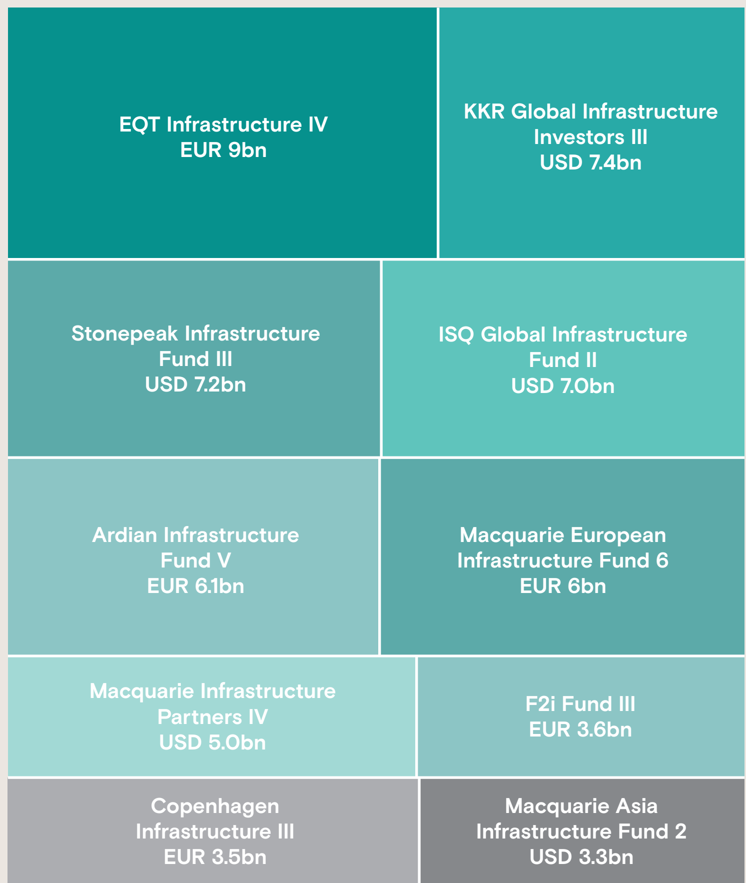
This has in fact long been a theme of the asset class, in many ways characterising the market in 2018, and looks set to continue. Last year saw the top 10 funds accruing 64% of total capital raised, although this was less pronounced than in previous years; in 2017, this figure was 69.4%, whilst in 2016 it had risen to 74.2%.

However, with the return of Brookfield Asset Management and GIP's mega funds, capital concentration in 2019 looks set to return to at least 2016 levels. GIP IV is set to close at its USD 20bn hard cap by the end of the third quarter, while Brookfield looks set to close Brookfield Infrastructure Fund IV (BIF IV) at around USD 22bn, having recently held a USD 14.5bn first close.

Both these figures would dwarf the current records for largest unlisted infrastructure funds, also set by the same managers; USD 14bn for BIF III, and USD 15.8bn for GIP III.

Below this, a group of managers such as EQT, Ardian, Blackstone and Macquarie have closed, or are due to close, funds in the region of USD 6-10bn.

2018-YTD 2019: 10 largest funds to close



2019: 10 largest funds expected to close

FUND	TARGET/ACHIEVED (USD BN)
Brookfield Infrastructure Fund IV	20
Global Infrastructure Partners IV	17.5
EQT Infrastructure IV	10.2*
Ardian Infrastructure Fund V	6.9*
Macquarie European Infrastructure Fund 6	6.8*
Antin Infrastructure Partners IV	6.2
Brookfield Super-Core Infrastructure Partners	5
Macquarie Super-Core Infrastructure Fund	4.5
North Haven Infrastructure Partners III	4
AMP Capital Infrastructure Debt Fund IV	3.5

* achieved final close

Source: *Inframation Data*

The bigger they are, the faster they close

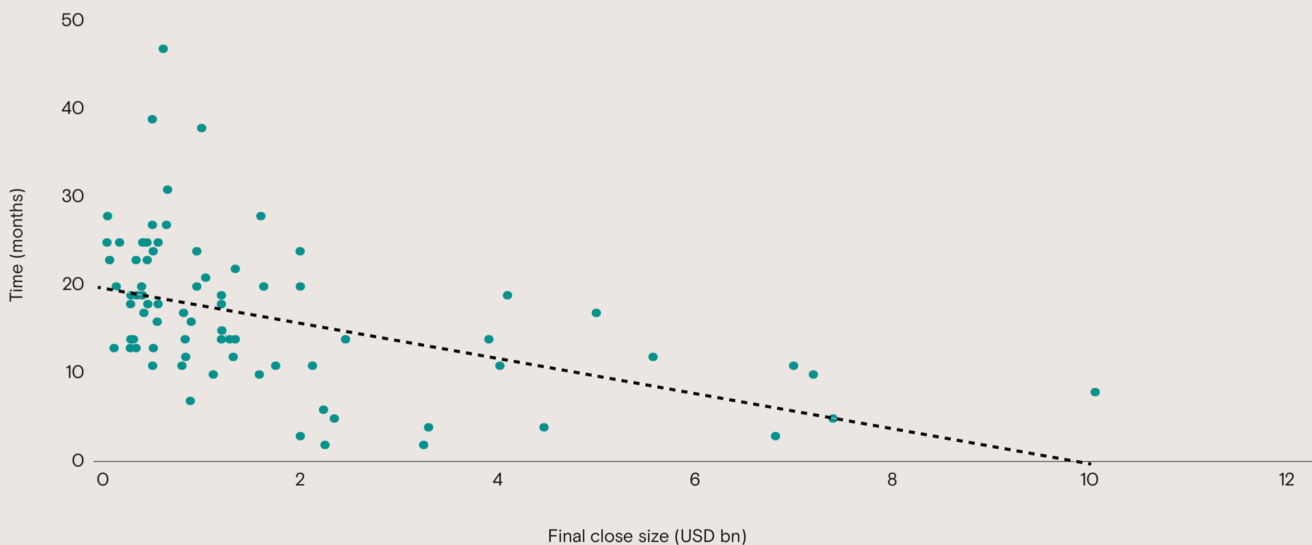
The advantage that these managers have in the fundraising space is two-fold. Not only are these top managers raising the bulk of available capital, they are doing so in a very short period of time. The five largest funds raised between now and the start of last year all managed to wrap up fundraising less than a year after holding a first close.

Meanwhile, for the 20 funds raised during the same period in the mid-market space ie. funds with a size between USD 1bn and USD 4bn, this time interval was slightly longer, with funds taking an average of 14 months from first close to final close.

Finally, the 26 funds which closed below USD 1bn during this period took an average of 18 months to reach final close.

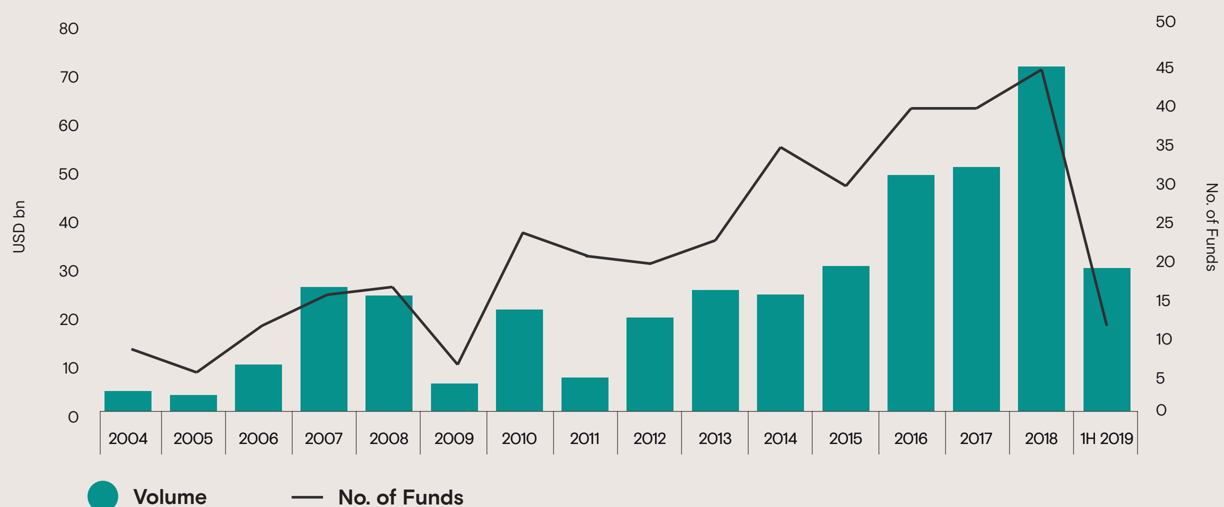
Many of the top managers are increasingly looking to compete in different segments of the

Time from first close to final close 2017-1H 2019



Source: *Inframation Data*

Annual unlisted infrastructure fundraising



Source: *Inframation Data*

market, by raising additional funds which target assets outside their main funds.

Brookfield Asset Management is raising a USD 2bn dedicated renewables sidecar alongside its main fund, as well as funds specifically targeting infrastructure projects in Brazil and Colombia.

Macquarie has long had the luxury of raising dedicated funds for specific geographies, and recently re-affirmed its presence in Asia with the closing of the USD 3.3bn Macquarie Asia Infrastructure Fund 2. It is now raising a super-core fund alongside its core infrastructure funds.

For GIP, meanwhile, the accessory strategy involves the launching of an infrastructure debt fund, GIP Spectrum, with a target of USD 1.5bn.

Top heavy and very competitive

One thing that is clear, therefore, is that the current market is both top-heavy and extremely competitive, with huge volumes of capital being raised.

Of funds currently in the market, 31 are less than a year out from first close, while 35 are between 1-2 years out, and 43 have been in the market for more than two years since first close.

Based on the projected targets of these funds in the market as well as current fundraising statistics, Inframation estimates that over USD 349bn is currently being raised. For comparison, fundraising for 2018 – a record-breaking year – totalled USD 71.2bn.

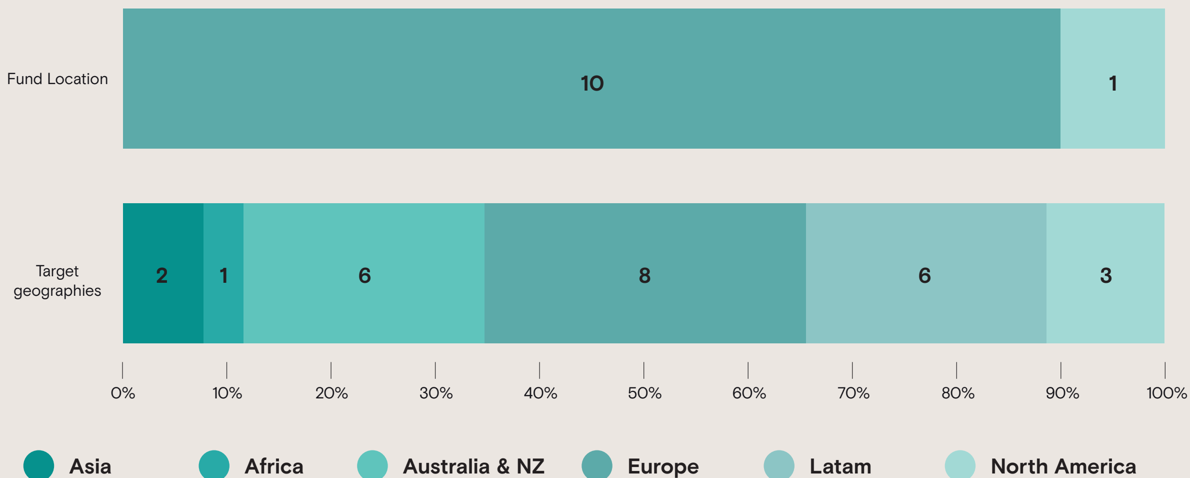
Of course, not all of this will close in 2019.

Through a detailed analysis of projected timelines and past performance of funds currently in the market, it can be estimated that USD 115bn is expected to close by the end of the year, meaning that there will be at least USD 234bn left to raise beyond 2019.

As a result, this increasingly bifurcated market will likely see many managers revise their fundraising timelines. ■

Fundraising statistics

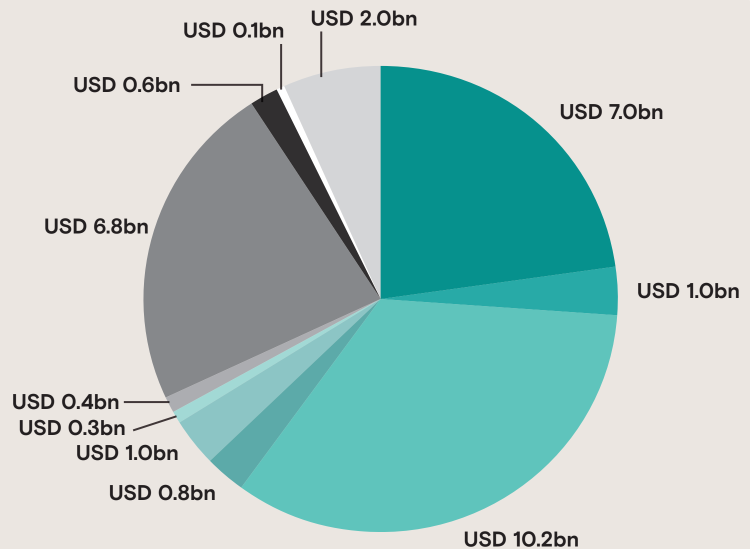
1H 2019 fund analysis by location v target geographies



Source: *Inframation Data*

1H 2019 closed funds (USD bn)

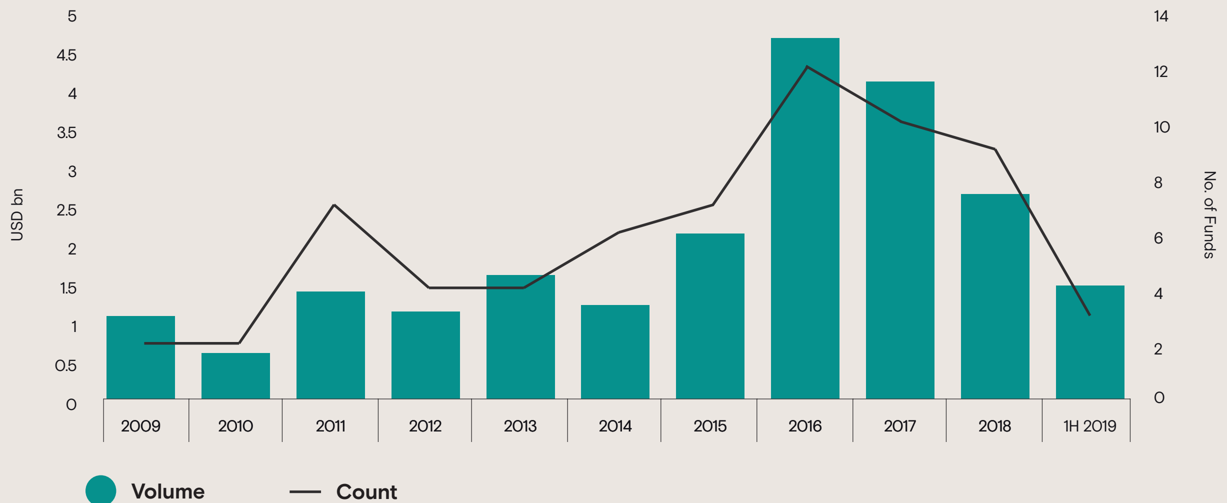
- Ardian Infrastructure Fund V
- Cube Infrastructure Fund II
- EQT Infrastructure IV
- Fengate Core Infrastructure Fund III
- Glennmont Clean Energy Fund Europe III
- Helia Renovables II
- InfraGreen III
- Macquarie European Infrastructure Fund 6
- Meridiam Infrastructure Africa Fund
- Nouvelles Energies
- Pantheon Global Infrastructure Fund III



Source: *Inframation Data*

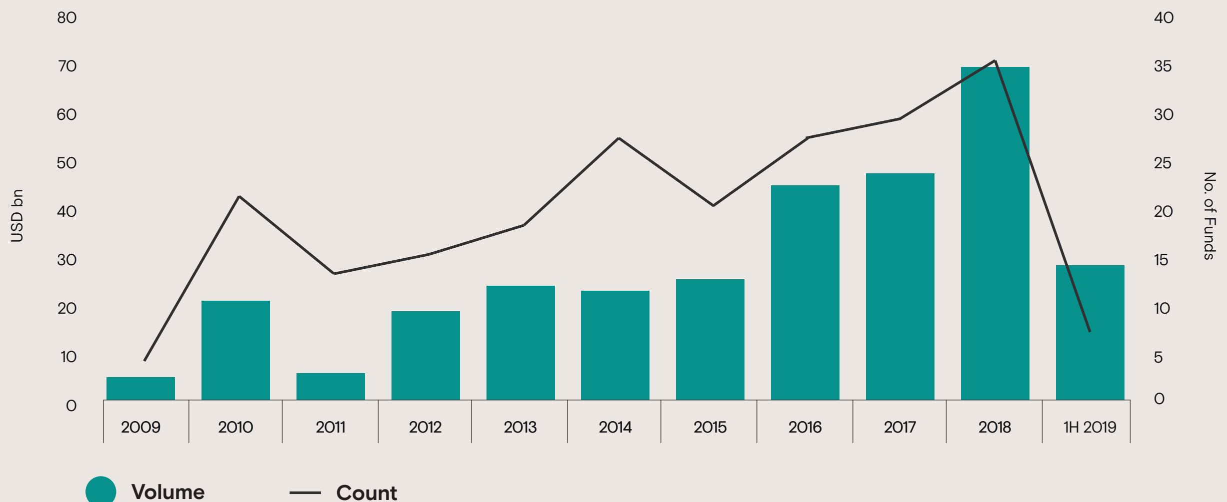
Analysis of the primary fundraising trends shaping the infrastructure market in the first six months of 2019

Fundraising for renewable energy funds



Source: *Inframation Data*

Fundraising for pure infrastructure funds



Source: *Inframation Data*

AZTEC
GROUP

Administration in focus

What kind of expertise can you expect from a specialist administrator?

First and foremost, industry know-how. The administrator will have supported multiple clients through the full life-cycle of the investment structure, so they'll be able to draw on that experience and apply best practice.

Beyond the front-line accountants, company secretaries and governance professionals, you have the specialist support teams in areas such as information security, compliance, regulatory reporting, AML, risk, financial systems and IT. It's the classic iceberg analogy, the client may not have sight of what these teams are doing, but they're just as crucial to the successful day-to-day operation of a fund.

Technology has also become a central component of the outsourcing "proposition" in recent times, and now touches all aspects of modern fund administration, from day-to-day accounting and financial reporting to the organisation and coordination of board meetings and correspondence with investors.

"Fund managers of all shapes and sizes are waking up to the broader benefits of outsourcing"
Richard Anthony, Aztec Group

What else does a specialist administrator offer?

It's an entire platform that the client is buying into, so, in addition to the people, it's the processes and systems. The administrator will have a robust control framework governing the operation of the investment structure and related decision-making and task management. This not only ensures all legal, regulatory and compliance requirements are met, but risk is appropriately managed and the potential for oversight is minimised.

What about the cost of outsourcing relative to doing your administration in-house?

Managing an ever-growing list of accounting, regulatory and governance requirements in-house comes at considerable cost, with managers often having to recruit professionals or pay consultancy fees. Similarly, with technology, managers want the most advanced systems in place, but capitalising on technological developments requires investment. Beyond the upfront costs of new technology, support is required for set-up and configuration

Infrastructure administration specialist Richard Anthony discusses the benefits of partnering with a specialist outsourced administrator and highlights what GPs should look for to build a successful, long-term relationship

as well as ongoing maintenance or upgrades.

By outsourcing, the manager will only pay a portion of these costs, as the administrator will apportion them across them across its entire client base. Cost aside, many managers outsource because they simply want to focus on managing their investments, rather than being spread thinly across operational and administrative demands.

How has fund administration changed in recent years?

The obvious change is the legal and regulatory landscape. Following the introduction of AIFMD, FATCA, CRS, BEPS and a whole raft of compliance and AML requirements, it's become a far more complex field that takes specialist resource to manage. The digital revolution has also brought a new dimension to fund administration, helping to streamline activities, enhance controls and improve information security.

What should managers look out for when choosing an outsourcing partner?

Start with the track record. If the administrator is retaining clients while attracting new ones, it's obviously a good sign. Don't be afraid to ask for references – feedback is extremely insightful. Reviewing their client base is also a smart move. If they've supported managers of a similar size, structure and investment profile, they'll have relevant experience to draw on.

Organisational stability is something that is often overlooked. M&A activity, when an overhaul of company structure, leadership and service model follows, can really impact client experience. Also, take the time to understand how you will be serviced day-to-day. Can you expect to work with a consistent team of familiar faces ? What's more, an administrator may claim to offer a dedicated relationship team, but is it a stable team? Employee turnover rates will give you a good idea.

On the governance front, review audit reports and look out for key accreditations and certifications, such as ISAE 3402 and ISO 27001 – there's nothing more important than an independent assessment of the administrator's control environment. While these are the main things to look for, expertise in the right areas, employee development, company culture, client-to-staff ratios and investment in technology are just some other important points to consider.

Finally, what can you do to ensure an outsourcing relationship gets off to the best start?

Investor onboarding and the associated KYC due diligence process to be undertaken when accepting investor capital is important to get right. A clear understanding of the legal structures through which investors invest and efficiency in managing the KYC process is essential for getting the relationship with the client and their investors off to a good start.

KYC should also be about more than Anti-Money Laundering legislation! Genuinely take the time to get to Know Your Client. This can be as simple as discussing, up front, the division of responsibilities for routine processes, such as invoice settlement or board meeting coordination, to the more complex, yet essential deep delve into the documents which govern the investment structure. Translating legal text to financial modelling or operational procedures and reaching an agreement upfront can really help pave the way to a successful relationship. ■

Accessing the infrastructure opportunity

Dermot McCloskey
Global Head of Research

Throughout the late 1990s and early 2000s investment in unlisted infrastructure was largely the domain of a small number of specialist institutions largely from Australia or Canada.

It wasn't until 2004 – a year that saw Australia's Macquarie Infrastructure and Real Assets close its first North American infrastructure fund and IFM Investors open its global open-ended infrastructure fund to international investors – that a nascent alternative asset class really gained traction.

A pool of just 30 GPs brought eight specialist infrastructure funds to close with aggregate commitments of USD 4.2bn, a more than doubling of the capital raised in the preceding five years.

The private infrastructure market of 2004 is a very different place to the large, multifaced asset class that we recognise today.

Spurred on by the Global Financial Crisis in 2007-2008, the desire of institutional investors to gain exposure to lower risk, long-term assets has seen over USD 400bn allocated to specialist infrastructure and renewable energy funds over the last 15 years.

But for investors looking to build an allocation to the sector, the challenge of unpicking a diverse and ever-changing opportunity remains. In this article we look at some of the key considerations for investors looking to access the private infrastructure market today.

*includes specialist infrastructure and renewable energy managers

Source: *Inframation Data*

1.0 INFRASTRUCTURE TO THE CORE

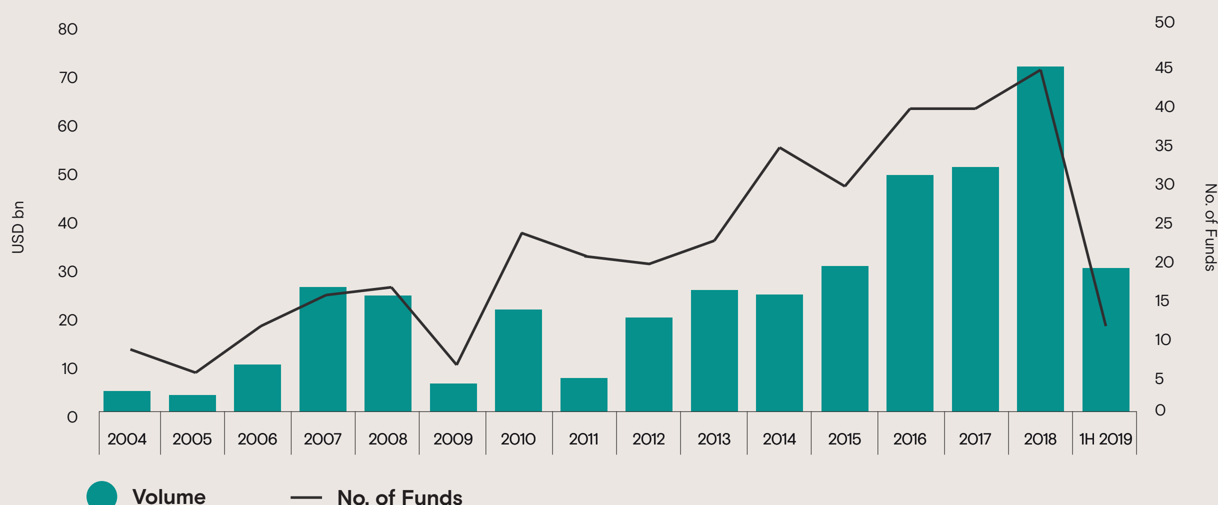
The infrastructure asset class has often been deemed a safe-haven for investors looking to gain exposure to long-dated assets at attractive risk-adjusted returns.

At its core, infrastructure assets have the inherent characteristics of presenting high barriers to entry, operating within a regulated environment and providing stable, forecastable cash flows.

Global themes including connectivity, climate change and water scarcity mean the drive to invest in infrastructure networks globally is only expected to increase.

Together, these factors have helped attract investors to a sector that can deliver financial

After 15 years of private infrastructure fund investment, we take a look at some of the considerations shaping how investors allocate to the sector today



Source: *Inframation Data*

returns while investing in tangible assets that can provide broader social, economic and cultural benefits.

However, with 178 funds actively looking to raise USD 349bn in the market today, this view from above does little to unmask the range of investment strategies currently at work within the sector.

1.1 Two lines of motivation

For those looking to invest in infrastructure, a useful starting point can be to consider the objective of any future allocation to the sector.

"Much of the capital to have been allocated to the sector in recent years can be demarcated along two lines," says James Wardlaw, head of infrastructure at global placement agent Campbell Lutyens.

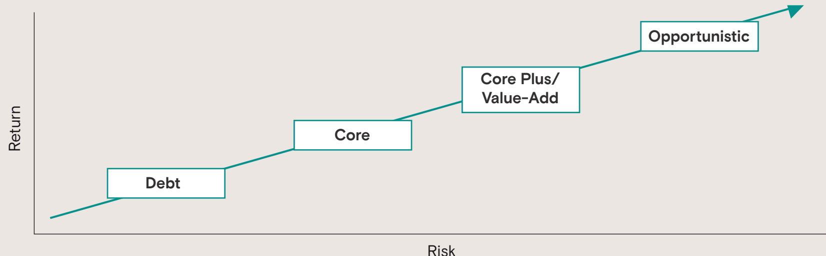
The first encloses investors who are looking for a substitute to fixed income. While the second, circles investors wishing to complement an existing private equity or real estate allocation, he explains.

For those investing from a fixed income perspective Wardlaw describes how the motivating factor is "typically a desire to secure stable, predictable, cash yield." While on the other side, those looking to supplement their portfolio of private equity or real estate investments "will naturally be searching for capital appreciation and will be accustomed to a shorter-term investment horizon".

Global themes including connectivity, climate change and water scarcity mean the drive to invest in infrastructure networks globally is only expected to increase

Such a distinction draws a clear line through the sector both in terms of investor's expected return, but also risk appetite.

Risk v return in private infrastructure



	Debt	Core	Core Plus/ Value-Add	Opportunistic
Net IRR estimate	1-5% over margin	6-9%	10-14%	15% +
Target Asset	Asset-level loan Corporate-level loan	Existing operating asset	Enhancement of an operatng asset	Development of a new asset
Revenue Mechanism	Interest payments	Distributions from operating cash flows	Mix of distributions from operating cash flow & capital appreciaion	No revenue during development and construction phase

Source: *Inframation Data*

Pension schemes, insurance companies and other institutional investors have broadened their investment horizons in the search for yield. Rather than take-on additional credit risk in public markets, many pensions and insurance companies have instead turned to illiquid fixed income asset classes such as infrastructure debt.

At the lower end of the risk spectrum, investing in senior infrastructure debt can provide investors with a premium of 100-150bps to public bonds.

Moreover, the long economic lives of many infrastructure assets, means that senior debt can often be very long dated in nature. This has proved particularly popular with pension and insurance companies looking to match their long-term liabilities.

With over USD 361bn of senior debt being structured in the sector alone last year there is certainly no shortage of deal-flow, but competition in today's low interest rate environment can be fierce.

For those looking for a slightly higher return, low-investment grade or sub-investment grade debt strategies are available. These mezzanine or junior debt positions can offer investors spreads of up to 400-600 bps.

Investing in this less traditional segment of the debt market can provide investors with "access to a premium return in high-quality infrastructure assets," says senior partner and infrastructure debt-lead at Vantage Infrastructure Tim Cable.

Building exposure to junior or mezzanine debt can offer investors access to higher-returning off-market

Global infrastructure refinancing volumes

Refinancing volumes buoyed by low interest rate environment

Source: *Inframation Data*

transactions that can “enhance the defensive characteristics of their portfolio,” he adds.

However, junior debt at just “5-10% of the debt structured for infrastructure in any given year” – according to Cable’s estimates – requires a patient form of capital that can take advantage of a limited number of transactions per year.

For many investors looking to build a yield-based infrastructure portfolio, investing in core infrastructure equity strategies has been a natural choice. Such investors have been attracted to strategies that mitigate the J-curve effect by investing in operational assets that provide regular cash dividends.

Yet competition for assets defined as having long-term contracted revenues with secure counterparties is high. Demand-side pressure has seen pricing steadily increase for core infrastructure assets, according to Inframation data. As a result, expected returns in the sector are falling with core infrastructure investors typically targeting high-single digit IRRs and an annual cash yield to investors of 4-6%.

These lower returns incentivise investors to hold assets for longer with fund managers increasingly structuring long-dated funds to take advantage of this and even lower returning “super-core” investment opportunities.

For other equity investors in infrastructure a blended approach that pursues both yield through an asset’s operating cash flows and capital appreciation is the preferred approach.

At the upper-end of this strategy is “core-plus” infrastructure investment into value-add infrastructure investing, where fund managers employ a private equity-style investment strategy that often seeks to grow company revenues by further investing in the company.

This can include making operational efficiencies at the company-level, expanding the company’s revenue base by building-out or buying associated businesses and de-risking the asset by renegotiating and extending contracts with counterparties.

In the proceeding discussion, it is however, sometimes

ESG is no longer a box-ticking exercise simply satisfied by investing in the renewable energy sector

easy to forget that infrastructure as an asset class should be expansionary – the need to upgrade the world's aging infrastructure or fund the energy transition mean that new assets still need to be built.

For those investors willing to take-on the added risks associated with developing or constructing an asset, higher-returns typically follow. Sometimes deemed "opportunistic", this strategy introduces the infrastructure investor to a potential downside during the asset's construction phase, as capital is invested, and returns – sometimes in excess of 15% - do not follow until the asset is operational.

1.2 Selecting a manager

Once an allocation objective is clear and the infrastructure market segment identified, a fund manager selection process typically kicks-off.

A manager is traditionally selected based on a team's track record, the stability of the asset management house, the suitability of a strategy and its objectives and the cost of investing in a fund. Themes such as ESG, strategy-drift, and whether relative value can be found at the lower or upper-end of the market have climbed up allocator's checklists in recent years.

Traditional manager selection considerations

Track Record	Firm Stability	Strategy Suitability	Cost
Attributable track record to current team	Independence of investment team from parent	Ability of team to execute strategy	Management and perfomance fee structure, including gross-to-net spreads
Performance of previous funds and proof of asset realisations	Financial stablity of the firm	Analysis of competitor landscape	Team alignment for duration of the fund
	Structured team succession plan for duration of the fund		

1.3 Theme in focus: ESG and the 'rise of the S'

ESG is increasingly making its way up the priority order when institutional investors come to select a fund manager in infrastructure.

For the trailblazers, ESG is no longer a box-ticking exercise simply satisfied by investing in the renewable energy sector. Many investors are increasingly demanding better ESG reporting and compliance from infrastructure funds.

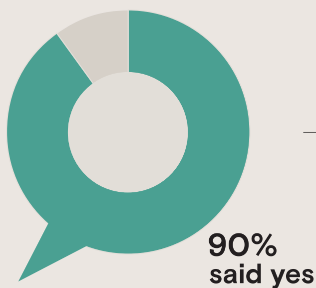
In a survey of Inframation subscribers in April nine out of ten of over 100 responding agreed that in the past 12 months ESG has become a more important part of their investment decision-making. Through ESG, infrastructure fund managers in 2019 are appealing to a growing band of larger and more switched-on client investors.

"The bigger LPs tend to have developed thoughts around ESG, the smaller ones are following," said a manager at a well-known European infrastructure fund which had "accelerated" its own ESG strategy last year in line with the expansion and growth of the business.

"More and more investors – including younger people – are demanding that their investments are channelled into funds that have positive impact for communities and the environment," said IFC CEO

Have ESG considerations become more important over the past 12 months?

All respondents

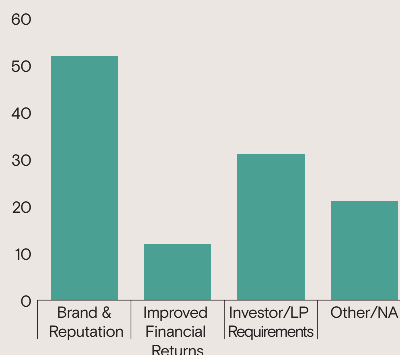


90% said yes

100%
of institutional responses said yes

100%
of those from companies between 1001-10,000 headcount said yes

What is the main reason for this?



Inframation 2019 ESG Survey

Philippe Le Houérou in April.

Social considerations "which were historically satiated by pointing to job creation in portfolio businesses are increasing but also hard to define," says a senior fund manager who did not want to be named. Taking "not just your counterparty on a transaction into account, but also the wider stakeholder group is increasingly part of being able to demonstrate a financial return as well as a broader social good." This is commonly referred to as social license and is how the 'S' in ESG is steering infrastructure investment.

Yet there is difficulty in that "contribution to the community are not readily quantifiable," the person adds. Though fragmented, methodologies in this relatively nascent segment of the market are emerging.

1.4 The GP squeeze

The infrastructure sector is becoming increasingly bifurcated with capital concentrated in the hands of a smaller number of GPs.

As highlighted by Inframation's latest fundraising outlook, of the USD 30.7bn to be raised so far this year by 11 specialist infrastructure funds, USD 24.0bn came from just three funds. This builds on a trend that saw the ten largest funds accrue 64% of the total capital raised in 2018, 69.4% in 2017 and 74.2% in 2016.

Demand for the 'best-in class' managers has seen those same managers dramatically grow the size of their funds in the last three years, prompting investor concerns around "style-drift" or "mission creep" as different strategies mix and overlap.

Concerns may be raised where a manager has strayed outside an investment strategy where they have historically built their experience. According to one senior industry advisor, "these concerns are on the rise amongst institutional investors, as many former mid-market managers have dramatically grown their funds to challenge the dominance of mega fund managers [such as] GIP and Brookfield."

This concentration of capital is only likely to increase as successful fund managers continue to launch new fund strategies that sit outside their flagship funds. Recent examples include decisions by Macquarie Infrastructure and Real Assets and Brookfield Asset Management, among others, to launch super-core infrastructure funds and Stonepeak Infrastructure Partners' launch of its first dedicated renewables fund.

Unlisted infrastructure fund size growth by strategy (USD bn)

	Brookfield	GIP	EQT	Ardian	MEIF	Antin	KKR	Stonepeak	ISQ
Fund I	2.66	5.64	1.32	0.23	1.7	1.25	1.04	1.65	3
Fund II	7	8.25	2.18	0.75	5.25	2.26	3.1	3.5	7
Fund III	14.5	15.8	4.53	1.64	1.36	4.08	7.4	7.2	
Fund IV	20*	17.5*	10.19	3	3.11	6.23*			
Fund V				6.91	4.53				
Fund VI					6.79				

* Target size

Source: *Inframation Data*

2.0 POINT OF ENTRY

One consideration that can't be avoided by infrastructure investors in 2019 is the point of entry.

The decision whether to make an investment as an LP in a closed-end fund during fundraising, acquire an LP interest on the secondary market, or to invest directly in assets presents a range of unique opportunities.

2.1 Primary fund commitments

The most straightforward and common approach currently is to allocate to a closed-end fund during a fundraise. For investors willing to allocate to a first-time management team or to a fund by the time of its first close, this can often be accompanied with an attractive reduction in management and performance fees.

However, investing at such an early stage can also come with downside.

For one, investors rarely have complete visibility of a fund's portfolio, meaning an LP will not have certainty as to which assets they will ultimately have exposure to.

The prevalence of management fee structures charged on committed capital and an extended draw-down of capital through the fund's investment period can also adversely affect an early-investor's return.

"Investors are becoming increasingly sophisticated in their approach to investing in infrastructure," says Anish Butani, head of infrastructure at institutional advisory firm Bfinance. Institutional investors "building up their exposure to infrastructure are asking what this means on a multi-year basis to ensure they are gaining appropriate pacing and diversification as they allocate," he adds.

A well-thought-out secondary investment programme reduces risk markedly compared to primary investing, through broad and immediate diversification, depth of available due diligence, and the ability to invest in assets that are difficult to find today

2.2 Diversifying in the secondary

One way to build diversification quickly is through the secondary market – which typically differs from the primary market where investors are faced with the competing strategies of the day.

The secondary market can allow you to "wind the clock back," says William Greene, infrastructure partner at specialist secondaries investment firm Stafford Capital Partners.

"A well-thought-out secondary investment programme reduces risk markedly compared to primary investing, through broad and immediate diversification, depth of available due diligence, and the ability to invest in assets that are difficult to find today," he says.

Pricing in the secondary market can also be relatively more attractive, with individual stakes in funds often trading at a discount to their net asset value. However, unlike the primary market deal flow can be more limited.

2.3 Going direct

The most complex option available to an infrastructure investor in the current market can be to go direct.

For many years, the presence of some of the largest Canadian, Dutch and Australian institutional investors going it alone in the infrastructure sector has been a defining theme in the sector.

This route presents an opportunity to cut-out often costly fund management fees and to build a tailored portfolio of assets. But it can come with a significant upfront cost. In order to originate, execute, manage and exit investments successfully, an experienced team needs to be hired and managed.

For many institutions without the firepower to do this, a simpler solution may be to partner with an "existing asset manager" either through a co-investment arrangement or through an advisory or individual management agreement. Such approaches can offer a significant discount of fees compared to investing in funds themselves, while providing the investor with ultimate discretion on which investments they do and don't participate in.

This opportunity requires three things from institutional investors, according to François Bornens, partner at infrastructure asset management firm Arjun Infrastructure Partners which has invested around EUR 2.3bn across 13 deals with its "alliance" investors.

"The investor must have a sophisticated view of its diversification requirements through an existing allocation to the infrastructure sector," he says. "They must have the right people who can speak the same language as our investment team, and they must have a streamlined internal investment approval process that gives them the ability to execute."

2.4 Power through aggregation

A final approach, often preferred by smaller allocators or institutions looking for a mix of the approaches discussed above, is to award a mandate to a specialist fund-of-fund or consultant.

Firms such as Pantheon Ventures, GCM Grosvenor or StepStone advising on a mix of primary fund commitments, secondaries and direct investments have seen substantial inflows of capital in recent years, according to one senior industry source.

These firms can provide a safe jumping-off point for less experienced investors looking to build initial exposure to the sector.

Whatever the strategy or point of entry adopted, the private infrastructure market will likely, once again, look a very different place in 15-years' time. Historically low-interest rates coupled with unprecedented investor demand is rapidly transforming the sector around us. ■

Award-winning Fund and Corporate Services

Employing more than 900 people across 6 jurisdictions, we're proud to administer over €360bn in assets for some of the industry's leading alternative investment managers.

If you are launching a fund, looking to outsource, or considering migrating, we can support you. Please contact Richard Anthony, Associate Director, on +44 (0)1534 833086 or email richard.anthony@aztecgroup.co.uk

- Owner-managed since our inception in 2001
- Trusted partner for over 410 funds and 4,200 entities
- Over 1 in 3 clients have migrated from other service providers
- 1 dedicated team and central point of contact across all offices
- Industry-leading employee retention rate
- 12 industry awards in 9 years

The Bright Alternative

Explore: aztecgroup.co.uk | .eu | .se

Private Equity Fund Services
Real Asset Fund Services
Private Debt Fund Services
Corporate Services

AZTEC GROUP

Aztec Group is a regulated financial services group