

FUNDTRACKER TRENDWATCH

All talk and no action

Infrastructure debt funds slow to gain traction

Although investors have long expressed interest in infrastructure debt funds, that interest is not being translated into commitments. Much of that reluctance can be traced back to a lack of available deals in

the market, as well as a lower-than-needed return profile. The majority of investors prefer to stay local. This means U.S. investors want to invest in the U.S., but it is difficult to find domestic debt deals. Government entities can use muni bonds to finance projects at lower rates than they would pay a private investor, so they do. Europe is a more welcoming environment for private debt providers, but projects are still few and far between.

Since Jan. 1, 2014, 75 infrastructure investment funds have held a final closing. Of those, only eight (11 percent) were debt funds. Those 75 funds raised an aggregate total of \$124.3 billion. Debt funds accounted for just \$9.4 billion (8 percent) of that total.

Debt funds also trailed equity funds when comparing average sizes. Equity funds closed

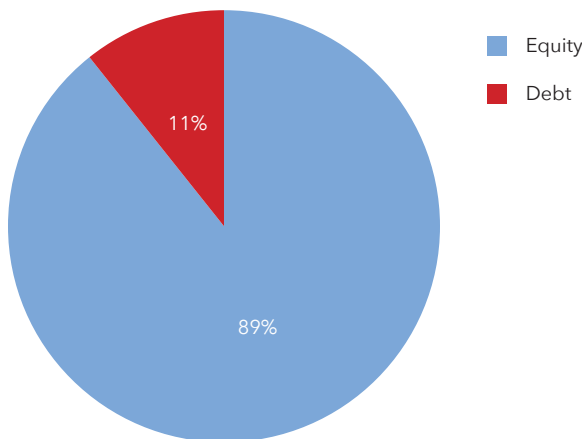
since the beginning of 2014 have an average size of \$1.7 billion. Debt funds come in a bit smaller, averaging \$1.2 billion in size.

Despite the struggle to raise capital in the past 30 months, hope springs eternal. Of the 145 infrastructure funds launched since Jan. 1, 2014, debt funds accounted for 14.5 percent. These funds are seeking an aggregate total of \$42.8 billion, which is 23.3 percent of the total \$184.1 total sought by all recent infrastructure funds. This percentage is nearly three times the percentage of debt fund capital actually raised by closed funds. Not all funds list their maximum fund size, but if we extrapolate the total sizes based on percentage of those that do, we come up with debt funds seeking \$60.4 billion while the total amount of capital being sought by funds launched since the beginning of 2014 comes in at \$255.7 billion.

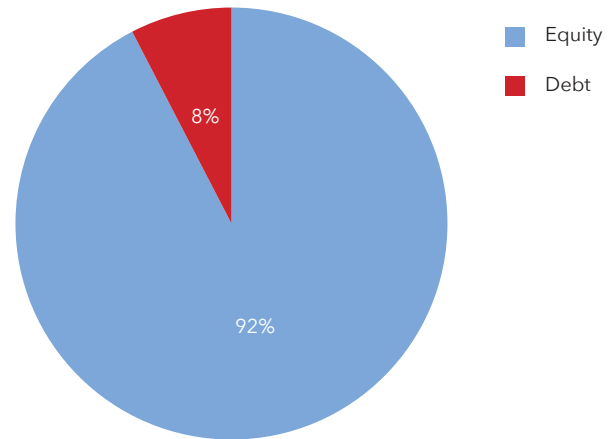
Recently launched debt funds are also much larger than their recently closed counterparts. While the average size of equity funds launched and closed is relatively similar (\$1.6 billion vs. \$1.7 billion) the average size of debt funds launched in the past 30 months is more than twice the amount actually raised by closed funds — \$2.8 billion for new funds versus \$1.2 billion for closed funds.

- Debt funds account for 8 percent of capital from recently closed funds
- Recently closed debt funds have an average size of \$1.2 billion
- 14.5 percent of new funds are debt funds

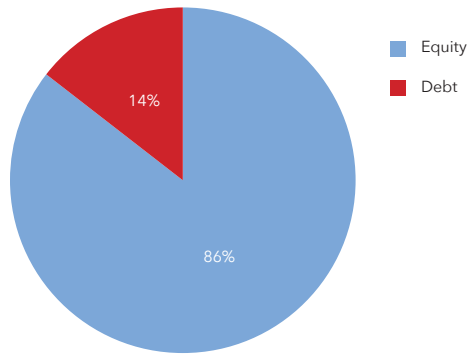
Percent of closed funds — equity vs. debt



Percent of capital raised — equity vs. debt



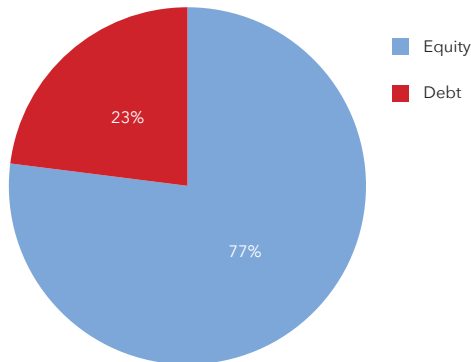
Percent of funds launched — debt vs. equity



Source: IREI FundTracker

Funds launched Jan. 1, 2014 – June 18, 2016

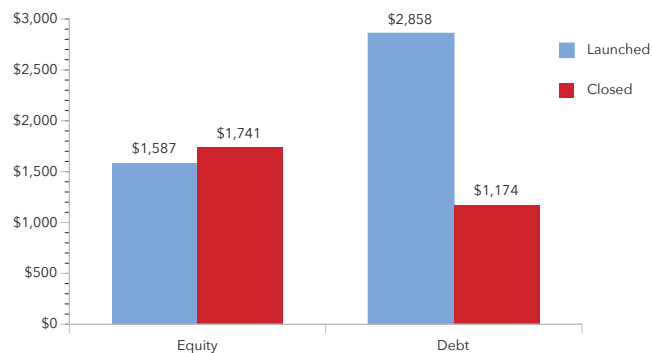
Maximum target for funds launched — debt vs. equity



Source: IREI FundTracker

Funds launched Jan. 1, 2014 – June 18, 2016

Average size of funds — debt vs. equity



Source: IREI FundTracker

Funds launched and closed Jan. 1, 2014 – June 18, 2016

from the IREI NEWS CLOUD

- ▶ The \$275 million [Hollywood \(Fla.\) Employees' Retirement Fund](#) has committed \$10 million to a global infrastructure fund managed by IFM Investors.
- ▶ [OppenheimerFunds](#), a leading global asset manager, announced a strategic partnership with Macquarie Investment Management, a division of Macquarie Group Limited (ASX:MQG), to launch the Oppenheimer Macquarie Global Infrastructure Fund.
- ▶ [Aquila Capital](#) is launching a bond backed by its third renewable energy fund, which will give institutional investors access to its Aquila Capital Renewables Fund III via a bond.
- ▶ U.S. Rep. John Conyers, D-Detroit, is proposing creating a [multibillion-dollar fund](#) to pay for repairing water infrastructure around the country -- and replacing lead service lines like those found in Flint and elsewhere -- by forcing American companies to pay taxes in the U.S. on overseas profits.
- ▶ [UBS Asset Management](#) has closed its dedicated energy fund focused on the production and supply chain following a drop in assets.
- ▶ The \$2.4 billion [Seattle City Employees' Retirement System](#) has committed \$12 million to Global Infrastructure Partners III.

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