

Geographic diversification gains favor

Global/Multi-regional funds continue to increase market share

Looking for trends in the infrastructure world is like doing the Sunday *New York Times* crossword. The clues seem straightforward enough — but you (or at least I) usually end up with more blanks than answers. With numbers

bouncing around from year to year, the infrastructure fundraising world also offers more questions than answers. For example, the number of funds launched is decreasing. The amount of capital these new funds are targeting is decreasing. The number of funds reaching final close is decreasing. Yet, the amount of capital raised is increasing.

This dichotomy can possibly be traced to the rise in global mega-funds. Back in 2014, global

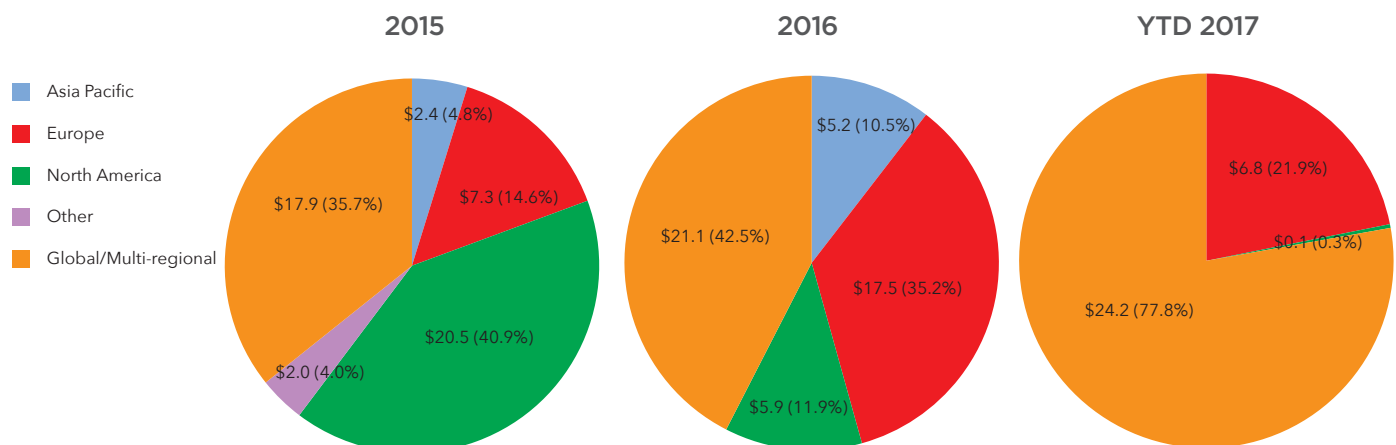
funds represented 30 percent of the capital raised. That market share grew to 36 percent of the capital raised in 2015. By the end of 2016, global funds were closing on 43 percent of the capital raised. The trend seems to be continuing. Although it is obviously still very early in the year, global funds closing year-to-date have snagged 78 percent of the capital committed.

With global funds increasing market share year over year, capital committed to other regions must be shrinking. As it turns out, one region in particular appears to be falling out of favor — North America. In 2014, North American funds accounted for 54 percent of the capital in funds reaching a final close that year. 2015 saw that number fall to 41 percent. The trend continued in 2016, when only 12 percent of the capital raised by funds closing that year had a North American focus. We see no indication that this trendline will turn in 2017, as only one North American-focused fund has closed this year, and it accounts for less than 1 percent of the capital raised.

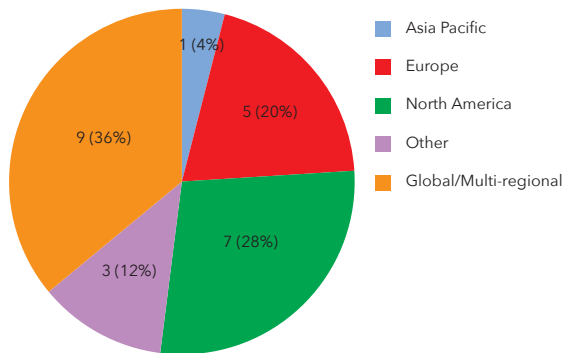
The growth of global funds, both in market share and size — global funds grew from an average size of \$1.4 billion in 2014 to \$2.2 billion in 2016 and \$3.1 billion YTD 2017 — can probably be traced to the lack of appropriate and profitable transactions in the United States, where many investors would prefer to focus. By embracing a global mandate, these funds are free to access the relatively few U.S. deals that come up, but are not stymied by the lack of opportunity. If the United States ever comes up with a rational infrastructure policy, they will be ready. But until then, their investors are happy to invest wherever the market takes them.

- Global funds raise 78% of the capital YTD 2017
- Europe funds raise second-most capital YTD 2017
- Interest in North American funds seems to be falling

Capital raised by funds closing each year by region (\$B)

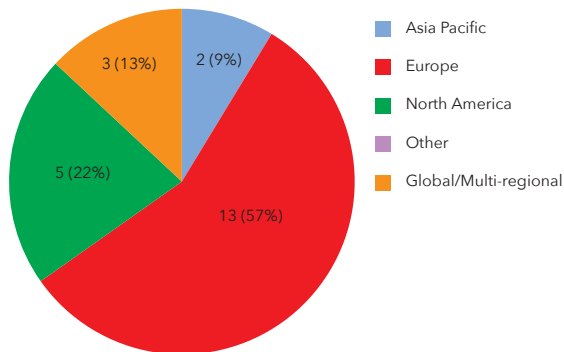


Number of funds closed by region — 2015



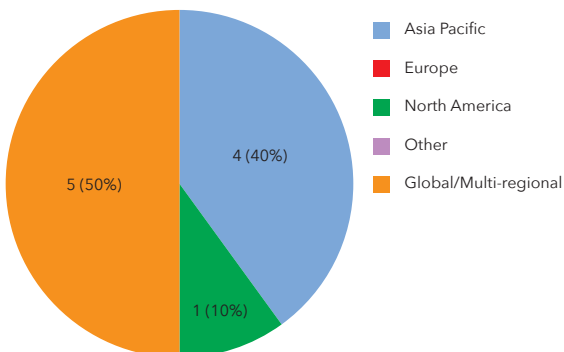
Source: IREI FundTracker

Number of funds closed by region — 2016



Source: IREI FundTracker

Number of funds closed by region — YTD 2017



Source: IREI FundTracker

YTD 2017 = May 15, 2017

Information in this report has been drawn from IREI's proprietary FundTracker database. Online subscriptions are available. Click [here](#) for more information.

from the

IREI Infrastructure Newsline

- According to media reports, [Saudi Arabia](#) has plans to invest \$40 billion in U.S. infrastructure via its sovereign wealth fund.
- The [Chicago Department of Planning and Development](#) released the final version of the North Branch Industrial Corridor Framework, a project located along the Chicago River between the Fullerton Ave. bridge and Kedzie Ave., which will include commercial real estate, as well as sports fields, bridges, a new Metra station and other infrastructure.
- The \$849 million [Ohio State Highway Patrol Retirement System](#) is searching for a private infrastructure manager to run a \$20 million investment in a commingled fund, its first foray into the asset class.
- [PGGM](#), the Netherlands' second-biggest pension fund, has entered into an agreement with SolarCity to invest approximately €200 million (\$218 million) in a portfolio of 38,000 solar energy systems set up in 21 states in the United States.
- The \$11.7 billion [New Mexico Educational Retirement Board](#) committed \$25 million to a separate infrastructure account managed by Stonepeak Infrastructure Partners to acquire discounted infrastructure debt.

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FUNDTRACKER TRENDWATCH

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