

FUNDTRACKER TRENDWATCH

Debt-fund market share refuses to grow

No infrastructure debt fund has finalized YTD 2017

During the past three years, the percentage of debt funds versus equity funds reaching a final close has crept up from 8.8 percent in 2014 to 13.3 percent in 2016. The percentage of capital raised by these

funds compared to equity funds, however, has remained relatively steady — starting at 7.2 percent in 2014, rising to 8.6 percent in 2015 and then falling back a bit to 7.8 percent in 2016. YTD 2017, however, is throwing a wrench into the narrative. We are almost halfway through the year, and not a single infrastructure debt fund has held a final close. This despite the fact that the market has already closed on nearly 62 percent of the total amount of capital raised last year. 2016 saw

\$52.0 billion raised by all funds reaching a final close. So far in 2017, we have seen \$32.1 billion raised — all in equity.

Managers are an optimistic group, however, and they are still betting that investors will warm to infrastructure debt products. In the past 18 months, AMP Capital, Aviva Investors, Brookfield Asset Management, Macquarie Group, Mitsui

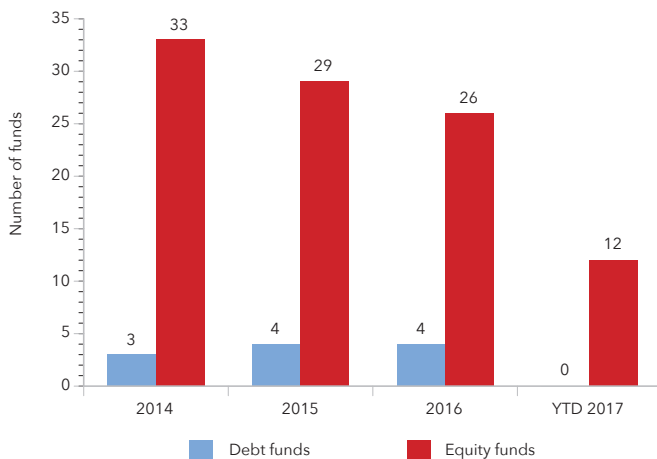
& Co, Standard Life Investments and StepStone Group, among others, have all signaled a greater focus on infrastructure debt. Some have added to existing internal teams, while others have acquired outside platforms.

So far, however, it does not appear that interest is translating to action. As noted, no debt funds have closed out this year. In addition, few new debt funds are hitting the market. In 2016, we saw seven new debt funds, out of a total of 50 new funds, come to market. Year-to-date 2017, we have only seen three new debt funds — though this small cohort makes up 20 percent of all funds launched.

Debt funds are also struggling to keep up with their more robust equity brethren when it comes to average size. While it is often hard to spot trends in the infrastructure space, the one trend that seems undeniable is that funds are getting bigger and capital is being concentrated in the hands of a few. Debt funds, however, are bucking this truism. The average size of a debt fund has stubbornly refused to rise in the past three years — coming in at \$1.2 billion in 2014 and falling a bit to \$1.1 in 2016. In addition, 10 different managers were responsible for the 11 funds reaching a final close since 2014. Only Macquarie had more than one fund in the group.

- Debt funds responsible for 6.5% of capital closed 2014–2017
- Negligible growth seen in debt capital raised year to year 2014–2017
- Avg. debt fund smaller than avg. equity fund

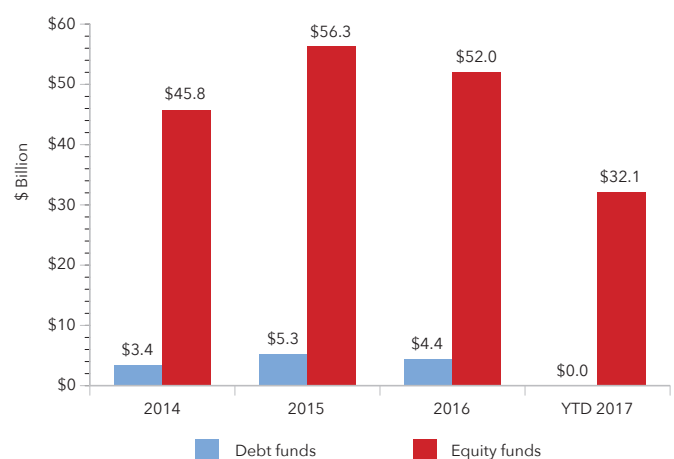
Number of closed debt funds vs. equity funds



Source: IREI FundTracker

YTD 2017 = June 1, 2017

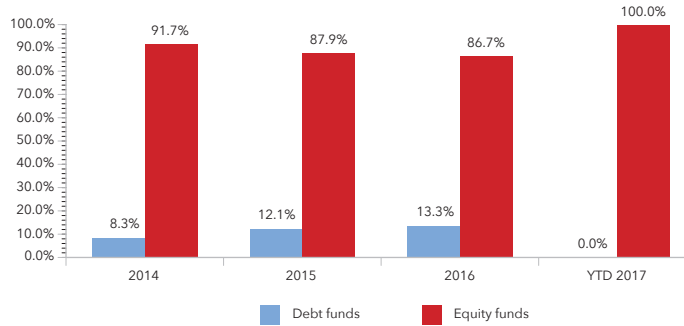
Capital raised by debt funds vs. equity funds (\$B)



Source: IREI FundTracker

YTD 2017 = June 1, 2017

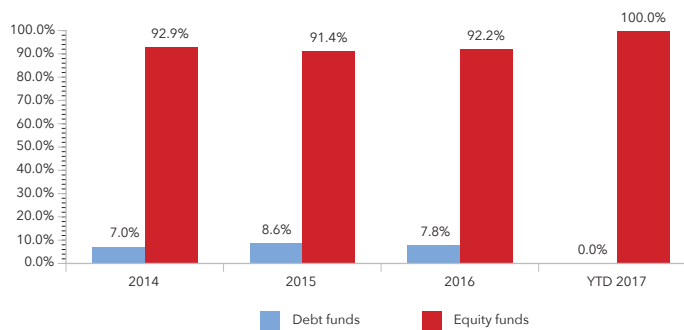
Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

YTD 2017 = June 15, 2017

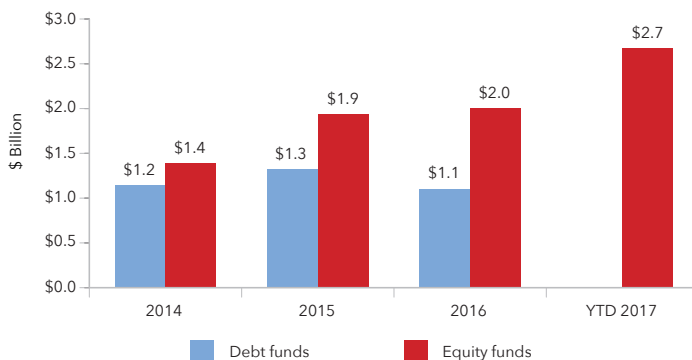
Capital raised — percentage debt vs. equity



Source: IREI FundTracker

YTD 2017 = June 15, 2017

Average size of closed funds — equity vs. debt (\$B)



Source: IREI FundTracker

YTD 2017 = June 15, 2017

from IREI Infrastructure News

- Canadian Prime Minister Justin Trudeau announced that the Ottawa government has pledged C\$1.28 billion (\$970 million) toward the [Réseau électrique métropolitain \(REM\)](#) light rail network in Montréal.
- The \$13.3 billion [Maine Public Employees Retirement System](#) has committed up to \$50 million to Meridiam Infrastructure North America Fund III.
- [Apple](#) has issued a \$1 billion green bond to finance projects, such as wind and solar power plants, energy-efficient buildings, and new approaches to using recycled materials.
- The \$14.4 billion [Arkansas Teacher Retirement System](#) has committed \$50 million to IFM Global Infrastructure Fund, an open-end infrastructure fund that targets core-like infrastructure assets globally.
- [Carnelian Energy Capital Management](#), an energy investment firm based in Houston, has held the single closing of its oversubscribed second fund, Carnelian Energy Capital II, at the fund's hard cap of \$600 million.
- [Minnesota Gov. Mark Dayton](#) signed a \$990 million infrastructure construction bill to pay for new construction and repairs for public colleges and universities, local roads and bridges, state hospitals and prisons, sewer and water projects, parks, trails, and affordable housing.

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