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Question of the Week:

As infrastructure assets evolve, how has that presented new opportunities for investors?

May 2, 2023

Infrastructure assets are going to remain highly attractive. This is partly because they offer all the characteristics that investors are looking for like long-term protection on revenues, decorrelation from economic cycles and protection against inflation. However, infrastructure is still a relatively young asset class and investors are going to continue to increase both their exposure and familiarity, leading to ever deepening opportunities, especially in essential infrastructure like transport, telecoms and energy.

Ash Ilkhani, Private Funds, New York

We are seeing increased activity in infrastructure focused funds in growth markets. Many sponsors in growth markets are steadily growing their fund sizes, and we are also seeing several large growth markets funds being raised by global managers, either as sidecars to their flagship fund or as standalone products. This is a trend we expect to continue, both because of the huge need for infrastructure investment in growth markets and because of the massive benefits and opportunities on offer for investors.

Monica Arora, Private Funds, New York

One of the major trends affecting infrastructure capital raising this year is sector specialization. As the industry has matured, we have seen specialist sub-sectors emerge, particularly in climate-related areas. This includes large, established managers adding to their flagship fund with specialist sector funds in areas like smart technology, the energy transition, and emerging markets funds; but it also includes emerging managers whose entire focus is on one of these sub-sectors. Some of the largest funds raised in the last 12 months have been dedicated to these themes. This has been assisted by the continued availability of LP capital to invest in these sectors, notwithstanding the slowdown in capital raising elsewhere.

Peter Olds, Private Funds, London

Global megatrends such as energy transition and digital transformation are key driving forces behind much of the infrastructure M&A we are currently seeing. Despite macroeconomic challenges, clean energy assets and digital infrastructure (particularly data centers) are particularly attractive to sponsors and pension funds given attractive financial characteristics (e.g. longer-term contracts, largely predictable risk and consistent returns) and sector growth. The widely-held view that we are likely only at the beginning of the clean energy and digital infrastructure S-curves is also driving investor interest. Unsurprisingly, investors in this space are witnessing significantly increasing valuations and robust competition for high quality assets.

Kunal Dogra, M&A, New York

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