

Fundraising report

Wowza!! Infrastructure explodes!

by Sheila Hopkins

We were still congratulating 2021 on its record-breaking infrastructure private equity fundraising when Q1/2022 looked up, said, “Hold my beer,” and proceeded to post \$70 billion in final closings all by itself, a total that typically takes at least three quarters to reach. And — spoiler alert — we already know that nearly \$30 billion has closed in the first half of Q2/2022. With six weeks still to go in that quarter, it’s reasonable to assume that we will be seeing an annual total that surpasses anything seen in previous years — all by the middle of 2022.

During Q1/2022, 16 funds were involved in raising that stunning \$70 billion. Of those funds, five closed on more than \$5 billion. Another six raised \$1 billion or more.

Although Q1 saw several enormous funds reach a final closing, two stand out — the \$17.0 billion KKR Global Infrastructure Investors IV, which will focus on energy, renewables,

transmission and utilities in the United States; and the \$14.0 billion Stonepeak Infrastructure Fund IV, which has a global diversified mandate. Rounding out the top three is the global diversified \$8.5 billion Partners Group Infrastructure 2020, with the \$8.3 billion DigitalBridge Partners II not far behind. These four funds, on average, over shot their maximum target by \$3.2 billion. KKR raised more than 141 percent of its original \$12.0 billion target, while Partners Group saw their fund swell by 170 percent of its target.

The Q1/2022 cohort was spread evenly among geographies, with five each focused on global, North America and Europe strategies. The remaining fund expects to invest in the Asia Pacific region. Energy and renewables show up in the property focus more than any other sector, though communications — including telecoms, data centers and IT — also has its fans. Less popular but still listed in several mandates are utilities — particularly water — transportation and social infrastructure.

So, what factors aligned in Q1/2022 to result in this explosion of infrastructure interest? We certainly can’t ignore pent-up demand. We saw the beginning of investment picking up in the second half of 2021’s record-breaking activity and that flow of capital has gained steam in 2022. Then, we have to factor in a volatile, inflationary economy. Infrastructure has long been touted as an inflation hedge with stable returns in any environment. The next couple of years will likely test that perceived wisdom. But, maybe more than anything, infrastructure is finally coming of age. It’s taken awhile for institutions to understand its characteristics and what it can do for a portfolio, but they have gotten there. And as institutions have become more comfortable, sponsors have developed a track record that allows investors to do real due diligence. The two largest funds in the Q1 list are both on their fourth iteration. One fund in the list is on its fifth version, and most of the others have had at least one previous successful raise and execution. With these factors continuing to provide tailwinds for the foreseeable future, and with at least one sponsor in the market seeking nearly \$23 billion, another looking for \$15 billion and several targeting more than \$5 billion, odds are good that 2022 will be a fundraising year for the ages. ❖

| FUNDRAISING ACTIVITY | | |
|----------------------|--------------|----------------|
| Period | No. of Funds | Volume (\$B) |
| Q1/19 | 10 | \$24.5 |
| Q2/19 | 10 | \$17.2 |
| Q3/19 | 9 | \$9.0 |
| Q4/19 | 11 | \$43.3 |
| 2019 Totals | 40 | \$94.0 |
| Q1/20 | 14 | \$40.1 |
| Q2/20 | 9 | \$14.0 |
| Q3/20 | 7 | \$15.9 |
| Q4/20 | 13 | \$16.2 |
| 2020 Totals | 43 | \$86.2 |
| Q1/21 | 10 | \$14.6 |
| Q2/21 | 16 | \$35.6 |
| Q3/21 | 12 | \$22.5 |
| Q4/21 | 8 | \$33.8 |
| 2021 Totals | 46 | \$106.5 |
| Q1/22 | 16 | \$70.0 |
| 2022 Totals | 16 | \$70.0 |

Source: Institutional Real Estate, Inc.

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Closed funds Q1/2022

| FIRM PRODUCT | CLOSE DATE | INVESTMENT STYLE/ FUND STRUCTURE | SECTOR FOCUS | MARKET FOCUS | SIZE (M) |
|---|------------|---|--|---------------|----------|
| AIP Management AIP Infrastructure II | 1/19/22 | Closed-end fund | Energy, renewable | Global | \$4,558 |
| Apollo Global Management Apollo Infrastructure Opportunities Fund II | 1/6/22 | Closed-end fund | Communications, power, renewable, transportation | North America | \$2,540 |
| Asterion Industrial Partners Asterion Industrial Infrastructure Fund II | 2/15/22 | Closed-end fund | Energy, telecoms, transportation, utilities | Europe | \$2,034 |
| DigitalBridge DigitalBridge Partners II | 1/19/22 | Opportunistic Closed-end fund | Communications, data centers, IT | Global | \$8,300 |
| EverSource Capital Green Growth Equity Fund | 1/18/22 | Closed-end fund | Energy, renewable, waste, water | Asia Pacific | \$741 |
| Greenbacker Capital Greenbacker Development Opportunities Fund I | 3/9/22 | Closed-end fund | Energy, renewable | North America | \$142 |
| Hull Street Energy Hull Street Energy Partners II | 3/30/22 | Closed-end fund | Energy | North America | \$1,125 |
| InfraVia Capital Partners InfraVia Growth Equity Fund | 1/25/22 | Closed-end fund | IT | Europe | \$567 |
| InfraVia Capital Partners InfraVia European Fund V | 3/9/22 | Closed-end fund | Education, energy, social infrastructure, telecoms, transportation, water | Europe | \$5,400 |
| Intermediate Capital Group ICG Infrastructure Equity Fund I SCSp | 3/28/22 | Closed-end fund | Energy, renewable, social infrastructure | Europe | \$1,646 |
| KKR KKR Global Infrastructure Investors IV | 3/14/22 | Closed-end fund | Energy, renewable, transmission, utilities | North America | \$17,000 |
| Melody Capital Management Melody Communications Infrastructure Fund II | 1/18/22 | Closed-end fund | Telecoms | North America | \$1,950 |
| NextEnergy NextPower III ESG | 1/31/22 | Closed-end fund | Renewable | Global | \$896 |
| Partners Group Partners Group Direct Infrastructure 2020 | 2/14/22 | Core-plus, value-added Closed-end fund | Communications, energy, logistics, power, renewable, social infrastructure, transportation, waste, water | Global | \$8,500 |
| Pioneer Point Partners Pioneer Infrastructure Partners | 2/23/22 | Value-added Closed-end fund | Energy, renewable | Europe | \$605 |
| Stonepeak Infrastructure Partners Stonepeak Infrastructure Fund IV | 2/2/22 | Closed-end fund | Energy, renewable, telecoms, transportation, utilities, water | Global | \$14,000 |

Source: Institutional Real Estate, Inc.

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