The $1bn Club: Largest Infrastructure Fund Managers and Investors

Alastair Hannah takes a look at the largest institutions in the infrastructure industry, providing insight into their strategy preferences, current and target allocations, influence in the market and more.

$1bn Club Fund Managers

Preqin's Infrastructure Online currently details 84 fund managers that have raised at least $1bn in capital over the past 10 years. This '$1bn Club' represents an outsized proportion (85%) of aggregate capital raised for unlisted infrastructure funds since 2006, despite only accounting for just over a quarter of unlisted infrastructure fund managers in terms of number.

Largest Managers in the $1bn Club

UK-based Macquarie Infrastructure and Real Assets (MIRA) has raised $29.5bn over the past 10 years, more than any other fund manager in the $1bn Club (Fig. 1). The firm has raised 16 funds that focus on a broad range of geographies and industries. Most recently, Macquarie Asia Infrastructure Fund, which focuses on core economic infrastructure assets, reached a final close $850mn above its initial target size, securing $3.1bn in institutional investor capital. Toronto-based Brookfield Asset Management has raised a total of $25.9bn from six fund closures in the past 10 years; the firm's most recent fund to close, Brookfield Infrastructure Fund III, accounts for the bulk of this total, securing $14bn in 2016 and making it the largest infrastructure fund ever closed, as well as the fifteenth largest private capital fund of all time.

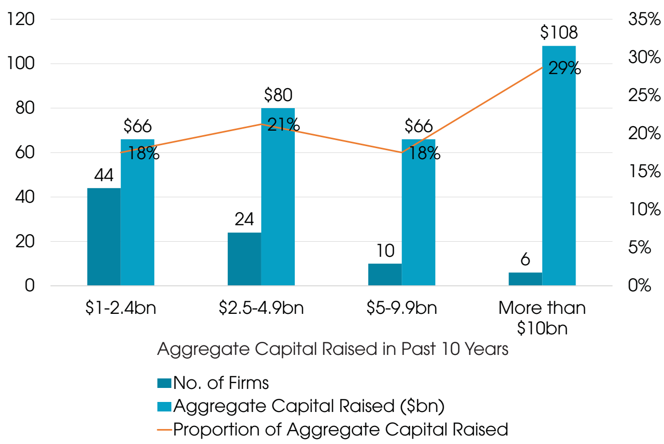
The smallest fund managers in the $1bn Club (firms that have raised between $1bn and $2.4bn in the past 10 years) account for the highest number of firms (44) in the Club (Fig. 2). Only six firms have raised more than $10bn from institutional investors, representing 29% of aggregate capital raised for unlisted infrastructure vehicles in the past 10 years. The dominance of such a small number of firms in the fundraising sector shows the influence of established companies with a proven track record in the industry.

Fig. 1: 10 Largest Infrastructure Fund Managers by Aggregate Capital Raised for Unlisted Infrastructure Funds in the Past 10 Years

Firm	Headquarters	Aggregate Capital Raised in Past 10 Years ($bn)	No. of Funds Raised in Past 10 Years	No. of Funds Currently in Market
Macquarie Infrastructure and Real Assets (MIRA)	London, UK	29.5	16	2
Brookfield Asset Management	Toronto, Canada	25.9	6	0
Global Infrastructure Partners	New York, US	13.9	2	3
EIG Global Energy Partners	Washington DC, US	13.2	4	0
ArcLight Capital Partners	Boston, US	13.1	4	0
Energy Capital Partners	Short Hills, US	12.4	4	0
GS Infrastructure Investment Group	New York, US	9.8	3	1
KB Asset Management	Seoul, South Korea	8.8	42	0
Morgan Stanley Infrastructure	New York, US	7.6	2	1
Alinda Capital Partners	Greenwich, US	7.1	2	1

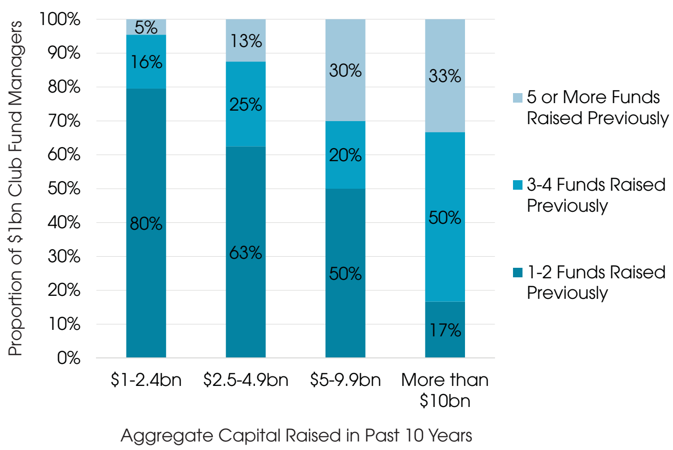
Source: Preqin Infrastructure Online

Fig. 2: Breakdown of $1bn Club by Aggregate Capital Raised in the Past 10 Years



Source: Infrastructure Online

Fig. 3: No. of Funds Raised by $1bn Club Fund Managers in the Past 10 Years by Aggregate Capital Raised



Source: Infrastructure Online

Unsurprisingly, fund managers in the $1bn Club that have secured larger amounts of capital have also raised more vehicles. Fig. 3 illustrates that 80% of firms that have raised between $1bn and $2.4bn have only raised one or two funds previously, compared with firms in the $5-9.9bn bracket, where half have raised at least three funds. While some firms (17%) have exceeded the $10bn mark in capital raised from just one or two funds, this bracket has the largest proportion of firms that have raised five or more infrastructure funds in the last 10 years.

Regional Variation

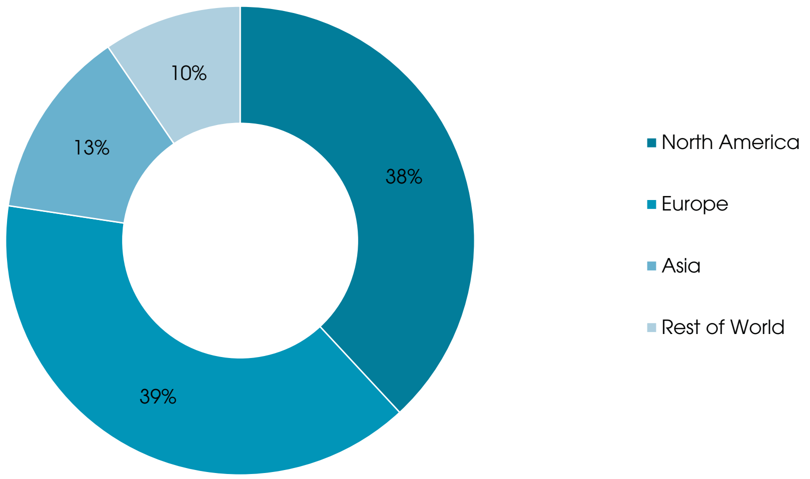
Infrastructure fund managers headquartered in Europe make up the largest proportion (39%) of the $1bn Club, followed closely by those based in North America (38%, Fig. 4). As shown in Fig. 5, the 18 London-based fund managers in the $1bn Club have raised the most capital ($67.3bn) over the past 10 years, marginally more than the $65.3bn raised by 13 New York-based managers. Brookfield Asset Management is the only firm in the $1bn Club to be based in Toronto, yet it has secured the third highest amount of capital ($25.9bn). Most likely, this figure is a reflection of the sophistication of the institutional investor universe in its domestic market, which will be illustrated later on.

Investors in the $1bn Club

There are 75 institutional investors that currently have more than $1bn allocated to infrastructure with a combined $8.1tn in assets under management (AUM).

As shown in Fig. 6, Japan Bank for International Cooperation currently has

Fig. 4: $1bn Club Infrastructure Fund Managers by Location



Source: Preqin Infrastructure Online

Fig. 5: Top Locations of $1bn Club Unlisted Infrastructure Fund Managers

Location	No. of $1bn Club Fund Managers	Aggregate Capital Raised in Past 10 Years ($bn)
London	18	67.3
New York	13	65.3
Toronto	1	25.9
Washington	4	20.0
Paris	4	16.9
Seoul	2	13.9
Boston	1	13.1
Short Hills	1	12.4
Greenwich	3	12.2
Dallas	3	5.0
Sydney	2	4.6
St Peter Port	1	4.2

Source: Preqin Infrastructure Online

Fig. 6: 10 Institutional Investors by Current Allocation to Infrastructure

Rank	Investor	Location	Current Allocation to Infrastructure ($bn)	Current Allocation to Infrastructure	Assets under Management ($bn)
1	Japan Bank for International Cooperation	Japan	41.6	24.0%	JPY 18,463.8
2	CPP Investment Board	Canada	15.3	5.5%	CAD 367.4
3	OMERS	Canada	12.5	22.0%	CAD 77.0
4	CDPQ	Canada	9.9	5.2%	CAD 248.0
5	Ontario Teachers' Pension Plan	Canada	9.6	8.2%	CAD 152.4
6	APG - All Pensions Group	Netherlands	9.1	2.0%	EUR 413.0
7	AustralianSuper	Australia	6.9	10.0%	AUD 92.0
8	Alberta Investment Management Corporation (AIMCo)	Canada	6.1	8.9%	CAD 9.0
9	British Columbia Investment Management Corporation	Canada	6.0	6.0%	CAD 130.0
10	PGGM	Netherlands	6.0	3.0%	EUR 180.0

Source: Preqin Infrastructure Online

the largest allocation to infrastructure, with 24% of its total assets allocated to the asset class ($41.6bn). The $173bn government agency maintains this allocation via unlisted funds and direct assets as part of its opportunistic investment portfolio.

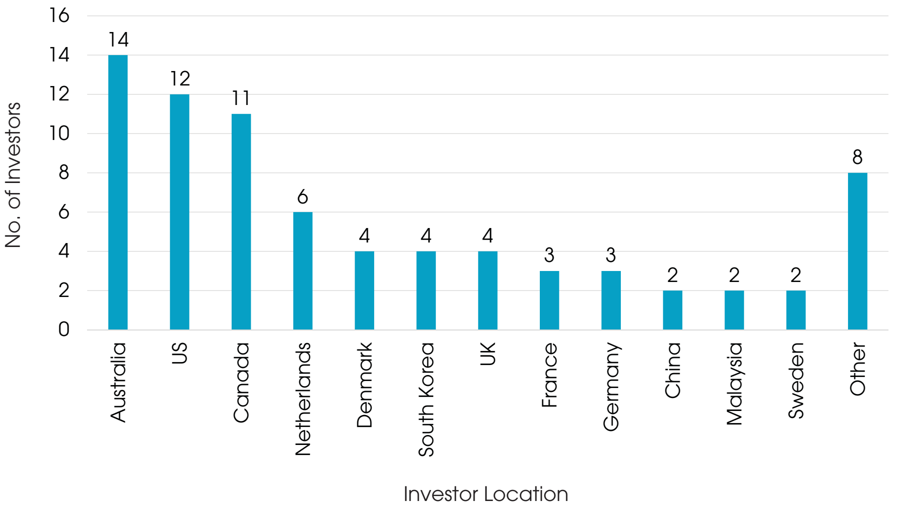
Canada-Based Investors in the $1bn Club

The representation of Canada-based institutional investors in the $1bn Club is particularly noteworthy: six of the 10 largest allocators to infrastructure are headquartered in Canada and have a combined current allocation of approximately $59bn – 19% of the $1bn Club's collective allocation to infrastructure. With large institutions such as CPP Investment Board, which has CAD 367bn in AUM and Ontario Teachers' Retirement Plan (CAD 152bn in AUM), it is unsurprising that Canada accounts for such a large amount of capital secured in the past decade.

Although Canada-based investors are the most prevalent in the top 10 of the $1bn Club, they are only third place when the entirety of the $1bn Club is considered. Institutional investors headquartered in Australia are the most prevalent, with 14 investors, while there are 12 based in the US (Fig. 7). There are 10 superannuation schemes in the $1bn Club, which have a combined AUM of $333bn and account for 13% of the total number of institutional investors in the Club (Fig. 8).

Despite representing just 8% of the total number of $1bn Club investors, sovereign wealth funds have approximately $15bn allocated to the infrastructure asset class, the eighth largest investor type by current allocation. While some sovereign wealth funds are attracted to the infrastructure asset class for its long investment horizon and steady cash flows, others choose to invest for reasons beyond generating a monetary return, such as supporting domestic infrastructure projects either directly or through unlisted fund exposure to create a social and economic benefit in the region.

Fig. 7: $1bn Club Infrastructure Investors by Location



Source: Preqin Infrastructure Online

Current and Target Allocations

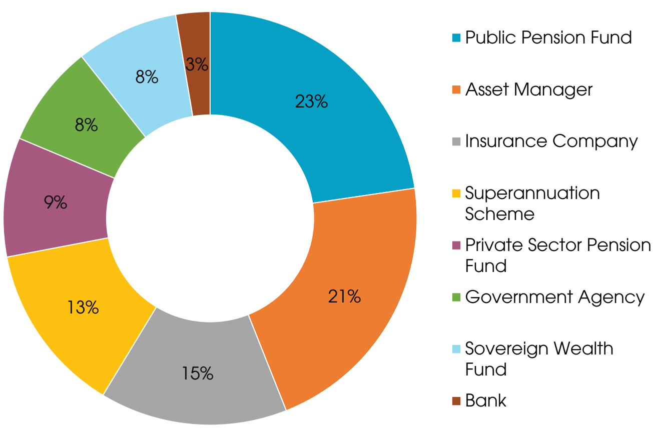
$1bn Club investors maintain substantially different allocations to infrastructure when compared with all other infrastructure investors. The average current allocation to infrastructure of investors in the $1bn Club is 7.0% of total AUM, with a target allocation of 7.5% (Fig. 9). All other investors allocate, on average, less than half of this total, investing just 3.3% of their AUM; nonetheless, they are noticeably under allocated relative to their own target allocations, which could see more entrants move into the $1bn Club as investors deploy more capital to infrastructure in the short to medium term.

Indicative of the difference in sophistication between the $1bn Club and all other investors, the majority (69%) of $1bn Club investors invest in the asset class as part of a separate infrastructure allocation, compared with 34% of all other investors (Fig. 10). Conversely, larger proportions of other investors invest in the asset class through other buckets such as their real assets, private equity or general alternatives allocations.

Route to Market

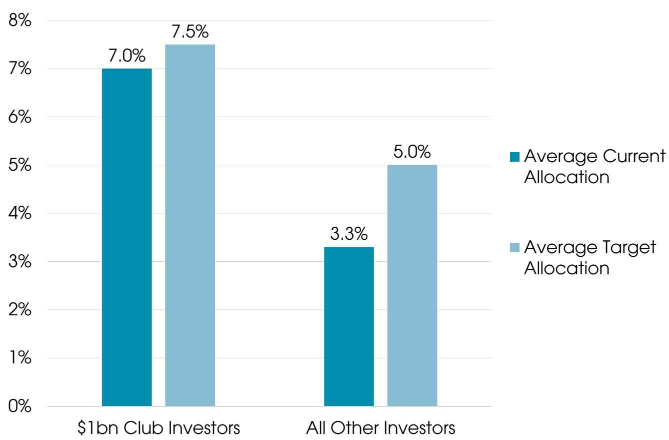
$1bn Club investors have greater levels of participation across all routes to the infrastructure market when compared with all other institutional investors. While unlisted infrastructure fund

Fig. 8: $1bn Club Infrastructure Investors by Type



Source: Preqin Infrastructure Online

Fig. 9: Average and Target Allocations to Infrastructure: $1bn Club Investors vs. All Other Infrastructure Investors



Source: Preqin Infrastructure Online

investments remain the most prevalent route for both the $1bn Club investors and all other investors (91% and 84% respectively), the most substantial difference is seen in the proportions targeting direct investments: 82% of $1bn Club investors invest directly in infrastructure assets, compared with 31% for all other investors (Fig. 11).

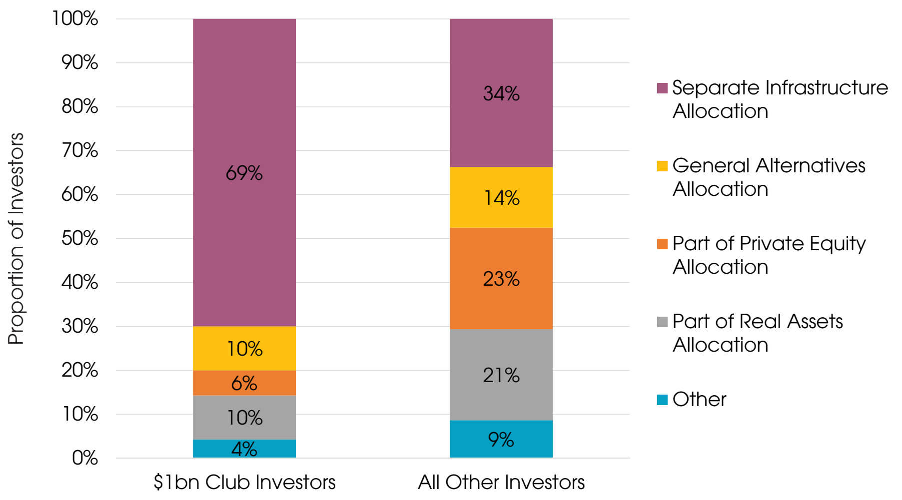
Investing in infrastructure projects directly requires significant human and capital resource and is therefore more often implemented by investors with sizeable AUM and knowledge of the asset class. CPP Investment Board, the second largest investor in infrastructure by current allocation, gains the majority of its exposure through direct investments in well-established brownfield assets. The public pension fund invests in unlisted funds on rare occasions as a way of gaining exposure to a particular geography that it may find challenging to access directly.

Overview

Members of the $1bn Club are a crucial part of the overall infrastructure market and their influence looks set to grow in the coming years, as investors choose to place their capital with fund managers with the best track records, networks and capability to source viable opportunities in the current market. In June 2016, Preqin surveyed 41 institutional infrastructure investors: 34% of respondents placed past performance as the most important factor they consider when looking for an infrastructure fund manager, with a further 17% citing the length of track record as the most important factor. Often, $1bn Club managers fulfil this criteria and consequently have secured the lion's share of the total capital committed to unlisted infrastructure funds in recent times.

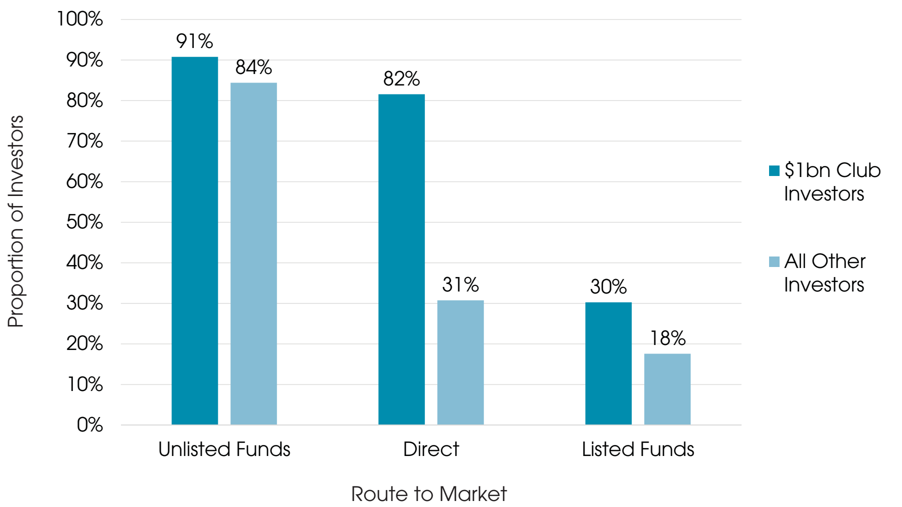
It is likely that $1bn Club investors will see further growth to their ranks in the coming years as investors continue to receive distributions back from their unlisted fund investments, with this capital likely to be re-invested in the asset class as the $1bn Club attempts to move closer to their target allocation. Eighty-three percent of surveyed infrastructure firms in June 2016 have witnessed competition for investor capital increase over the past 12 months. This, coupled with large numbers of funds on the road, means that fund managers will be eager to secure larger commitments from $1bn Club investors so they can gain momentum in the market. Additionally, $1bn Club investors will have a significant outcome on the success of first-time fund managers by acting as cornerstone investors: 77% of the largest allocators to infrastructure will invest or consider investing in first-time funds, compared with 54% of all other infrastructure investors.

Fig. 10: Source of Infrastructure Allocation: $1bn Club Investors vs. All Other Investors



Source: Preqin Infrastructure Online

Fig. 11: Route to Market: $1bn Club Investors vs. All Other Investors



Source: Preqin Infrastructure Online

Data Source:

Preqin's **Infrastructure Online** contains details on over 84 fund managers that have raised $1bn or more for unlisted infrastructure funds, as well as 75 investors that allocate $1bn or more to the asset class. Details include strategic and geographic preferences, assets under management, key contacts and much more.

For more information, or to arrange a demonstration please visit:

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