InfrastructureInvestor

Hitting the road

Contrary to what one might expect, a lot of managers are finding 2009 to be a good time to launch an infrastructure fund. From curious investors in emerging markets to helping hands from governments, there are plenty of reasons to be planning a roadshow.

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At our New York magazine launch party in June, a room full of infrastructure investors, consultants and advisors erupted in laughter as one of our editors, David Snow, joked: "You probably haven't been to too many magazine launches this year".

With many limited partners still licking their wounds from the credit crisis, funds shuttering doors and the market still very much uncertain about investor preferences, one might think the same thought would apply to infrastructure funds.

But a fresh tally of funds in the market by San Francisco-based placement agent Probitas Partners indicates the opposite may be the case.

Probitas counts nearly 100 funds in the market worldwide collectively seeking about $110.3 billion. That's up from 63 funds seeking $94 billion at around the same time last year.

At first look, one might be tempted just to chalk it up to history. After all, markets tend to have a good vintage year when the economy is just coming out of a recession. So if you believe all the talk of "green shoots" in the economy, now would be the perfect time to hit the road.

That is certainly true in the world of leveraged buyouts. But infrastructure is no LBO strategy (well, at least not anymore). It is, as the market is increasingly coming to realise, its own, distinct asset class. So why might infrastructure managers seem so eager to launch a fund during such a difficult year?

First, not all sources of institutional capital are closed for business. As Blackstone chief executive officer Stephen Schwarzman mentioned during a recent conference call, limited partners in emerging markets are showing increasing appetite for alternative asset classes. In Mexico, for example, the country's pensions recently made their first foray into private equity.

Small wonder, then, that most of the additions to Probitas' list are emerging market-focused infrastructure funds. Macquarie is already in Mexico raising a $1.1 billion peso-denominated infrastructure fund. And Colombia now has three country-specific funds eyeing its infrastructure sector.

Secondly, and more importantly, governments are giving infrastructure a solid push by prioritising it on their agendas. Many are even seeding national infrastructure funds with the help of multilateral agencies and regional development banks. That's why you see so much interest in Colombia. And in Mexico, too, the country's president has created a national infrastructure fund that is reported to be helping Macquarie in its efforts.

And, let's not forget: as asset prices began to fall, managers with existing stores of dry powder began looking for bargains. So many existing funds are now getting to be fully invested and veteran infrastructure managers like Highstar are looking to again replenish their coffers.

Of course, it hasn't entirely been a year of addition. RREEF, Santander, ING and the Bank of Ireland are just four institutions known to have closed up shop on one of their infrastructure funds.

But, for the time being, even if you haven't attended too many magazine launch parties this year, chances are you've seen an infrastructure fund launch.