

Managers Report More Competition for Infrastructure Assets

Deal making and fundraising competition intensifies, but firms report increased investor appetite as well

The unlisted infrastructure industry witnessed two consecutive years of record-breaking fundraising in 2016 and 2017. However, the expansion of the industry has brought about significant challenges, most notably increased competition for assets: 81% of fund managers report an increase in the level of competition for investment opportunities compared to 12 months ago*. With increased competition, concerns regarding valuations have increased and over half (59%) of fund managers think that valuations are a key challenge for 2018. Despite these challenges, though, 83% of fund managers have noticed an increase in investor appetite over the past 12 months, while none have seen a decrease. The largest proportions of fund managers have seen more appetite from public pension funds, while a greater proportion of fund managers have seen less appetite from banks than those which have seen an increase in appetite. Geographically, the largest proportions of fund manager have seen appetite increase from Asia-based investors.

For more information and analysis, see the full *H1 2018 Infrastructure Fund Manager Outlook* here: <http://docs.preqin.com/reports/Preqin-Special-Report-Infrastructure-Fund-Manager-Outlook-H1-2018.pdf>

Key Infrastructure Fund Manager Outlook Facts:

- **Eighty-one percent of fund managers find that the level of competition for private unlisted infrastructure assets has increased** at the end of 2017 compared to 12 months prior.
- **Over half (59%) of fund managers find that valuations will pose a key challenge in 2018**, while 36% are concerned over regulation and 33% reporting concerns regarding deal flow.
- **Forty-six percent of managers are finding it more difficult to source attractive investment opportunities** compared to 12 months ago, while just 2% are finding it easier.
- At the same time, though, **83% of fund managers have seen greater appetite from institutional investors** over the past 12 months, while none have seen a decrease.
- **This is not evenly distributed by investor type:** the greatest proportion (71%) of managers are seeing more interest from public pension funds, while just 28% of managers report increased appetite from banks.
- Geographically, **the greatest proportion (60%) of managers report increased appetite from Asia-based investors** compared to 12 months ago.

Patrick Adefuye, Head of Real Assets Products:

“The unlisted infrastructure industry has marked back-to-back record fundraising years, securing more than \$65bn across 2016 and 2017. This influx of capital has come as the industry grows in prominence, particularly with high-profile infrastructure spending plans announced in both the US and China. Investors have been attracted by the attractive risk/return profile, diversification prospects and potential income stream of infrastructure investments, and are increasingly looking to allocate to the asset class. All fund managers interviewed by Preqin have seen investor appetite sustain or increase in 2017, and the prospects for further fundraising in 2018 look good.

However, the higher profile of the industry has brought challenges with it. New fund managers are being established and bringing funds to market, increasing competition for investor capital even as investor appetite increases. At the same time, the amount of capital now available to fund managers has led to increased competition for deal making opportunities. Fund managers also face competition from other sources of capital, such as strategic and retail investors, and from new entrants to the market such as Blackstone’s inaugural infrastructure vehicle. Although the increased interest from investors is a good sign for the future health of the industry, it is likely that both fundraising and deal making will pose significant challenges for fund managers in the year ahead.”

***Results are based on a survey of 65 infrastructure fund managers conducted by Preqin in November 2017.**

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