Hamilton Lane

Catching the Wave:

Infrastructure Contributions & Distributions

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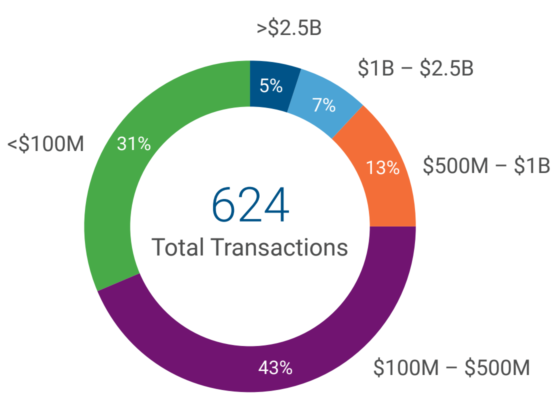
Both infrastructure contributions and distributions slowed meaningfully in 2020, with market activity heavily concentrated in certain sectors, namely data/telecommunications and renewable energy.

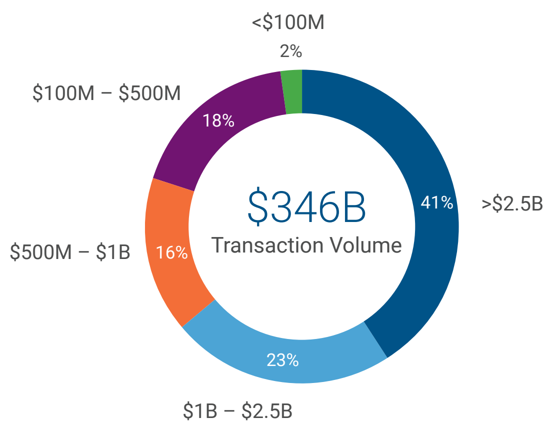
Both contributions and distributions from infrastructure funds slowed meaningfully in 2020. However, transaction activity was at an all-time high, driven by the digital infrastructure and renewables sub-sectors. The transition away from more "traditional" infrastructure assets, such as fossil-fueled power plants or midstream pipelines, is a trend we have been following for some time; however, when looking back on 2020, it is now clear that the transition is accelerating.

Number of Transactions by Enterprise Value in 2020



Source: Inframation as of December 31, 2020.

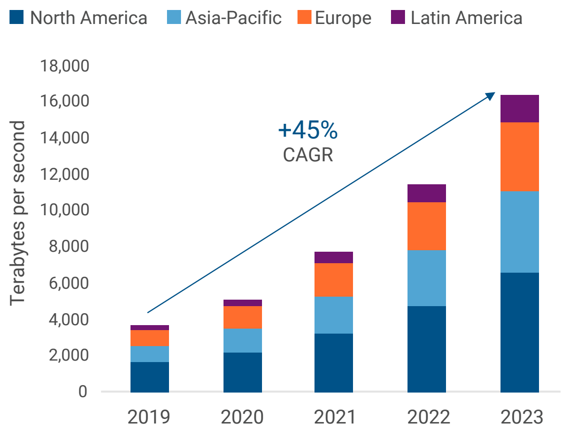
Transaction Volume by Enterprise Value in 2020



Source: Inframation as of December 31, 2020.

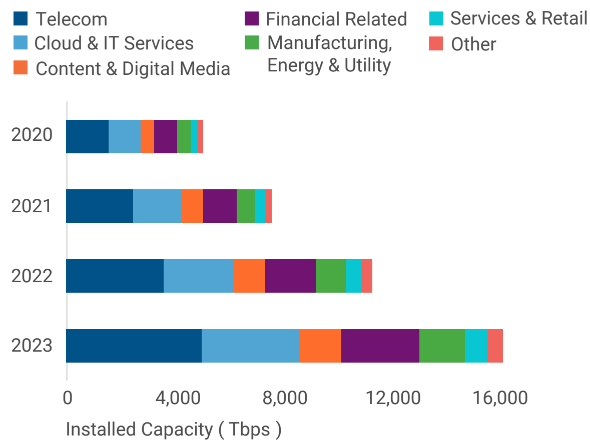
Does that mean that private infrastructure investors should start trading out their toll roads and marine ports for 5G towers and fiber networks? Not necessarily. Each of the infrastructure sub-sectors listed above still plays an important role in a diversified portfolio. However, the data clearly shows why more deals are executed in the digital and renewables sectors – demand. For many people, the pandemic proved that high-speed internet access is no longer a luxury, but a necessity. By 2023, the number of internet users is projected to grow to over 65% of the global population.[1] At this rate, it is likely that the number of internet users will surpass the number of people with access to clean drinking water within the next decade. Building the fiber-rich and complex telecommunications networks required to support this level of growth requires time and capital – characteristics that are creating attractive opportunities and driving deal flow for private investment in the digital infrastructure sector.

Interconnection Capacity by Region



Source: Equinix GXI Report 2020

Interconnection Capacity by Industry



Source: Equinix GXI Report 2020

Renewable assets are also having their moment in the sun (pun intended) and for essentially the same reason as digital infrastructure assets — demand. The unsubsidized levelized cost of energy ("LCOE") has decreased exponentially over the last decade, which is beginning to make renewable power cost-competitive with traditional fossil-fueled power plants without government support. Additionally, recent advancements in battery technology are solving many of the issues that come with having grid-reliant or intermittent sources of power. In our pipeline, we are consistently seeing an increase in renewable deals that are paired with a battery bank. The additional layer of reliability that a battery bank can provide to grid operators makes it easier for utility-scale renewable projects to secure long-term contracts.

Read more in our next excerpt or request a copy of our 2021 Real Assets Market Overview [here](#).

ENDNOTES

[1] Cisco Annual Report, 2020

DISCLOSURES

As of April 30, 2021