



VALENTINE THOMAS

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Infrastructure
Investing |
Talent Overview

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Infrastructure Investing Talent Overview

Infrastructure has proven a safe haven during a time of raising interest rates, increasing inflation and the prospect of recession, resulting in significant interest from both institutional and wholesale clients. Valentine Thomas & Partners considers some of the key trends relating to hiring and talent from the last year whilst also contemplating potential future developments.

Infrastructure is the fastest growing alternative asset class for fundraising and its global ascent is set to continue.

Infrastructure AUM is set to be \$1.87t by 2026, overtaking real estate as the largest real asset class.

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With investors looking for inflation protection in their investment portfolios, it is little wonder inflows in the asset class continue to surge. Below we cover some of the key themes in the sector, specifically as they relate to talent and hiring.

The Modernisation of Distribution

In line with these inflows, Alternative firms have developed and strengthened the distribution function at all levels. This includes sales and marketing but also areas such as technology, data, and the client experience as examples. Most infrastructure firms have continued to hire into client facing teams as demand for products has grown from both institutional and wealth channels.

We note a major theme this year has been GPs looking to unlock the wealth channel. Firms such as Blackstone, Brookfield, and KKR have added dedicated distribution professionals as they look to diversify their client base and see huge growth opportunities in this channel.

Valentine Thomas has supported firms on such growth journeys, and we observe a few interesting trends. GPs have targeted candidates with a strong technical background, ideally those with alternative experience or those who can unlock new distribution channels. In addition, GPs are keen to hire talent that truly understands the end client and nuances that go with fundraising in this channel (vehicles/structuring/pricing etc.). GPs are looking for these salespeople to play an important role internally, working closely with product development, marketing, and legal teams to ensure product is fit for purpose.

Leadership Transformation

Leaders and Founders who launched their own fund 10-15 years ago may be starting to step away from day-to-day operations, opening the door for the next generation, all of whom will be looking to make their mark. This handover needs to be considered carefully. A succession plan needs to be put in place to secure the GPs' continued success. New leaders may be more open to changing firms' strategy and approach to the broader market, leading to a significant period of change for the industry. We have observed many senior leadership appointments coming through internal channels. This is predominantly from senior investment or distribution position where individuals are known to existing leadership teams and can hit the ground running much quicker. There is also a strong element of trust and comfort for the business in understanding what they are getting! Where we have observed external appointments, it has been from international firms looking to expand, and therefore adding 'Heads of International' from outside the business. Profiles of these individuals tend to be people from larger institutions who have broad asset class exposure, strong stakeholder management skills and are at a stage of their career where they are interested to step into a newer role, often in a leaner, growing organisation.

The Investment Landscape

Record levels of dry powder, increased competition for assets and the reduced availability of core deal flow demonstrate the changing market dynamics.

The old breed of infrastructure investors who relied heavily on quasi-monopolistic government backed revenue streams investing in brownfield projects or where public bodies took control of construction and development risks are substantially rarer than they were. Direct investors such as SWFs are also putting pressure on these 'core' assets. Such investors can accept a lower level of return and look to hold on for the long term with a focus on yield rather than entry and exit valuations.

As such GPs are modernizing and broadening their stable of products to attract inflows, leading to a growth of open-ended funds, or expanding their product range away from core to core-plus. Both debt and equity strategies are being launched, with infrastructure direct lending one example.

ESG

Information data shows there were 1321 transactions involving renewable assets in 2020, up 11% compared to 2019.

ESG and especially the 'E' continues to be influential, BlackRock's \$4.5bn Global Infrastructure IV the latest example. But we also note GPs investing in social causes, notable in emerging economies where governments will partner with private enterprises. The lack of a clear definition is not having an immediate effect but is likely to be addressed. Research by EDHEC for example found 17 different ESG evaluations schemes used in assessing potential opportunities. But the direction of travel is clear.

Despite the interest, ESG hiring is in the early stages, with many firms only recently making their first hires. What these hires look like may still be undecided, whether it be client or investment focused, but its significance cannot be

overstated. Downing hiring Roger Lewis as Head of ESG is just one example. Regardless, GPs need to evaluate their stance on ESG and prioritize the necessary hires to keep up with market demand.

Diversity & Inclusion

It has been positive to see the number of gender diverse hires throughout the year. Senior individuals such as Jaroslava Korpanec (Actis), Angenika Kunne (White Summit Capital) and Gabrielle Dale (BlackStone) have all made moves recently. Diversity remains paramount to many managers with GPs addressing this both at a senior and junior levels, often looking at non-traditional talent pools.

Attracting talent

Compensation continues to be a major factor in attracting talent. However, as the asset class grows GPs need to differentiate themselves to attract the top talent. Candidates are more cognizant of the softer elements. Firm culture, flexible working, and clear development opportunities are often just as important as compensation. Valentine Thomas recommends ensuring such aspects are highly visible during the interview process to attract the best candidates.

Adding to the difficulty of attracting talent, we have witnessed international managers building out their capabilities not just in the UK but in Europe. Greater competition will put a strain on an already limited candidate pool. GPs need to be conscious they may need to hire from non-traditional pools to alleviate some of these pressures.

Conclusion

Looking ahead it will be interesting to see what the impact of inflation, the ongoing conflict in Ukraine and rising interest rates has on firms' hiring plans for 2023. But if 2022 is any indication we don't expect the current high levels of hiring to slow down anytime soon. Distribution will remain a key focus for many firms. 2023 is set to be a crucial year for many GPs as the industry continues to evolve.

Hiring Checklist

1 Act swiftly and decisively when you have a preferred candidate in the process. Too often we see clients who are more interested in the process, sometimes to the detriment of having the best person for the job in front of them. Remember, you only need to hire one person for a role!

2 Be flexible in your approach. More often than not the perfect candidate does not exist. Take time to understand where you are prepared to be flexible in the mandate.

3 When hiring from outside the industry GPs consider the following. Patience – a longer learning curve to allow individuals to familiarise themselves with product. Training – this can shorten the learning curve. Compensation – the pay model may be different at a GP compared to a traditionally manager. Explaining this during the interview process can help get the candidate over the line.

4 Look closely at culture fit of team and organization, especially if hiring from outside the sector. Too often alignment is not found.

5 As a firm in hiring mode check genuine track record and relationships. Firms can be hesitant to ask people for proof of track records, deal sheets and relationships. Best practice is asking for a short, structured presentation or a view on what the first 6 months in the role would look like.

6 Give clarity on what you expect in the role and by when and let the candidate ask questions. So often people hire / join firms and several key points have not been covered so there is misalignment from day 1.

7 In this market understand that retention is as important as hiring. Nurture talent, give opportunities where you can and remember replacement of senior talent can be more costly and time consuming than retaining existing talent.

About Us

Over **500**
searches
conducted

Team of **6**
dedicated to
investment &
Wealth
Management

Placements in
13 countries

Search
completion
92%

- Valentine Thomas is a partner owned business. We lead every search and adopt a partnership approach to each engagement.
- Founded in 2004, we are dedicated to investment and wealth management.
- We are a leading boutique in the asset management market, with an outstanding network and a database of over 50,000 people.
- We have no shareholders to service; our clients come first.
- Given our size, we can offer our clients flexibility for each engagement.
- We have a small off-limits list compared to larger firms, allowing us greater access to the talent market.
- Reputation for Diversity appointments.

The Team



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