

R O U N D T A B L E

SPONSORS

ARJUN INFRASTRUCTURE • BASALT INFRASTRUCTURE PARTNERS • RIDGEWOOD INFRASTRUCTURE

Time to shine

Capital continues to coalesce in mega-market funds despite the mid-market's proven ability to outperform. But things may be about to change, three infrastructure investment professionals tell [Amy Carroll](#) and [Kalliope Gourntis](#)

Better opportunities, better pricing, better value creation potential and better routes to exit are all attributes mid-market fund managers like to point to when singing the praises of the market segment in which they invest.

And while the sales pitch is now supported by the data – returns on mid-market infrastructure assets have generated a 15.9 percent return, compared with the broader market return of 14.6 percent, according to research by SIPA, part of PEI Group – concentration of capital still persists.

Evidence of that can be found by looking at the 2026 Infrastructure Investor 100, which ranked the largest infrastructure equity GPs by funds

raised over the past five years: the top 10 managers account for \$669.8 billion, while the remaining 90 raised just \$496.4 billion between them.

Anecdotally, meanwhile, investors are also extolling the virtues of the mid-market, even as they seemingly continue to channel their dollars into the largest platforms. There are, however, signs that this could be about to change.

Investor appetite

“Investors have been talking about doing more in the mid-market for some time now,” says John Hanna, managing partner at Basalt Infrastructure Partners. “Most initially wanted to get into the big names, effectively as an index. Then the denominator effect hit, allocations went down and so the

focus remained on re-ups with those big brands.

“Now, however, I think we have got to the point where investors are ready to take advantage of what the mid-market has to offer, either turning to mid-market funds to build exposure in a missing sector or geography, or else just looking to work with a mid-market manager that they have heard great things about.”

Romain Py, partner at Arjun Infrastructure, agrees that the mid-market has a crucial role to play in allowing investors to tailor their portfolios. “The mid-market encompasses a very broad universe in terms of size, strategy and risk profile and, as the market has matured, we have seen increased segmentation and

John Hanna

Managing partner, Basalt Infrastructure Partners

John Hanna joined Basalt Infrastructure Partners at its inception. He is a member of the investment committee and is located in the London office. Hanna has 25 years of infrastructure investment and advisory experience having previously worked at Balfour Beatty Investments and in the infrastructure financing teams at PwC and KPMG.



Ross Posner

Managing partner, Ridgewood Infrastructure

Ross Posner has more than 25 years of experience in infrastructure, private equity and other real asset investing. Prior to Ridgewood, Posner was a senior executive at Allstate Investments. He began his career at JPMorgan and has also worked in mid-market private equity.



Romain Py

Partner, Arjun Infrastructure

Romain Py joined Arjun Infrastructure in 2020. He is responsible for originating and executing investments. Py was previously CIO for African Infrastructure Investment Managers, formerly Macquarie-Old Mutual. He was also head of European transactions in JPMorgan Asset Management's Infrastructure Investment Group and held positions at HSBC and Societe Generale.



specialisation,” he says. “Most investors today already have infrastructure portfolios, so what they are looking to do is fill any gaps that they have or increase allocations in specific areas where they want more exposure. The mid-market is a very useful tool in this regard.”

Of course, there are some structural limitations, says Hanna. “If a large allocator wants to write a material primary ticket, with a co-investment ratio of multiples above that, it just isn’t going to be possible for a mid-market manager without causing strategy drift. It is important to keep talking to those big LPs, but it is tough to get them into your fund without finding yourself forced to do deals that are out of your sweet spot.”

However, Hanna adds that size can also play to a mid-market firm’s favour. “An investor with a smaller ticket to invest can feel like a significant LP in a mid-market context, while the same investor going into a \$10 billion fund will be a small part of the overall book-build and bottom of the list when it comes to things like co-investment and access. Being smaller can rule you out for some investors, while making you attractive for others.”

While the mid-market has much to offer investors, managers do have to be cognisant of who they are marketing to and then tailor their messaging accordingly.

“When marketing a fund in different geographies, it is important to ensure that LPs can see how that fund can meet their particular objectives, which can sometimes differ by region,” says Hanna.

“If we are marketing in Japan or Korea, we will typically be discussing yield, while with more risk-on US LPs, the discussion may focus more on exits and total returns. In both cases, the full metrics will be laid out in front of them, but the discussion may move in a slightly different direction.”

Competitive dynamics

All investors, regardless of geography, are concerned with competitive dynamics and its impact on pricing and yield. Back in 2017, the market became incredibly heated and there are those that believe we could now be heading in a similar direction.

Mid-market GPs believe that the natural increase in competition in the infrastructure market has reinforced rather than diminished their strategy, however.

“As the market has matured, competition has naturally increased, but that was always envisioned and only strengthens our conviction in the lower mid-market,” says Ross Posner,

managing partner at Ridgewood Infrastructure. “It is still the most highly fragmented part of the market with founder-owned businesses, corporate carve-outs and proprietary opportunities where operational expertise matters far more than simply having the lowest cost of capital.”

However, Py says that, while there is far more capital in the market today, there is also a lot more discipline than there was 10 years ago. “You don’t see 15 different firms running at the same asset. There is a lot more selectivity and a lot less exuberance,” he says, adding that there are some subsectors such as waste-to-energy and data centres that have become highly competitive

“By the time we’re ready to exit, we have created assets that appeal to a much broader universe of long-term owners – whether that is an industry strategic, a core infrastructure fund or a balance sheet investor”

ROSS POSNER
Ridgewood Infrastructure

“It is important to keep talking to those big LPs, but it is tough to get them into your fund without finding yourself forced to do deals that are out of your sweet spot”

JOHN HANNA
Basalt Infrastructure Partners

but that, in the mid-market, that level of competition is the exception rather than the rule.

Hanna agrees that the industry as a whole is showing restraint. However, while that is a positive on the way into an investment, it also impacts the exit environment: “I agree that there is a more discerning market today. That means we have to think carefully about how we position businesses for exit.

“Pre-2022, the typical approach was to sell down to core and take an arbitrage on the discount rate. Today, you have to position businesses with more growth so that you can attract strategic buyers. You also have to accept that at some point you are going to be negotiating with a single party and that exit processes, in general, will be a little tougher and take a little longer.”

Posner, however, says mid-market positioning creates a differentiated path to value creation: “Our objective is always to build even better businesses.

Where we start is usually too small for the larger infrastructure investors’ focus. We work alongside management teams to execute strategic growth initiatives, enhance operations and build more resilient businesses.

“By the time we’re ready to exit, we have created assets that appeal to a much broader universe of long-term owners – whether that is an industry strategic, a core infrastructure fund or a balance sheet investor.”

Local presence

Regardless of competitive dynamics, received wisdom would suggest that a local presence, local language and even local accent is critical to mid-market success.

However, while local relationships are always important, Posner believes successful infrastructure investing ultimately depends on broader capabilities: “Infrastructure is fundamentally a relationship business. Local knowledge

and relationships matter, but equally important is having the experience to align stakeholders, solve complex problems and earn trust.

“We’ve completed two of the largest water public-private partnerships in US history in states with very different regulatory environments and business cultures. Those experiences reinforce the fact that strong partnerships, thoughtful execution and the ability to navigate complexity are what ultimately drive successful outcomes.”

Basalt Infrastructure Partners’ US operations, meanwhile, are based out of New York. “We cover the whole country from there,” says Hanna. “In Europe, things are a little different. There are some very interesting pockets where management teams may not always speak English, and so we like to have European nationals on the team. We find that to be more important for asset management. Local investment banks can always

“We are seeing an increase in nationalism and national preferences. In some countries, people are paying a lot more attention to where capital is coming from, and that’s something you have to be mindful of”

ROMAIN PY
Arjun Infrastructure

help facilitate a deal, but the ability to speak the language is really helpful at a board level.”

Py agrees that a local approach is important in Europe: “Planning rules and regulations, for example, can be very locally specific. We are also seeing an increase in nationalism and national preferences. In some countries, people are paying a lot more attention to where capital is coming from, and that’s something you have to be mindful of.”

Of course, there are other perceived differences between the US and European mid-markets. It is often said that European dealflow is more diverse. “One of the biggest differences between the two markets is the diversity of sectors on offer,” says Py. “There is more government ownership of transport and utility assets in the US, for example, although the data centre

space in the US is bigger and faster growing.”

Posner, however, rejects the notion that focusing exclusively on the US limits the opportunity set: “The US infrastructure market is remarkably broad. We invest across sectors including water, utilities, transportation and energy infrastructure, and each of those markets remains highly fragmented. That creates a deep pipeline of investment opportunities without requiring us to move beyond our core strategy.”

Hanna, meanwhile, believes his firm benefits from having a foot in both camps. “It enables us to see differences in maturity between certain subsectors,” he says. Hanna cites the example of 3i’s recent sale of the European market leader in the leasing of ground handling equipment at airports, TCR,

in a high-profile and high-multiple deal. “Outsourcing of ground handling equipment in Europe is well established due to EU competition laws, and TCR has a 30 percent market share. In the US, however, ground handling is still driven by the airlines. Only around 5 percent is outsourced, and the market remains highly fragmented. We have found earlier versions of TCR available for mid-single digit multiples.”

Managing the macro

Wherever they are in the world today, mid-market managers are having to navigate a volatile macroeconomic and geopolitical backdrop. Experienced mid-market protagonists, however, are unperturbed.

“Periods of volatility reinforce the importance of disciplined underwriting,” Posner says. “We start by selecting

businesses with resilient demand characteristics, structuring investments conservatively and seeking contractual protections such as inflation linkage where appropriate. Those decisions don't fully eliminate macro risk, but they position portfolios to navigate changing environments far better than relying on leverage or market timing."

That discipline, he argues, is reflected in the firm's recent realisation activity. "We've completed several successful exits despite a challenging backdrop for markets and geopolitics. We believe that reflects the quality of the businesses we've built, disciplined execution throughout the investment period and the fact that well-positioned

infrastructure assets continue to attract significant long-term demand from a diverse universe of buyers."

Hanna, meanwhile, believes that there have been a lot of important lessons learned in recent years that will help mid-market firms as they enter the next cycle. "Infrastructure funds have always marketed their inflation bias, for example, and that has been justified in regular, base-case, inflationary environments," he says.

"However, when we have got into 7 or 8 percent inflationary environments, that inflation linkage was certainly tested. Infrastructure assets are often serving populations that have been suffering their own cost-of-living crisis and there is a balance that has had to be struck."

For Py, the macro has mostly been factored in now. "A jump in interest rates from 0 to 2 percent is significant. Movements from 2 to 3 percent, and 3 to 4 percent, are proportionately less so," he says.

"We all knew that free money was too good to be true and we are now in a more normalised environment, which means more discipline and less euphoria than the heady days of 2020. That can only be a good thing."

In fact, the bigger challenges facing mid-market managers may, in fact, lie closer to home. "Remaining disciplined and avoiding strategy drift is perhaps the biggest challenge firms face, because there is just so much to look at in the mid-market," says Hanna.

"One of the easiest mistakes in private markets is allowing success to pull you away from what made you successful in the first place," Posner adds.

"We intend to stay focused on the lower mid-market because that's where we believe we have our greatest competitive advantage, and where we can create the most value through operational improvement and disciplined execution." ■



The AI gold rush

Those facilitating the build-out of data centres, rather than the operators of data centres themselves, may prove to be the biggest winners in the AI revolution

AI might be primarily a large-cap play, but Basalt Infrastructure Partners' John Hanna points out that during the gold rush it was often those selling the pans and pickaxes that ended up making more money than the prospectors. "I think this analogy holds true for AI and digital infrastructure as well," he says.

Ross Posner of Ridgewood Infrastructure also sees AI creating compelling opportunities, but not necessarily where many investors are currently focused.

"The most attractive opportunities tied to AI may not be the headline technologies themselves, but the essential infrastructure that enables the ecosystem to function," he notes. "Power, water, transportation and other critical infrastructure will all play an increasingly important role in supporting AI-driven growth, and those are markets where we already have deep experience investing and creating value."

Arjun, meanwhile, does have some limited direct exposure to AI through its data centre StableCo. But firm partner Romain Py also sees opportunity in the adjacencies, such as the supply of distributed power or batteries to AI data centres. "We are big investors in fibre, as well, which has an important role to play in the AI story," he adds.