

## Blackstone Jumps on Hiring for Infrastructure Team

By [Tom Stabile](#) June 7, 2017

**Blackstone Group** is hiring to build up a new team to support the \$40 billion private infrastructure fund it formally launched last month. The fund manager is likely to rely on a mix of internal and external hires in portfolio management, sales, and operations roles – while mining its vast industry, government, and political connections – as it ramps up the new business unit.

The new fund is anchored by a **\$20 billion commitment** from Saudi Arabia's sovereign wealth fund, but that leaves another \$20 billion for the new group to raise.

Blackstone is starting fresh in one sense, as the new strategy is its first stab at a dedicated infrastructure product since an effort to raise a \$2 billion fund in 2008, which it later abandoned, with the team that ran it spinning out in 2011 to form **Stonepeak Infrastructure Partners**. Blackstone has made \$40 billion worth of infrastructure investments since the early 2000s, with most of them as part of broader private equity or energy industry funds.

The manager is jumping into an active marketplace that has a wide mix of specialist infrastructure managers and newer real assets units at big private equity firms. Two very large funds have closed in just the past year, with **Brookfield Asset Management** closing a \$14 billion fund in mid-2016 and **Global Infrastructure Partners** wrapping up fundraising for a \$15.8 billion fund earlier this year.

All of those players are going after a market that many expect will have additional investment opportunities, but may also push managers toward a wider definition of infrastructure deals, says **Spencer Johnson**, an attorney and partner at **King & Spalding**.

“With all of that capital ready for deployment, we will likely see an expansion of what people traditionally see as an infrastructure asset,” he says, citing physical projects such as fiber optic cable installations and power line upgrades that in the past might not have appeared in such funds.

Another variable is the Trump administration's stated interest in spurring more private investment in infrastructure in the U.S. to address deteriorating transportation and utility assets and ostensibly create jobs. Fund managers are optimistic that an increased flow of deal options is just around the corner, says **Archie Fallon**, a partner at King & Spalding.

“One could be through an asset recycling program like they have in Australia where public bodies are [privatizing] utilities,” he says, citing interest among Trump administration officials to introduce such an effort at the federal level.

Blackstone had begun its discussions with Saudi Arabia a year ago on its planned investment, and had **hinted months ago** that a new fund was in the works. But it appears to have launched the fund before it fully built out the team, having recently named **Sean**

**Klimczak**, an executive in its private equity group, to a senior role heading up the new unit, according to a source familiar with the matter.

The manager is following a game plan it has used before to build other groups, such as its tactical opportunities investing unit, which it launched in 2012 after shifting **David Blitzer** from a private equity role. That group has raised more than \$17 billion in fund and co-investment capital.

Blackstone has been interviewing both internal and external candidates for the new infrastructure team across various business functions, and does not have a set timeline to complete the hiring, the source says.

Building up the team through transfers and hires is not an uncommon strategy but can be far more laborious than simply buying an existing manager, King & Spalding's Johnson says.

"It will take longer and be more time- and resources-intensive to get to know the market and know where the opportunities are coming from," he says. "From a timing standpoint, it's more efficient to buy an existing team or [firm]."

The hiring market for infrastructure may also present challenges because Blackstone is far from alone in wanting to build up this business in recent months, says **Sasha Jensen**, CEO at **Context Jensen Partners**, an alts manager marketing and sales recruiting firm. Context Jensen tracked 28 hires in the first quarter this year, up from seven moves the previous quarter, and currently one quarter of the firm's searches involve infrastructure-related positions.

"We're at a historically high level for infrastructure hiring," she says. "We have several private fund groups looking for heads of infrastructure, creating new seats."

That hiring is across the board for deal origination, asset and project management, sales, and support positions, Jensen says. Many hiring efforts may focus on candidates from the infrastructure and real assets teams at advisory and consulting firms, she adds.

"The people that know their stuff are few and far between," she says.

Blackstone's infrastructure program – which will mostly focus on U.S. investments – will cover a wide range across transportation, energy, communications, and "social" assets such as schools and institutional housing, the anonymous source says. Another big anticipated source of deals will be projects under public-private partnership arrangements, the source says.

Changes in federal government policy, such as tax incentive or credit programs to spur private investment in infrastructure, would be another place to look for opportunities, Fallon says. "It could make a big impact in what historically had been considered conservative-type investments," he says.

That level of government participation – through partnerships or policy changes – may give Blackstone an edge, because the firm has strong public ties to the Trump administration, including having CEO **Stephen Schwarzman** serving on a strategic advisory council for the president.

Such relationships can be an advantage because they underscore that a fund manager knows how to work in tandem with government officials on projects, Fallon says. A firm of Blackstone's size likely has those relationships not only at the federal level but also with state and local officials as well.

"Those relationships will be critical, particularly for the [public-private] structures with an ongoing partnership with a government authority," he says. They can also help ensure Blackstone gets invitations to bid on key projects as well.

Institutional investors will likely view Blackstone's political ties as an advantage in sourcing deals and working through assets, and not question the politics that may be behind some of the relationships, says **Michael Rosen**, CIO at **Angeles Investment Advisors**.

"A firm's politics are generally not much of a consideration," he adds. "It's unusual that a large firm is going to have a single point of political perspective. Investors know a large firm will encompass many different perspectives, and will have relationships regardless of who is in the White House."