Chanticleer

Super's private asset pioneer now sees a new opportunity

Brett Himbury helped drive the Australian superannuation sector's infrastructure boom. Now he's ready for a second bite of the cherry.

May 29, 2023 – 9.48am

There's no question Brett Himbury is one of the key figures behind the charge of Australian superannuation funds into infrastructure and other real assets over the past 15 years.

As the chief executive of the super-fund backed fund manager IFM Investors between 2010 and 2020, Himbury helped grow total assets under management from $20 billion to $167 billion [https://www.afr.com/link/follow-20180101-p52swb]. Some 40 per cent of that was ploughed into the pioneering infrastructure deals, including stakes in most Australian airports, toll roads, the ports of Brisbane, Kembla and Botany and electricity giant AusNet.

Brett Himbury says the infrastructure secondaries market is booming. **David Rowe**

But now, as chairman of British headquartered alternatives manager Stafford Capital, [https://www.afr.com/link/follow-20180101-p5cb3f] Himbury sees a chance for a second bite of the infrastructure cherry.

About 15 years on from the start of the infrastructure investing boom, a market for secondary infrastructure deals – whereby original investors sell a slice of their investment – is rapidly growing thanks to a combination of the sector's maturation and short-term stresses caused by rising interest rates.

"One of the reasons why I joined Stafford is I think there's an opportunity for tomorrow, and infrastructure secondaries will be part of that," Himbury says. "Most investors do not have much allocation to secondaries and I think that will fundamentally change."
Although secondaries markets in private equity and other classes of unlisted assets such as timber (two Stafford specialities [http://stafford boyd]) are more mature than that in infrastructure, Himbury estimates the infrastructure secondaries market is growing at about 20 per cent a year. And while higher interest rates have generally put some pressure on the alternatives sector, Stafford Capital sees this as a good time to do deals.

"I think we'll look back in a couple of years time and say it was a pretty good vintage. And the reason why I say that is there's strategic and tactical events that are impacting both the volume and quality of supply in secondary markets."

The strategic driver is driven by the maturation of the sector. While infrastructure is well established in the portfolios of most institutional investors, the supply of deals is relatively limited, creating demand for investors to sell slices of their original investments and recycle capital.

Forced sales

But the tactical issues are more interesting.

First, blow-ups in markets that have occurred over the past 12 months are forcing some investors to sell. The drama last year over the sudden repricing of debt (liability-driven investments or LDIs) [https://www.afr.com/link/follow-20180101-p5bp23] held by British pension funds is a perfect example, Himbury says.

"That was a terrible issue for funds and frankly, for many parts of the world, but it was a great opportunity for secondary market investors, because some people just had to sell."

But alternatives markets are also being hit by what's called the denominator effect; because of the declines in public market assets in the past 18 months, alternatives as a proportion of an institutional investor's total portfolio may have become larger than the investor is comfortable with.

Stafford Capital chief executive Agnus Whiteley says the firm itself isn't immune from this phenomenon. But the challenge also creates opportunities when institutional investors are forced to sell – deal flow is strong and competition is more muted as investors reassess portfolios in a higher rate environment.

Himbury says many of the same skills that his teams at IFM used to win deals as primary investors in infrastructure are important in the secondaries market. And nothing matters more than getting a first look at deals.

"In primaries, if you turn up to an auction, you can turn up with a whole lot of other people and it's a cost of capital shootout. So you have to have origination capability in primaries to be able to find and access those sorts of deals. It's similar in secondaries. You've got to have a really strong origination capability so you can get as much as possible access to proprietary opportunities."

Investing in secondaries generally requires less operational experience than investing in primaries, because the asset is up and running. But this also reduces the risk for a secondary investor.

"The power of compound interest starts from day one," Himbury says.

RELATED

Forests turn a new leaf to emerge as a growth asset

https://www.afr.com/chanticleer/forests-turn-a-new-leaf-to-emerge-as-a-growth-asset-20221028-p5btuz

RELATED

HESTA tips $US200m into Stafford Capital sustainable PE fund

https://www.afr.com/wealth/superannuation/hesta-tips-us200m-into-stafford-capital-sustainable-pe-fund-20230108-p5cb3f

James Thomson is senior Chanticleer columnist based in Melbourne. He was the Companies editor and editor of BRW Magazine. *Connect with James on Twitter. Email James at j.thomson@afr.com*