

# Bond Case Briefs

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## Saudis' \$20 Billion Wager With Blackstone Marks Record Bet on U.S. Public Works.

### ***Trump's infrastructure push cited by Saudis making huge commitment toward Blackstone's \$40 billion goal***

Saudi Arabia joined the parade of investors into U.S. public works by pledging a record investment with Blackstone BX 6.73% Group LP.

The country's Public Investment Fund agreed to commit \$20 billion to Blackstone's new infrastructure fund in the latest push around the world by large investors to buy up airports, pipelines and other public projects, particularly in the U.S.

Blackstone said Saturday the kingdom's money would seed an investment fund that the New York private-equity giant hopes will reach \$40 billion and have spending power of up to \$100 billion once debt is added to the mix.

The commitment shows how Blackstone continues to distance itself from Wall Street rivals by raising ever larger sums from investors like sovereign-wealth funds, public pensions and rich families. With assets of \$368.2 billion as of March 31, it manages nearly twice as much as its closest competitor, Apollo Global Management LLC, and each of Blackstone's four platforms—real estate, private-equity, hedge funds and credit—are among the largest investing businesses of their kind.

Saudi Arabia's planned \$20 billion investment alone would be about 25% larger than the biggest infrastructure fund ever raised, a \$15.8 billion pool Global Infrastructure Partners completed earlier this year, according to data from industry tracker Preqin. Global Infrastructure Partners, or GIP, is also based in New York and its chief executive, Adebayo Ogunlesi—like Blackstone Chief Executive Stephen Schwarzman—is one of the business leaders President Donald Trump has named to a presidential advisory group.

Last year, investors committed a record of about \$56 billion to private infrastructure funds and fund managers collected another \$29 billion during the first quarter of this year, according to Preqin. The data provider has said managers of more than 150 other private infrastructure funds are soliciting investors for another \$100 billion or so.

Carlyle Group LP and BlackRock Inc. are among other big investment firms that moved recently to beef up their infrastructure investing businesses.

The Blackstone fund will have a broad mandate to find investments, according to a person familiar with the firm's plans, with the ability to invest in things such as hospitals as well as assets that are more typically considered infrastructure, such as pipelines, roads and utilities. Also, unlike most of the private funds the New York firm manages, which lock up investors' cash for 10 years or so, the infrastructure fund will have no expiration date. That structure gives the firm more time to find investments and reduces the pressure to sell them on a deadline.

Both features could help Blackstone circumvent two big issues infrastructure investors have encountered in the U.S.: limited investment opportunities outside the energy sector, and uncertainty over who will eventually buy some assets, such as roads and municipal utilities.

Saudi officials, who are seeking to diversify the kingdom's economy by investing its oil wealth, on Saturday alluded to Mr. Trump's campaign promises to steer \$1 trillion into U.S. public works. The Public Investment Fund managing director, Yasir Al Rumayyan, said the pact reflects "our positive views around the ambitious infrastructure initiatives being undertaken in the United States as announced by President Trump."

Yet the flood of cash into infrastructure funds can mostly be attributed to fairly reliable returns that sometimes beat the stock market and often outperform private-equity funds that make arguably riskier investments, such as corporate buyouts, according to Preqin. Still, there have been some prominent flops, including a rash of bankrupt toll roads.

Through late last year, the median annualized return after fees from infrastructure funds launched between 2004 and 2013 has ranged from 5.7% for those that began investing in 2007 to 14.4% for funds launched in 2004, according to Preqin.

Blackstone's foray into infrastructure won't be its first as it once struggled to raise a fund in the wake of the financial crisis. The executives who led the effort left the firm and in 2011 launched their own firm, Stonepeak Infrastructure Partners.

Saturday's pact was announced in Riyadh during Mr. Trump's visit to Saudi Arabia. The president has called boosting private investment in U.S. infrastructure a priority of his presidency.

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