

# KEYNOTE INTERVIEW

## Doubling down on infrastructure secondaries



*The mid-market offers ample opportunities to create alpha, say Partners Group's [Dmitriy Antropov](#) and [Marc Meier](#)*

As in other private markets asset classes, one of the key trends in infrastructure in recent years has been the growth of the secondaries market. Dmitriy Antropov, head of infrastructure partnership investments at Partners Group, and Marc Meier, a managing director in the same team, believe that opportunities will continue to expand for mid-market infrastructure secondaries. They caution, however, that managers should not base their strategies simply on buying at favourable discounts – instead, the key to success is buying assets at fundamentally attractive valuations and with strong growth prospects.

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**Q How are macroeconomic and geopolitical challenges affecting managers that invest in infrastructure secondaries?**

**Marc Meier:** Recent macroeconomic and geopolitical challenges have had a positive impact on transaction flow for secondaries. Infrastructure direct M&A transaction volume has declined significantly over the last two or three years, which means if institutional investors want liquidity, they have an

increased need to turn to the secondaries market.

The difficult macroeconomic and geopolitical environment also hasn't made fundraising easier, especially for many firms in the mid-market that don't have as many sales staff compared with some of the players in the large-cap space. Fundraising volumes from 2022 to 2024 fell quite a bit, and a lot of funds got stuck in fundraising after making their first couple of investments.

That created a nice window of opportunity to do bespoke structured secondaries transactions that you wouldn't typically see in a normal fundraising

environment. This dynamic allowed us to build bespoke secondaries portfolios with certain managers that are comprised of a late-stage primary and co-investments in one or several assets at favourable ratios. This way we create highly funded and in-the-money portfolios with limited to no blind pool component.

Some non-US LPs are now also thinking about reducing their US exposure for geopolitical reasons. This could drive some transaction flow. What we need to think about is what

this means for underwriting scenarios. Obviously, you need to be able to assess the possible effects of those macro and geopolitical challenges.

### **Q What makes mid-market secondaries attractive in the current market?**

**MM:** Over the last few years, more than 50 percent of the capital raised by infrastructure funds was for the mid-market segment. From a volume perspective, it's the largest segment in the market. There are only around

15-20 GPs in the large-cap segment, but almost 10 times that amount in the mid-market. It's a much more fragmented space with comparatively less buyside capital, which makes for very attractive competitive dynamics.

In the large-cap space, pretty much all fund strategies are diversified by region and sector. That makes them relatively accessible for the less sophisticated secondaries investors. But in the mid-market, many strategies come with an increased level of concentration. There are a lot of regionally focused or sector-focused strategies. That means it's much more important as a secondaries investor that you really understand what's going on in those portfolios. There's less inherent or implied diversification that serves as a buffer.

If you can address that challenge, though, you'll find a segment in mid-market secondaries where, because of the competitive dynamics, you can buy at very interesting implied valuations. On the LP-led side, if you look at the market stats, it's a 6-7 percent discount for infra secondaries overall. But over the last two years, we've been buying on average at 13-15 percent discounts. And that's not because we buy lower quality portfolios, it's just that we have a very consistent focus on the mid-market segment, and because of the competitive dynamics there.

### **Q How confident can you be that the infra secondaries market will continue to grow?**

**Dmitriy Antropov:** We're very confident. It's all in the numbers – you can see the growth trajectory. There are two important growth drivers. The first is the overall AUM in infrastructure. Most data providers suggest that AUM in the asset class will double over the next five to six years. Naturally, a doubling in the primary market could very quickly lead to the secondary market at least doubling as well.

The second driver of growth is the increasing adoption of secondaries in infrastructure. As a less mature asset class compared to private equity, secondaries in infrastructure has not yet reached the same standing. Adoption will grow as the market matures.

Looking at the overall transaction volumes in relation to AUM, private equity is currently averaging 1.6 percent each year. The infra secondaries market is around half the private equity level, suggesting that as the infra market converges to what we already have in private equity, there could be a doubling of infra secondaries volume.

So, you have a primary market that's doubling, and you also have another doubling from the increasing adoption of secondaries. That's why we believe that over the next four to six years, we could see a 3-5x growth of transaction volumes in infra secondaries.



### **Q How can mid-market secondaries provide opportunities for managers to generate alpha?**

**DA:** We can split the value creation in secondaries into three buckets. First, there's the discount bucket. We've been consistently capturing 6-8 percent higher discounts compared to the market. That translates into a 100-300 basis point return outperformance, versus buying something at market level discounts.

The second bucket is how those assets are valued. We look to capitalise on valuation arbitrage, building a deep

thematic understanding of an opportunity set and seeking to enter assets at an inflection point. For example, before an asset sees significant valuation uplift ahead of reaching construction completion or an important contracting milestone. Oftentimes, we get very significant discounts to market multiples. So, if we look at the secondary EV/EBITDA multiple or other metrics versus the average, we often buy at implied valuations that are 20 percent to 30 percent below the market, which gives additional boost to the alpha generation.

The third bucket is asset transformation. Mid-market assets often have a lot of potential to grow both organically and inorganically, as well as to be re-rated at exit. When we acquire underlying assets on the secondaries market, we look for runway to increase value and to grow revenues. We don't necessarily bake in a multiple expansion at exit. We've observed many times that if you go from a single asset, or from a smaller size platform to a larger size platform, you can capture value.

Of course, while simple conceptually, getting the valuation arbitrage and growth alpha right requires a large team and differentiated insights – and these resources are exactly what separates the very best investors in the space from the others. We often say that what

it comes down to is the ability to look at secondaries portfolios in a “direct-like” fashion, meaning that we drill down to the underlying infrastructure projects and their economics.

Around half of the value created in our secondaries business comes from growth, with discount and valuation arbitrage at entry accounting for another half.

### **Q Is it really possible to combine scale with alpha generation in mid-market infra secondaries?**

**MM:** Five or 10 years ago, the overall infra market was quite small, and obviously the mid-market was even smaller, which posed a challenge for us: how do we grow the strategy in a meaningful way? Over the past three to five years, there's been a lot of market growth, which gives us comfort that today, and going forward, we can generate scale in this space. Last year, we invested close to \$1 billion through our infra secondaries strategy. We're well on track to investing between \$1.5 billion to \$2 billion this year.

The reality is that a key part of achieving scale is through more transactions, rather than significantly larger transactions. The investment flow we've seen recently speaks to that – roughly 3x more mid-market opportunities than large-cap ones, while the average ticket size across LP-leds is roughly \$170 million in the mid-market compared to around \$340 million in large-caps. Taken together, the number and volume of opportunities means that you can deploy at scale in the mid-market. Of course, this is predicated on having very strong relationships in the mid-market with dozens of GPs – which takes a long time to develop.

Furthermore, the supply-demand dynamic in the mid-market is even more favourable to buyers than in infra secondaries overall. Looking at secondaries fundraising versus yearly deployment volume, we're at 0.3x yearly deployment volume in infra versus around

*“Recent macroeconomic and geopolitical challenges have had a positive impact on transaction flow for secondaries”*

MARC MEIER

0.6x in private equity. This is even more pronounced in the mid-market where there are substantially more transactions than qualified buyers to complete them – leading to better transaction dynamics as well as higher process and closing probabilities.

The mid-market also allows us to build on repeat relationships. While so far it's difficult to generate a \$500 million mid-market transaction, we can generate three or four \$100 million opportunities with the same manager in different shapes or forms. Building very deep relationships is one way that we ultimately generate scale.

### **Q Any further considerations looking towards 2026?**

**DA:** One thing to bear in mind is that on the LP-led side, historically, everyone benefited greatly from exits above NAV. The reality, though, is that the past is not always a good predictor for the future. We expect that there will be great exits above NAV, but also exits that are closer to NAV or delayed.

It's a risky proposition to buy at a small discount that's typical for the overall LP-led market and hope that exits will come on time, at a premium. That's what makes us very focused on our strategy: looking for valuation arbitrage and finding investments that have potential to generate sustainable returns through visible growth. ■

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DMITRIY ANTROPOV