



CION's Gatto On Infrastructure Investing And Why His Firm Has A New Fund For It

Friday, January 10, 2025



Chuck Jaffe, in this episode of The NAVigator podcast interviews Mark Gatto, Co-Founder and Co-Chief Executive Officer at CION Investment Group. Mark says that the landscape for global infrastructure spending could be as high as \$3 trillion annually worldwide, which is going to create an investment asset class that is consistent, that can overcome political challenges, and that has public and private investment opportunities with significant earning potential. CION recently announced that it was teaming with GCM Grosvenor on the new infrastructure Fund, which is currently going through the launch process that should be available to advisers and investors before March.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

CHUCK JAFFE: Mark Gatto, co-founder and co-chief executive officer at CION Investment Group is here, and we're talking about infrastructure investing and his firm's upcoming venture into it now on The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization representing the full spectrum of the closed-end fund business from investors and users to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator's going to point you in the right direction. And today it's pointing us towards infrastructure investing with Mark Gatto, co-founder and co-chief

executive at CION Investment Group, and CION is in the process of teaming up GCM Grosvenor, a global alternative management firm, to launch the CION Grosvenor Infrastructure Fund. This is an innovative interval fund that's going to allow individual investors through their financial advisors to pursue Grosvenor's long-term private infrastructure platform. You can learn more about CION and everything it's doing at CIONInvestments.com. And to learn more generally about closed-end funds, interval funds, and business-development companies, visit AICAlliance.org, the website for the Active Investment Company Alliance. Mark Gatto, welcome back to The NAVigator.

MARK GATTO: Thank you, Chuck. It's great to be back.

CHUCK JAFFE: Before we get into the specifics on the fund, let's talk a little bit about infrastructure investing now. Infrastructure historically has meant a few things, but these days it seems to mean more things to different people, like there's infrastructure that we think of classically; roads and highways and maybe airports, and then there's infrastructure about a different power grid to support all of the power usage for AI but also for Bitcoin mining and things along those lines. Where is the infrastructure interest primarily, and what is it that you're trying to do with this fund and your venture into infrastructure?

MARK GATTO: It's really all of the above, to be honest with you. There's a large, large need and demand for infrastructure assets. If we look at the landscape today, you're talking about trillions of dollars annually for global infrastructure, some measures have it in an excess of three trillion dollars annually with a lot of that coming from the United States, so it is really all the above. And when you look at what we're trying to do with our partner Grosvenor Capital, we're trying to really facilitate a lot of the necessary and essential infrastructure. And that could be some of the more traditional infrastructure assets, as you mentioned, sort of toll roads and bridges and airport terminals, but also datacenters and other forms of energy that are required, the power grid, upgrading it, alternative sources of energy, emergency efficient facilities and powerplants. So we're really looking at the entire landscape because it is a tremendous sector. It has a lot of needs and there's a lot of assets that are going to be needed to facilitate the demand. Like you said, for energy and other things, especially given what's happening with AI and the storage of data, and quite frankly the aging infrastructure in the more traditional assets like the roads and airport terminals, et cetera.

CHUCK JAFFE: Infrastructure is also an asset class that more than most has some worry about political whims, but in this case of course you're looking not just at public, you're looking probably more at private. Is that part of the interest here as well, is that you want to be looking at the things that are not going to be as impacted perhaps by public perception as the rest?

MARK GATTO: From a political perspective, we think that most of the politicians out there, whether you're on either side of the aisle, are really supportive of infrastructure, so we think from that perspective there will be a lot of political support to invest in infrastructure. What form it comes in remains to be seen, but we do think that that's going to be a tailwind for infrastructure. But as you correctly point out, we are looking at both public and private infrastructure investments, there's a lot of public-private partnerships that are being created to facilitate the build-out of these infrastructure assets, so we think generally speaking it's a very good environment for this type of fund and for the type of capital that we're raising to invest in this asset class.

CHUCK JAFFE: From an investment standpoint, what are the unique characteristics that an investor gets going into infrastructure? In other words, why, if I'm an investor, am I specifically making a choice to add infrastructure to my portfolio as an adjunct to all the core positions in the broad stuff?

MARK GATTO: Sure. Everyone is familiar with infrastructure, and they understand the asset class in the sense that they know what a road is, they know what a bridge is, they probably understand what datacenters are, but they've never really had the opportunity to invest into these types of assets. And if you look at a diversified portfolio of stocks, bonds, and alternatives, there are many different types of alternative investments that fit the bill, right? If you look at what we do at CION Investments, we offer our investors, our financial advisors, the opportunity to invest in private credit, which is a very large asset class that many are investing in, there's less volatile than the public markets, et cetera, et cetera, people are familiar with that. People are familiar with real estate, and they have that in their portfolio. Some investors, if they have the opportunity to invest in private equity, have done that as well, and really infrastructure's probably the fourth pillar if you will. And the nice thing about infrastructure is that it truly is a diversifier, and that's one of the reasons why we think it's an important piece of the puzzle for investors to really round out their alternatives bucket.

In order to do that there needs to be options, right? You don't want to put all your eggs in private credit or real estate, you want to have a nice balanced portfolio on the alternative investment side. So when we look at infrastructure, it really has some intriguing characteristics when you compare it to some of the other asset classes. First and foremost, these types of assets are very durable, they're long-term assets, they typically have long-term contracts, they're less sensitive to interest rate fluctuations, which is I think very important in this this environment, and they're typically a better hedge against inflation than some of the other assets that we're talking about within alternatives. So we think that there's a lot of merit to having infrastructure in your portfolio, we think that our product, CION Grosvenor Infrastructure Fund, really gives investors the ability to build a diversified portfolio of infrastructure assets and get the benefits of these types of assets. Like I said, very low correlation to public markets, lower correlation to some of the private assets that we're talking about, a good hedge against inflation, and we think that the yield on these types of assets can be very attractive.

CHUCK JAFFE: Why Grosvenor? You could have partnered with anybody. They do have a track record obviously, but I assume that you were looking at multiple partners, so I'm always curious how somebody decides, "Hey, this is who we want to team up with."

MARK GATTO: At CION we really endeavor to partner with the best-in-class asset managers within their respective strategies, and we believe that's very, very important. We feel like we are at the forefront of distributing and manufacturing alternative investment solutions for individual investors, and we want to make sure that we're bringing the best managers to market to quite frankly compete in a very crowded space, crowded landscape of quality managers. When we looked at infrastructure, we were really attracted to Grosvenor's history, their firm has been around over 50 years, they have \$80 billion of AUM in various asset classes, but when you drill down and look at their infrastructure business, it really is truly best in class, and that's not just sort of me saying it, we've seen very good examples of how they approach their business versus others. Within infrastructure, they've been doing infrastructure for over 20 years, and infrastructure's a relatively new asset class if you compare it to some of the others that we were talking about before, but for a firm to be doing it over 20 years says a lot, it speaks volumes about their experience. They have over \$14 billion of AUM in that asset class alone, and within just the last five years have probably put

over six billion dollars in over a hundred different transactions, so they are deep in experience. The thing that really sets them apart, in our opinion, is their ability to originate these types of assets from various areas, so unlike typical infrastructure asset managers that have an origination team go out and find opportunities, Grosvenor has that. But at the same time, has been in the business of seeding a lot of managers within various asset classes but also infrastructure, and through that business, they have formed tremendous relationships that gives them ability to directly asset in assets, invest as co-investors, and really see all the deal flow that's out there in infrastructure. And that's really important when you consider these types of vehicles, interval funds, where we're going to be targeting a capital raise that's significant, and there's going to be significant money to put to work and we need to make sure that we're seeing good deals, and we really feel that Grosvenor's experience in infrastructure and their ability to originate assets is second to none and that's why we partnered with them.

CHUCK JAFFE: We should point out, the fund not yet available to the public, there are a couple of steps that were announced and we will make sure that there's an available link in the notes about this show so that people can check out the press release that announced the fund. The fund should be open to investors when?

MARK GATTO: We're targeting by the end of the month, early next month would be a reasonable expectation. Right now, we're managing a seed portfolio and there'll be a merger of that seed portfolio into the master fund shortly and then we'll be able to market the product to individuals at that time.

CHUCK JAFFE: Well, we'll be watching how it turns out, and I'm sure we will discuss that and other things with you again down the line. Mark, thanks so much for joining me on The NAVigator.

MARK GATTO: Thanks, Chuck. Always a pleasure.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and I am Chuck Jaffe, and I'd love it if you'd check out my show on your favorite podcast app or at MoneyLifeShow.com. To learn more about interval funds, closed-end funds, and business-development companies, go to AICAlliance.org, that's the website for the Active Investment Company Alliance. Thanks to my guest Mark Gatto, co-founder and co-chief executive officer at CION Investment Group, which is online at

CIONInvestments.com. Their upcoming fund is the CION Grosvenor Infrastructure Fund, which is going through its launch process, but you can find the details by following the direct link in the notes to this episode of the podcast. The NAVigator podcast is here and new for you every Friday, make sure you don't miss an episode by subscribing or following on your favorite podcast app, and if you like this podcast, leave us a review and tell your friends, because that stuff really does help. We'll be back next week, and until then, happy investing, everybody.

Recorded on January 10th, 2025

To request a particular topic for The NAVigator podcast please send an email to:
TheNAVigator@AICalliance.org

Click the link below to go to the home page of Active Investment Company Alliance to learn more:
<https://AICalliance.org/>

Disclosure: *Views and opinions expressed are for informational and educational purposes only as of the date of production/writing/speaking and may change without notice at any time based on a multitude of factors. Speaker's/presenter's/author's opinions are their own and may not necessarily represent the opinions of AICA, its Board, or its staff. Materials may contain "forward-looking" information that is not purely historical in nature, such as projections, forecasts, market return estimates, proposed or expected portfolio composition, and other items. Listed closed-end funds and business development companies trade on exchanges at prices that may be above or below their NAVs. There is no guarantee that an investor will be able to sell shares at a price greater than or equal to the purchase price or that a closed-end fund's discount will narrow. Non-listed closed-end funds and business development companies do not offer investors daily liquidity but rather offer liquidity on a monthly, quarterly or semi-annual basis, often on a small percentage of shares. Closed-end funds often use leverage, which can increase the fund's volatility (i.e., risk). Actual distribution amounts may vary with fund performance and other conditions. Past performance is no guarantee of future results. This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. Shares of closed-end funds are subject to investment risks, including the possible loss of principal invested. Closed-end funds frequently trade at a discount to their net asset value (NAV).*