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I Squared's El Gazzar Seeks AI-Adjacent Bets

Mid-market infrastructure specialist is taking a nuanced approach to artificial intelligence investing.

by Swetha Gopinath
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AI adjacent

The AI surge has turned data centers into one of the fastest-growing investment areas globally. Mid-market infrastructure specialist I Squared is taking a nuanced approach to the boom, opting to put money into AI-adjacent projects. I sat down with Mohamed El Gazzar, a senior partner at the firm, to talk about this strategy and the broader case for infra investing in 2026. Here are some edited highlights from our chat. *–Swetha Gopinath*

Cabinets housing servers inside a data hall at a NextDC Ltd. data center in Sydney, Australia, on Monday, Dec. 8, 2025. *Photographer: Brent Lewin/Bloomberg*

Your firm has been wary of jumping on the AI bandwagon, would you still invest in data centers?

We don't have anything against AI, it just goes back to how cautious of an investor we are. In AI investing, attention is often focused on the data centers and chips, but the underlying infrastructure and power are just as critical, and where we have deep expertise. We understand the power market and the bottlenecks that exist for data centers, and this is exactly what we demonstrated with Energia.

We developed a 165-megawatt data center co-located with our gas-powered plants in Dublin, navigating a complex planning and permitting process. We partnered with a hyperscale operator and secured a contract with Microsoft. Ultimately, we sold Energia alongside one of Europe's largest data centers, demonstrating how we can selectively participate in AI-adjacent opportunities without chasing it directly.

Is it more difficult to invest in the AI space in Europe?

In the US, data centers tend to be very large, focused on training large language models and typically anchored by long-term contracts with hyperscalers. In Europe, we have smaller facilities that are focused more on latency for which proximity to the end customer is critical. These so-called edge data centers reflect Europe's more fragmented market and diversified customer base. As a result, in countries like France and Germany, we are building data centers that can cater to multiple customer groups, as opposed to being reliant on a single tenant. Because our projects are often smaller in scope, we also have the option to build from scratch. Our edge data center platform, nLighten, is a great example of this.

Are you shying from data center investments in the US then?

With hyperscalers there's a lot more demand than supply, resulting in higher prices. We've always shied away from those very large deals. It's not that we don't work with hyperscalers, but we prefer to take a more innovative approach. For example, in the US we have a project where we are developing a natural gas-powered co-generation power plant, integrated with carbon capture technology in partnership with Google, a first of its kind project.

How are you navigating the broader market volatility, from macro to geopolitical risks, right now?

There's no doubt we've lived through quite a lot of volatility, but volatility is a natural feature of markets. Fortunately for I Squared, infrastructure is a very stable asset class. We invest in highly resilient businesses that provide essential services. Arriva, for example, runs buses and trains across the UK and European markets. The business provides a critical service to connect millions of people. Or Aggreko, which provides temporary power, is proving to be an extremely essential service in the context of energy security today.

The most important element is to manage volatility within the asset class. We've seen the volatility in the UK water sector, for example. There is regulatory risk that one has to understand and to manage, or take a power contract that might be out of money with counter-party risk.

So against that backdrop, what types of assets you are chasing?

We are the largest fund that focuses on mid-market infrastructure, which enables us to have a much larger variety of assets to choose from and helps us navigate market volatility more effectively. So in the case of the transportation sub-sector, we are not confined to acquiring a road or airport operator. Instead, we can invest in more specialized businesses like Ramudden Global, which is addressing the critical underinvestment in road infrastructure and can be acquired at a more attractive entry price, as it sits in a relatively consolidated market.

Mohamed El Gazzar *Source: I Squared*

Finally, do you see a role for the firm in consolidation amid interest in infra managers?

In 2025 alone, we exited five assets across North America, Europe and Asia, representing more than $3 billion in total exit value. Infrastructure is a stable and resilient asset class, but it's complicated and you need to have a very focused and experienced asset management team. Rather than being one of many offerings, we want to deepen our specialization and continue building expertise within our core vertical.