

Infrastructure Spotlight

May 2009 / Volume 2 - Issue 5

Welcome to **Infrastructure Spotlight**, the monthly newsletter from Preqin, providing insights into performance, investors and fundraising. Infrastructure Spotlight contains information from our online product, Infrastructure Online.

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Cleantech Infrastructure

This month's feature article takes a look at the role played by infrastructure fund managers in the cleantech and renewable energy sector, with data taken from the 2009 Preqin Private Equity Cleantech Review.

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The 2009 Preqin Private Equity
Cleantech Review

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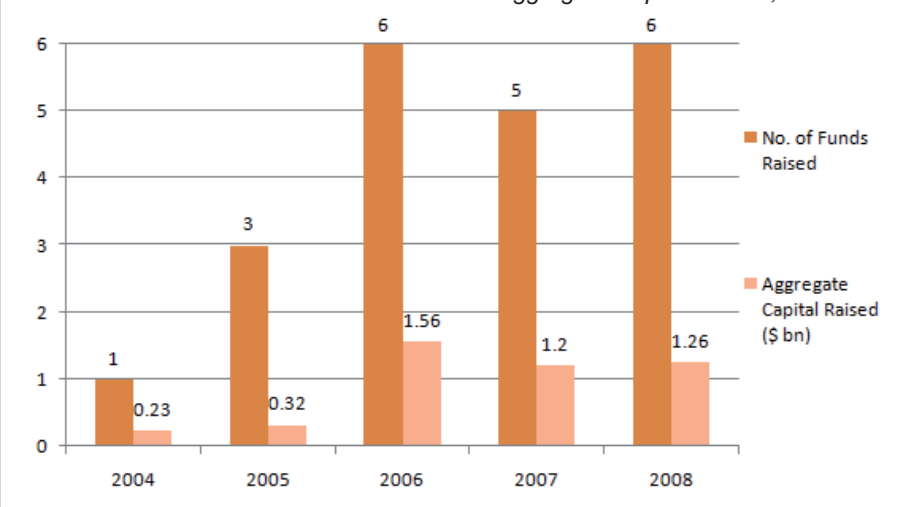
Feature Article: Cleantech Infrastructure

Despite the fact that the vast majority of private equity fund managers that invest in the cleantech sector manage venture capital funds, the second largest group is made up of infrastructure fund managers, who account for 13% of all private equity fund managers involved in the sector. Whilst the dominance of venture capital firms in the sector can be attributed to the fact that cleantech has its foundation in innovation and is a relatively recent phenomenon, there is significant scope for private equity infrastructure firms to invest in infrastructure projects with a sustainable focus, such as wind turbines, hydroelectric dams and numerous other undertakings. This is the reason that infrastructure firms are the second most prevalent type of private equity firm in the sector.

As shown in Fig. 1, the last three years have marked a step up in the level of fundraising activity in the cleantech infrastructure sector, with each of 2006,

Fig. 1:

Cleantech Infrastructure Funds - Number and Aggregate Capital Raised, 2004 - 2008



2007 and 2008 seeing annual aggregate fundraising of more than \$1 billion by infrastructure funds with a primary focus on clean technology and renewable

energy. There are currently a further 17 cleantech focused infrastructure funds in the fundraising market, looking to raise more than \$6 billion between them. As



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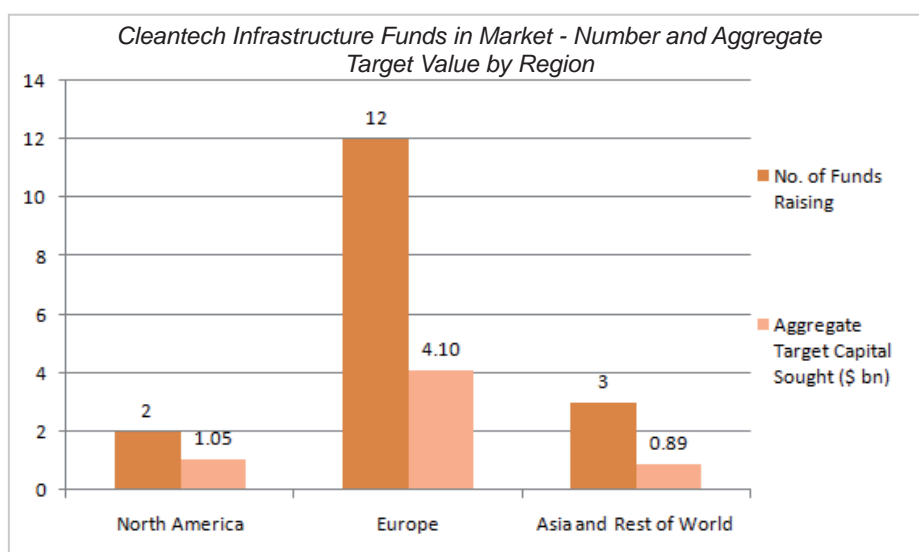
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Feature Article: Cleantech Infrastructure

shown in Fig. 2, the primary geographical focus for the majority of these funds, and also the majority of the capital that these funds are targeting, is Europe. 12 funds that will primarily focus on European investments are targeting an aggregate \$4.1 billion. The range of fund sizes being targeted by cleantech infrastructure funds currently in the market is split fairly evenly, as shown in Fig. 3. 29% of funds are targeting \$101-250 million, 24% are targeting \$251-500 million and a further 24% are targeting \$501-750 million.

In contrast to the venture firms involved in the cleantech market, the majority of which prefer to take minority stakes in the firms they invest in, infrastructure firms that invest in the sector generally prefer to acquire controlling stakes in their portfolio investments. Approximately 70% prefer to take controlling stakes, while around 10% prefer to take minority stakes. The remaining firms have no particular preference. The average size of cleantech investments made by infrastructure firms ranges between \$15 million and \$50 million, and following this they use a variety of strategies as

Fig. 2:



they seek to grow their investments. The most popular approach regularly used by infrastructure firms in the cleantech sector is a value added strategy, which is used by 62% of firms, as shown in Fig. 4. Other popular strategies include organic growth (38%) and a hands-on approach (15%). Infrastructure firms involved in cleantech investments generally like to hold their

investments for a period of three to five years, which is broadly in line with the private equity market in general.

Infrastructure firms possess a wide range of expertise, ranging from deep knowledge of the industry to a wide network of contacts, and utilise this to maximise growth in portfolio investments.

Fig. 3:

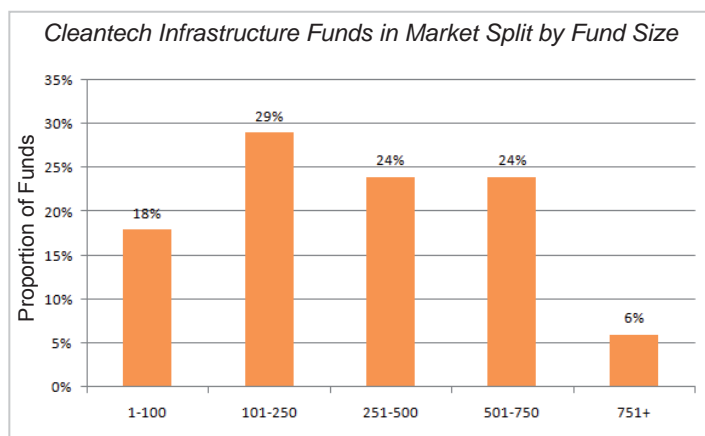
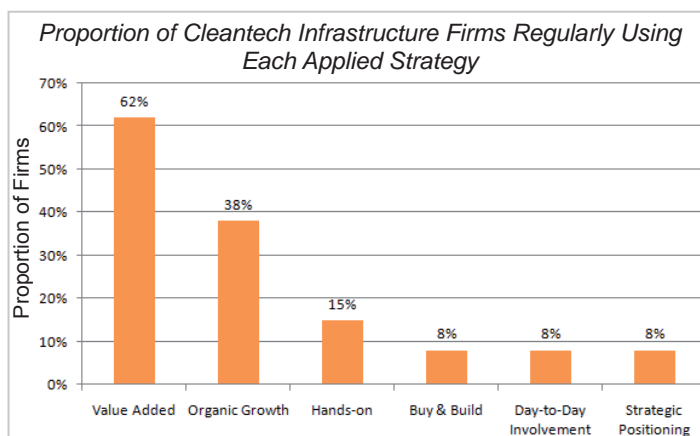


Fig. 4:



Feature Article: Cleantech Infrastructure

As shown in Fig. 5, 87% of infrastructure firms that invest in cleantech declare industry knowledge to be a key area of expertise of the firm. Additionally, more than half of these firms state that their networks of contacts are another key area, while 42% consider financial expertise as one of their main focal points.

Another factor worth consideration is investor interest in cleantech infrastructure funds. Of the investors in private equity that have previously committed to funds which include cleantech as part of several industries within their mandates, one-third have invested in one or more infrastructure funds of this type, compared to 59% that have accessed the cleantech market through allocations to venture funds. Of the investors that have previously committed to funds that focus solely on making cleantech investments, 26% have invested in one or more infrastructure funds that focus on cleantech, compared to 71% that have invested in cleantech focused venture funds.

The uptick in the number of cleantech infrastructure funds closing in the past few years, as well as the increased annual level of aggregate capital closed, which has been over the \$1 billion mark for the last three years, indicates that cleantech is a growing area of the infrastructure fund market. Additionally, many infrastructure funds that have a diversified range of target industries will allocate a proportion of their capital to cleantech investments. Of the 17 infrastructure funds focused on cleantech investments that are currently on the road raising capital, seven have already held one or more interim closes, indicating that the sector is well-set to

Fig. 5:

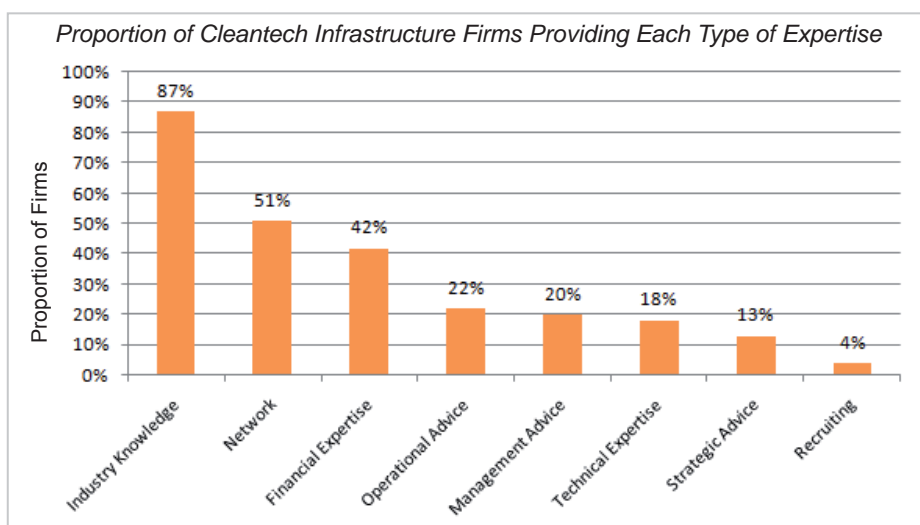


Fig. 6:

Top 10 Infrastructure Firms by Cleantech Funds Raised

Firm Name	Location	Total Cleantech Funds Raised (\$ mn)	Vintage of Most Recent Cleantech Fund Closed
Carlyle/Riverstone	US	685	2006
US Renewables Group	US	575	2007
TCW Group	US	473	2006
HgCapital	UK	396	2006
Platina Partners	UK	374	2007
Good Energies	US	271	2005
Santander Infrastructure Capital	UK	230	2004
3C Consulting	Germany	201	2007
N+1 Eolia	Spain	196	2006
DIF	Netherlands	190	2007

continue its growth. Infrastructure firms can capitalise on the increasing investor interest in cleantech generally by offering investors attractive opportunities in the infrastructure sector of the industry. Given the growing demand for sustainable sources of energy and the expanding

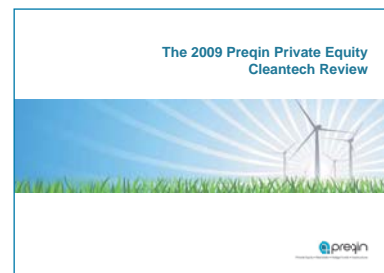
range of subsidies and incentives being offered by national governments, those good opportunities for investment in the sector look set to become increasingly prevalent.

Sam Meakin

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Fundraising Spotlight:

Fundraising Overview:

Funds on the Road	US	Europe	ROW	Total
Number	15	36	46	97
Total Target Value (\$bn)	32.0	33.3	31.0	96.3
Average Target Size (\$bn)	2.1	0.9	0.7	1.0

Recently Closed Funds:

ADIC-UBS Infrastructure Fund I

Manager: UBS Infrastructure Asset Management

Target Size (mn): 600 USD

First Close (mn): 250 USD (May-2009)

Geographic Focus: Middle East, North Africa, Turkey

Industry Focus: Aviation, Education Facilities, Energy, Government Accommodation, Healthcare/Medical Facilities, Parking Lots, Roads, Sea Ports, Social Infrastructure, Transportation, Tunnels, Utilities, Waste Management, Water, PPP's.

Project Stage: Greenfield (80%), Brownfield (20%)

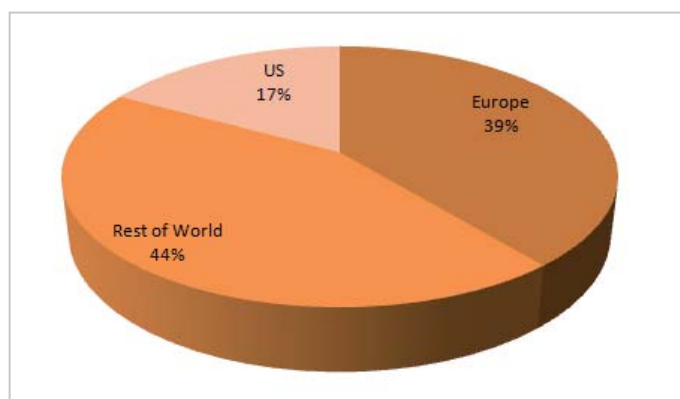
Placement Agent: Not Used

Lawyer: Ashurst

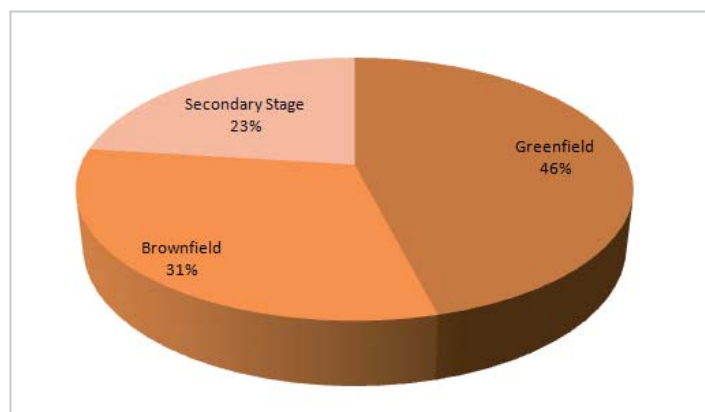
Largest Infrastructure Funds on the Road:

Fund	Manager	Size (Mn)	Manager Country
GS Infrastructure Partners II	GS Infrastructure Investment Group	7,500.0 USD	US
Macquarie European Infrastructure Fund III	Macquarie Funds Group	5,000.0 EUR	Australia
Macquarie Infrastructure Partners II	Macquarie Funds Group	6,000.0 USD	Australia
KKR Infrastructure Fund	Kohlberg Kravis Roberts	4,000.0 USD	US
Alinda Infrastructure Fund II	Alinda Capital Partners	3,000.0 USD	US
aAIM Infrastructure Fund	aAIM Infrastructure	2,000.0 GBP	UK
CVC European Infrastructure Fund	CVC Infrastructure	2,000.0 EUR	UK
Fortis Investment Successor Infrastructure Fund	AAICM	2,000.0 EUR	UK
Gulf One Infrastructure Fund I	Gulf One	2,000.0 USD	Bahrain
Table Rock Partners	Table Rock Capital	2,000.0 USD	US

Primary Geographic Focus of Funds Currently Placed On-hold



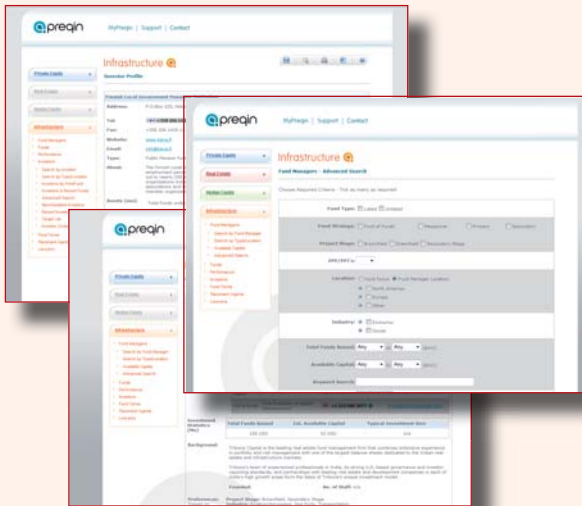
Make-up of Funds On-hold by Project Stage Exposure



Richard Stus

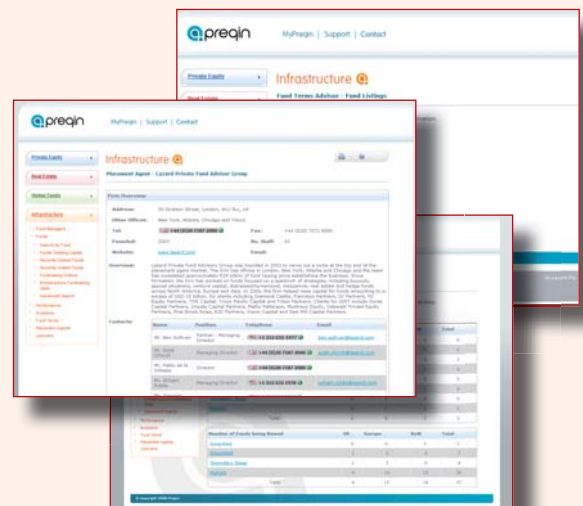
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- **Fund Managers:** View detailed profiles on over 180 Fund Managers from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular fund strategies, infrastructure industry types, infrastructure project stages or locations.
- **Funds:** Detailed profiles of over 230 unlisted infrastructure funds encompassing all strategies including primary, secondary, mezzanine and fund of funds; and details on the fund's investment preferences in terms of project stage, industry and geographic region.
- **Investors:** See detailed profiles for nearly 500 investors who are actively investing in infrastructure funds. Investors include Infrastructure Fund of Funds, Pension Funds, Endowments, Family Offices and other institutional investors. Detailed profiles include background, contact details, investment plans, preferred fund strategies and known previous investments in infrastructure funds.

- **Performance:** View performance details of individual funds.
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Conferences Spotlight

Forthcoming Events:

Feature Conference:

4th Infrastructure Investing Summit

Date: June 24-25, 2009

Location: New York City

Sponsor: IQPC and Finance IQ

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Information: www.iqpc.com/us/infrastructure

Other Conferences:

CONFERENCE/EVENT	DATES	LOCATION	ORGANISER
Turkey Infrastructure Investment & Finance Summit 2009	4 - 5 June 2009	Istanbul	Euroconvention Conferences
2nd Annual Russian Infrastructure and Project Finance	4 - 5 June 2009	Moscow	Euromoney Seminars
The PEI Africa Forum	18 - 19 June 2009	London	PEI Media
Annual TransFin 2009	22 - 25 June 2009	Barcelona	ICBI
4th Infrastructure Investing Summit	24 - 26 June 2009	New York	IQPC
Infrastructure Investment World Asia 2009	8 - 11 September 2009	Hong Kong	Terrapinn
The American Infrastructure Summit	14 - 16 September 2009	Washington DC	IIR USA
4th Annual North America Infrastructure Finance Conference	23 - 24 September 2009	New York	Euromoney Seminars
Infrastructure Investor: New York	29 - 30 September 2009	New York	PEI Media
Infrastructure Investment World Europe 2009	30 Nov - 1 Dec 2009	London	Terrapinn
Infrastructure Investment World India	1 - 4 December 2009	India	Terrapinn
New York Infrastructure Summit	12 May 2010	New York	Dow Jones Events

Investor Spotlight: Investor News

Pensionskasse der COOP Gruppe to invest opportunistically in 2009.

The USD 4.8 billion Swiss-based pension fund is planning to increase its exposure to the infrastructure asset class by investing in several single manager funds in 2009. The pension plan has exposure to the asset class equating to approximately 0.5% of total assets, but intends to increase this over the long term. It will consider investments in both greenfield and brownfield opportunities and aims for a global portfolio of assets. The pension plan does not have a target allocation to infrastructure, preferring instead to invest on an opportunistic basis.

Ohio State University Endowment establishes real assets allocation.

The USD 1.5 billion endowment has carved out a 9% allocation to real assets, with the potential to dedicate up to 25% of total assets under management to real asset opportunities. The endowment plan will look to invest opportunistically in the asset class throughout 2009 as a means of spreading risk and as a hedge against inflation. This could result in commitments to infrastructure vehicles over the next 12 months. The endowment's consultant, Cliffwater, will advise on potential investment opportunities. Ohio State University Endowment has previous exposure to natural resources and energy-related vehicles via its allocations to both real estate and private equity.

Pennsylvania State Employees' Retirement System plans to re-enter infrastructure market.

The USD 24 billion public pension plan intends to revisit its plan to allocate between 5% and 10% of total assets in the infrastructure asset class. The pension scheme previously aimed to establish an infrastructure allocation by October 2008, but postponed the plan due to volatile global economic conditions. However, Pennsylvania State Employees' has continued to receive educational sessions on the asset class and still hopes to begin investing later in 2009. The pension fund has previous exposure to infrastructure via commitments to two energy-related funds managed by Energy Spectrum, which were made through the plan's allocation to private equity.

Pension scheme for supermarket giant Tesco monitors infrastructure opportunities.

The GBP 3.4 billion Tesco Pension Scheme will be gaining further education on the infrastructure asset class with a view to possibly carving out an allocation later in 2009. The pension scheme has not made any final decisions on the size or strategy of the potential allocation but if it chooses to invest it will do so with an experienced specialist fund manager. Tesco Pension Scheme currently has alternatives exposure through private equity and hedge funds.

Asset liability review may prompt Bristol County Retirement System to enter infrastructure market.

The USD 295 million public pension fund plans to carry out an asset liability review at the end of Q2 2009 and possibly carve out a separate allocation to the infrastructure asset class in Q3. The pension plan has been closely monitoring the asset class at the recommendation of its general consultant, RogersCasey. The portfolio will compliment Bristol County's existing alternatives exposure, which consists of private equity, hedge fund and real estate investments. Depending on the results, Bristol County Retirement System may issue an RFP for an infrastructure manager immediately following the review.

South Carolina Retirement Systems to venture into real assets.

The USD 28 billion pension system has established a new 5% allocation to real assets to include infrastructure, commodities, timber and inflation protected securities. The allocation is part of an increase in the pension plan's alternatives allocation to 30% of total assets. The pension scheme established the allocation in order to diversify its alternatives portfolio and act as a hedge against inflation. The retirement plan's general consultant, New England Pension Consultants (NEPC), will assist in the future search for infrastructure managers. South Carolina currently has exposure to private equity, real estate and hedge funds.

Richard Stus & Elliot Bradbrook

Each month Spotlight provides a selection of the recent news on institutional investors in unlisted infrastructure.

More news and updates are available online for Infrastructure Online subscribers.

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