

Welcome to the latest edition of Infrastructure Spotlight, the monthly newsletter from Preqin providing insights into infrastructure performance, investors and fundraising. Infrastructure Spotlight uses information from our online product Infrastructure Online.

October 2010
Volume 2 - Issue 10

FEATURED PUBLICATION:

The 2010 Preqin Infrastructure Review

More information available at:
www.preqin.com/nfrastructurereview



London:
Equitable House
47 King William Street
London, EC4R 9AF
+44 (0)20 7645 8888

New York:
230 Park Avenue,
10th Floor, New York,
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+1 212 808 3008

Singapore:
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Infrastructure Spotlight

October 2010

Feature

Infrastructure Fundraising

There is light at the end of the tunnel for infrastructure fund managers, as fundraising results for Q3 suggest the market is on the road to recovery. We take a look at infrastructure fundraising in Q3, placing it in the wider context of the year to date and considering the outlook for the rest of the year.

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Regulars

Deals Spotlight:

Deal volume did not reflect the positive results of the fundraising market in Q3. We examine the deals that took place in Q3 2010 and consider the reasons why total volume failed to meet expectations.

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Fundraising Spotlight:

All the latest fundraising statistics, including a detailed breakdown of funds on the road, by geographic focus, manager location and project stage focus.

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Conferences Spotlight:

Details of upcoming infrastructure events.

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Institutional Investor News:

All the latest news on infrastructure investors, including Sampension's plan to launch an infrastructure investment program in 2011 and Opplysningsvesenets Fond's search for opportunities in emerging markets.

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Data



You can download all the data in this month's Spotlight in Excel.

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. Feel free to use the data in any presentations, but please remember to cite Preqin as your source.

Infrastructure Investment World Europe 2010

The first ever event to focus exclusively on examining infrastructure as an asset class

29 November – 2 December 2010, The Grange St Paul's Hotel, London, UK
<http://www.terrapinn.com/2010/iiweu/>

Dear Spotlight Subscriber,

Preqin is delighted to invite you to join us once again at the Infrastructure Investment World Europe conference in London from the 29 November to 2 December 2010.

I will be taking part in the following panels:

- “Post crisis strategies - how best to access infrastructure” alongside Robert Scholl, Investment Manager at APK Aargauische Pensionskasse, Barbara Weber, Founder of Bibs Capital and Chris Tehranian, Senior Associate at Meketa Investment Group.
- “Determining investor appetites for energy investing” alongside Mike Hardwick, Investment Manager at West Midlands Pension Fund and Gerard McIlroy, Finance Director of Mutual Energy.

Now in its 5th consecutive year, the event once again boasts the most comprehensive line-up of industry leading figures including government, funds, institutional investors, labor unions, financiers, operators and developers.

Learn how future government spending and the advent of dedicated infra banks will impact infrastructure investment across Europe.

How are EU governments facilitating private investment into infrastructure and what opportunity does this present for your pension fund?

Assess the increasing importance of the development banks – are they taking the lead in infrastructure lending?

High level insights from the biggest infra lenders including the President of the European Investment Bank!

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Consider all the options for accessing infrastructure.

From direct investing to ETFs – what strategies are best suited for small, medium or big LPs and who is doing what? Hear from APK and NAEV.

To find out more download the brochure here: <http://www.terrapinn.com/template/live/documents.aspx?e=3493&d=789>

Or contact the Infrastructure Investment World Europe Team directly: on +44 (0) 207 092 1276 or email Julia.Wallace@terrapinn.com.

I hope to have an opportunity to connect with you there.

Kindest regards,
Mark O'Hare
Managing Director, Preqin

For more information contact the Infrastructure Investment World Europe 2010 Team directly

Call: +44 (0) 207 092 1276

Email: julia.wallace@terrapinn.com

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Infrastructure Fundraising

Elliot Bradbrook takes a look at the improving infrastructure fundraising market in Q3 and examines future prospects for firms seeking capital

Infrastructure fundraising has improved significantly in 2010, with 20 funds reaching a final close so far this year raising an aggregate \$24bn. This is more than three times the \$7.8bn raised by unlisted infrastructure funds in the whole of 2009. The fundraising market remains challenging, but investors are clearly growing more confident in the wake of the financial crisis, and fund managers are once again beginning to attract capital.

As shown in Fig. 1, five unlisted infrastructure funds closed in Q3 2010 raising \$10.9bn. This represents 45% of the total capital raised so far in 2010 and the highest quarterly total since Q4 2008, when 12 infrastructure funds closed raising \$15.5bn. The Q3 2010 figure includes the closure of several sizeable funds such as the \$4.3bn Energy Capital Partners II and the \$2.7bn Brookfield Americas Infrastructure Fund.

The average size of an infrastructure fund to close in 2010 to date is \$1.2bn, significantly higher than the \$460mn average in 2009 and also larger than the \$900mn average in 2008. This can be attributed to a number of large funds closing this year, including the \$3.1bn GS

Infrastructure Partners II and the \$4.1bn Alinda Infrastructure Fund II.

Despite this apparent resurgence, infrastructure fundraising will remain tough in a crowded market, with 109 funds currently on the road seeking an aggregate \$76.3bn. This represents a significant 29% decrease from the \$107.8bn targeted in Q3 2009, showing that fund managers are setting more realistic fundraising targets following the financial crisis.

Interim Closes

In addition to managers achieving a final close, there are a significant number of firms holding interim closes, showing good movement in the market.

As shown in Fig. 2, nearly half of the 109 funds in market have held at least one interim close (49 funds seeking \$33.9bn in investor capital), showing that fund managers are succeeding in raising capital as the market continues to recover. This looks set to continue, with many fund managers planning interim and final closes before the end of the year.

Investor Attitudes

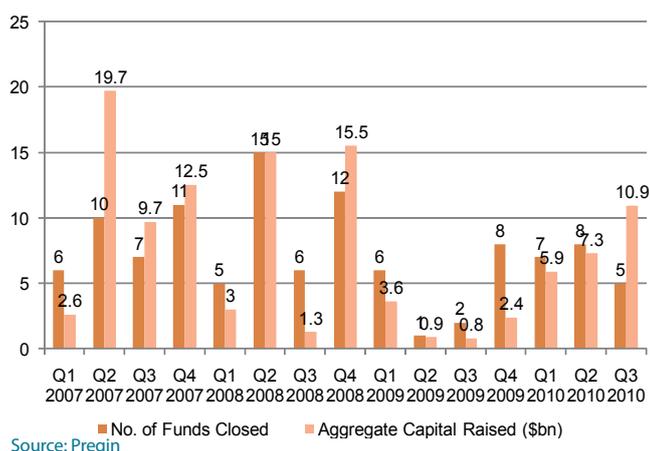
Investor sentiment towards the

"We expect further modest increases in fundraising activity in Q4 2010..."

infrastructure asset class is undoubtedly improving, as suggested by the more encouraging fundraising environment. The global financial crisis certainly influenced investor appetite for infrastructure funds in 2009, but investor confidence is returning. This reflects the findings of a Preqin survey conducted in June this year, which revealed that many investors planned to make additional fund commitments in the following 12 months.

In a similar survey conducted in October 2009, just 19% of institutional investors surveyed had invested in infrastructure funds during the year. As shown in Fig. 3, the majority of investors that invested in 2009 did so sparingly, with 14% of those surveyed investing in only one fund and just 5% committing to multiple funds. In total, just 40% of investors planned to make further commitments in 2010.

Fig. 1: Quarterly Fundraising by Unlisted Infrastructure Funds, Q1 2007 - Q3 2010



Data Source:

Infrastructure Online

Infrastructure Online is the most comprehensive resource available to infrastructure professionals today. It is a vital source of information whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor. Information is available on investors, fund terms, fundraising, performance, fund managers and deals.

www.preqin.com/infrastructure

In contrast, Fig. 4 shows that 70% of investors surveyed in June 2010 planned to make infrastructure investments in the following 12 months, with 26% planning to make multiple commitments. Many investors are likely to employ a more conservative investment strategy in the future, as demonstrated by the 27% of investors looking to invest on an opportunistic basis in 2011.

Looking to the Future

The outlook for infrastructure fundraising is positive. The \$24bn raised by unlisted infrastructure funds so far in 2010 is well short of the \$44.5bn raised in 2007, but is approaching the \$34.9bn raised in 2008.

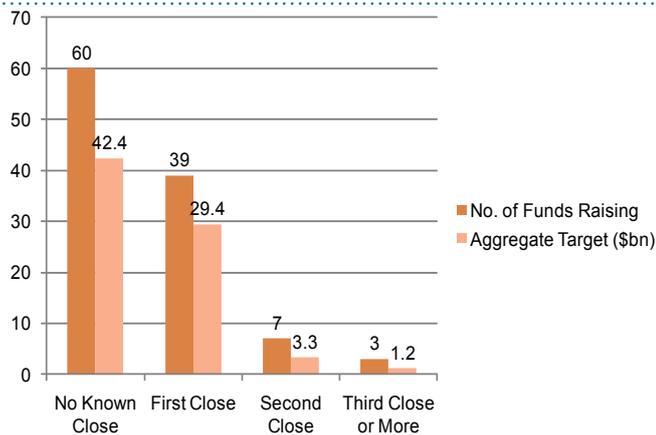
We expect a further modest increase in fundraising activity in Q4 2010, with a number of funds planning to hold closes in the coming months. However, a dramatic increase over the short term is unlikely as fund managers are reducing their targets and continuing to find fundraising difficult.

The long-term outlook is encouraging, with almost 50% of active investors investing in the asset class via a separate allocation to infrastructure. This shows that a growing number of investors are creating dedicated pools of capital for infrastructure investment in order to capitalize on the long-term stability that the asset class offers.

[Download Data](#)

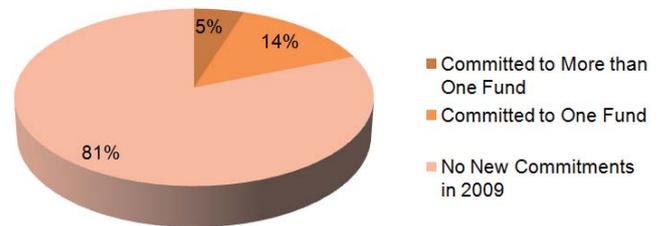


Fig. 2: Split of Fundraising Market by Interim Closes Held to Date



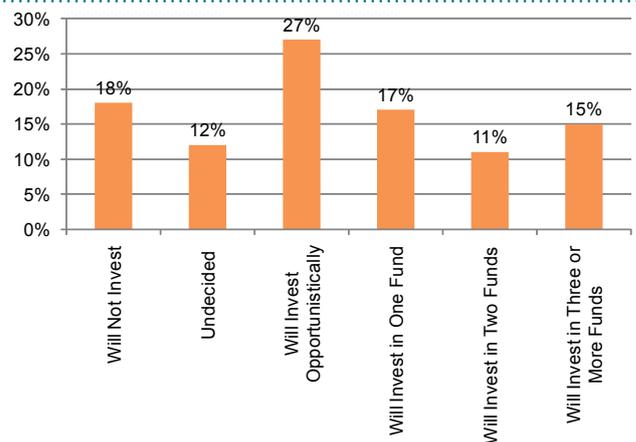
Source: Preqin

Fig. 3: Proportion of Investors That Made Infrastructure Commitments in 2009



Source: Preqin

Fig. 4: Investor Plans for Infrastructure Investments in the Next 12 Months



Source: Preqin

Deals Spotlight

Despite the positive growth in the fundraising market, infrastructure deal volume remains restricted by the contracted credit markets and inflexible asset valuations. The completion of future deals is therefore heavily reliant on an increased equity-to-debt ratio and a decrease in vendors' asset valuations. This will take time, and as a result, a significant increase in the number of deals completed by unlisted fund managers in the remainder of 2010 is unlikely.

As shown in Fig. 1, unlisted infrastructure fund managers reported 38 deals in Q3 2010, the lowest quarterly total this year, and the fewest since Q2 2009.

Deal Activity by Region

Fig. 2 shows the geographic location of the infrastructure deals made in Q3 2010. Europe was the most prominent region, accounting for 19 of the 38 deals made during the quarter. Seven deals were completed in North America, and 10 were completed in Asian assets. Two transactions were completed in assets located in Australasia.

Deal Activity by Industry

As expected, core infrastructure industries such as energy, transportation and utilities dominated Q3 2010 deal activity. As shown in Fig. 3, 15 deals were completed in the energy sector, 11 in transportation and three in utilities. Six deals were made in social infrastructure assets, along with two in waste

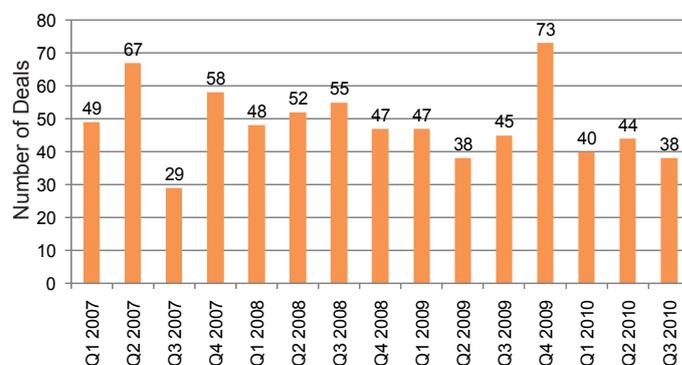
management and one in the telecoms industry.

Significant Deals Made in Q3 2010

A number of significant deals were completed in Q3 2010, including the purchase of an 80% stake in the Endesa Gas Network by GS Infrastructure Partners II. The deal was expected to value the stake at around €1bn, consisting of approximately €800mn in debt financing provided by a group of 10 banks including Santander, Caja Madrid and BBVA. The Endesa network includes 4,050km of gas distribution pipelines and 859km of gas transport pipelines in Spain.

In Canada, Starwood Energy Infrastructure Fund acquired the Sault Ste. Marie Solar Plant 2 (SSM2) from Pod Generating Group for a total purchase price of \$110mn, including a \$30mn equity investment. Once built, SSM2 will consist of three 10 MW AC solar photovoltaic power generation facilities in Sault Ste. Marie, Ontario.

Fig. 1: Quarterly Number of Deals Completed by Unlisted Infrastructure Fund Managers, Q1 2007 - Q3 2010



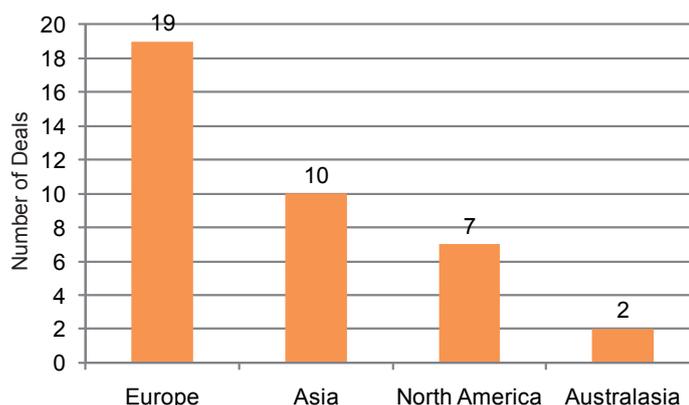
Source: Preqin

A significant deal made in Asia was the \$304mn investment by a consortium led by Macquarie State Bank of India Infrastructure Fund for an 11% stake in Viom Networks (formerly Quippo-WTTIL). Viom is an independent telecommunications company based in India. The stake was purchased from Quippo Telecom Infrastructure in August.

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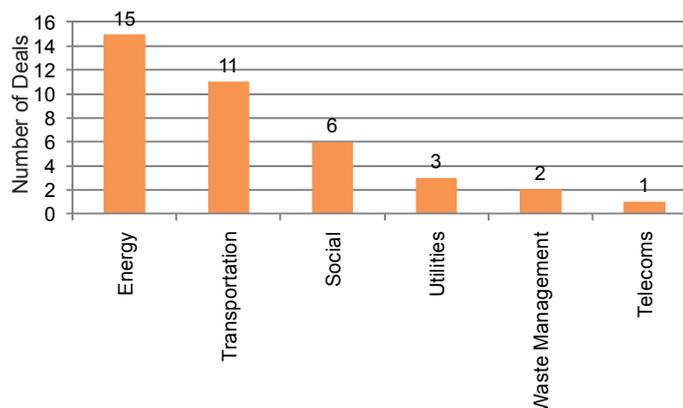


Fig. 2: Number of Infrastructure Deals by Region, Q3 2010



Source: Preqin

Fig. 3: Number of Infrastructure Deals by Industry, Q3 2010



Source: Preqin

Fundraising Spotlight

Fig. 1: 10 Largest Infrastructure Funds on the Road

Fund	Manager	Size (mn)	Manager Country
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	3,000 EUR	UK
Highstar Capital Fund IV	Highstar Capital	3,500 USD	US
ArcLight Energy Partners Fund V	ArcLight Capital Partners	3,000 USD	US
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK
KKR Infrastructure Fund	Kohlberg Kravis Roberts	2,500 USD	US
Marguerite Fund	Marguerite Adviser	1,500 EUR	Luxembourg
Blackstone Infrastructure Fund	Blackstone Infrastructure Partners	2,000 USD	US
Macquarie State Bank of India Infrastructure Fund	Macquarie Infrastructure and Real Assets	2,000 USD	Australia
AXA Infrastructure Fund III	AXA Private Equity	1,500 EUR	France
United States Power Fund IV	Energy Investors Funds	1,750 USD	US

Source: Preqin

There are currently 109 unlisted infrastructure funds on the road targeting an aggregate \$76.3bn. In terms of target capital, this is significantly lower than the \$107.8bn being sought by 107 funds in market in Q3 2009 and is also considerably down on the \$88.8bn being sought by 100 funds in market in Q1 2010. This is partly due to the closure of several sizeable funds in 2010 so far, but also because fund managers are lowering their targets.

The table in Fig. 1 shows the 10 largest infrastructure funds currently raising capital. There are still 17 infrastructure funds in market targeting \$1bn or more and these funds account for 64% of the total capital sought by infrastructure funds currently in market.

Four are targeting at least \$2bn, but only three funds, including RREEF Pan-European Infrastructure Fund II, are currently targeting over \$3bn.

Manager Location and Experience

Infrastructure investors are likely to be more selective when making fund commitments in the future. Therefore manager experience is becoming more important, although the majority of funds in market are managed by first-time fund managers. As shown in Fig. 2, 55% of funds on the road are first-time funds, with only 19% managed by firms that have raised at least five previous infrastructure vehicles.

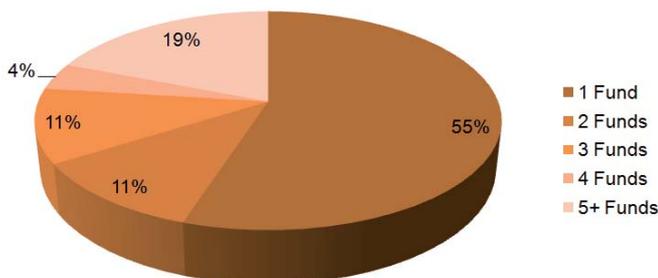
Although the majority of first-time infrastructure funds in market are being

raised by first-time fund managers, a number of funds are being raised by firms with experience in other areas such as private equity. For example, three of the largest ten funds in market are first-time infrastructure vehicles being raised by experienced private equity firms: Blackstone Group, CVC Capital Partners and KKR.

In terms of firm location, more funds in market are being raised by firms based in Europe than those based in either North America or Asia and Rest of World.

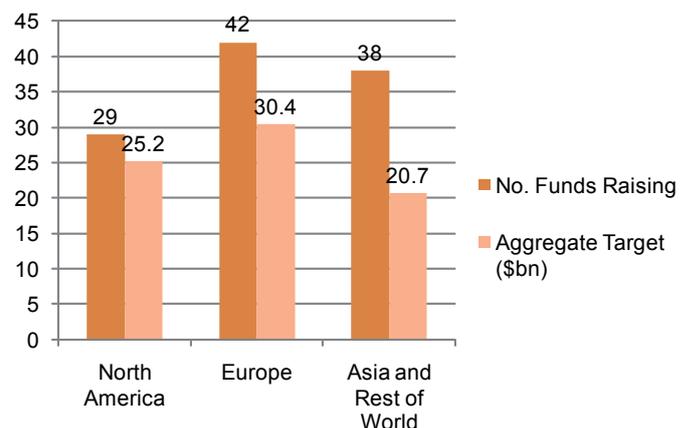
As shown in Fig. 3, 42 funds seeking an aggregate \$30.4bn are being raised by European managers. North American managers are raising 29 funds targeting \$25.2bn, while those managers based

Fig. 2: Breakdown of Fundraising Market by Manager Experience



Source: Preqin

Fig. 3: Unlisted Infrastructure Funds in Market by Manager Location



Source: Preqin

outside of these regions are raising 38 funds seeking \$20.7bn in total capital.

Geographic Focus

In contrast, more funds in market are focused on Asia and Rest of World than on either Europe or North America. As shown in Fig. 4, a total of 46 funds are focused outside of the developed European and North America markets, showing the growing importance of emerging market opportunities. However, in terms of target capital, Europe- and North America-focused funds are more significant, targeting \$28.5bn and \$25.6bn respectively.

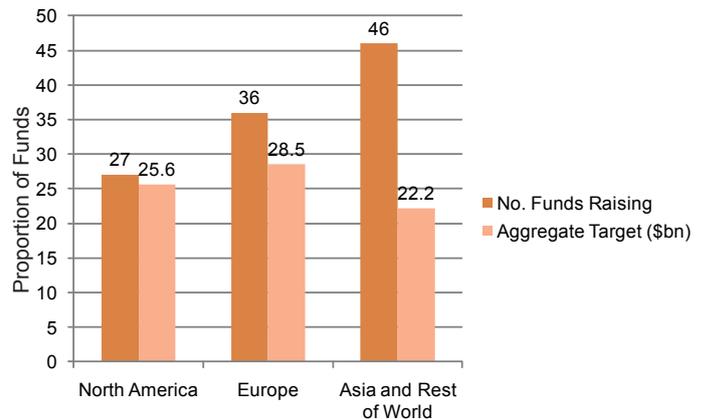
Project Stage Focus

The majority of funds on the road target a diverse portfolio of infrastructure assets and will consider a range of project stages. 64% of funds currently raising capital will consider investing in assets in various stages of development. As shown in Fig. 5, 69% will invest in greenfield projects, 72% will consider brownfield assets and 42% of funds will target more established secondary stage opportunities.

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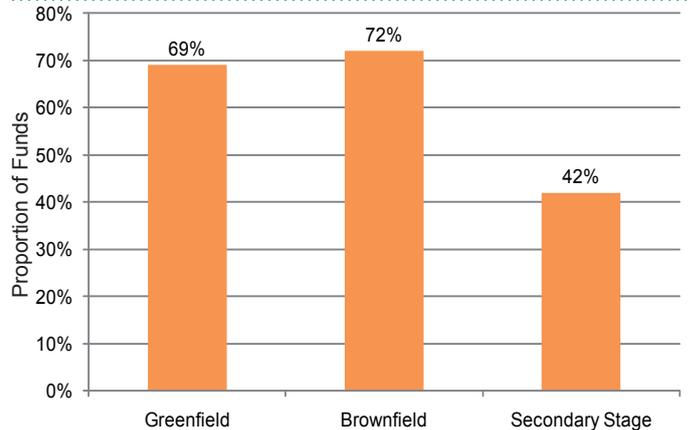


Fig. 4: Infrastructure Funds in Market by Primary Geographic Focus



Source: Preqin

Fig. 5: Unlisted Infrastructure Funds in Market by Project Stage Focus



Source: Preqin

The 3rd Annual infrastructure INVESTMENT WORLD INDIA
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Paul Skinner, Chairman, Infrastructure UK
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Conferences Spotlight: Forthcoming Events

Conference	Dates	Location	Organizer
Institutional Investing in Infrastructure	31 Oct-2 Nov 2010	Washington DC	IREI
AIS 2010 Abu Dhabi Showcase of Alternative Investment Funds	3-4 Nov 2010	Abu Dhabi	Leoron Events
Infrastructure Investment World Africa 2010	8-10 Nov 2010	Johannesburg	Terrapinn
Infrastructure Investment World India 2010	22-24 Nov 2010	Mumbai	Terrapinn
Infrastructure Investment World Europe 2010	30 Nov-3 Dec 2010	London	Terrapinn
Emerging Markets Summit: BRIC & Beyond	Dec 2010 (TBC)	New York	iGlobal Forum

Infrastructure Investment World Europe 2010

Date: 29 November - 2 December 2010

Location: The Grange St Paul's Hotel, London, UK

Organiser: Terrapinn

Now in its 5th year, with a track record of 300 delegates annually, Infrastructure Investment World Europe is Europe's leading infrastructure conference. With 2 streams: investment and infrastructure acquisition, financing and management, it is where government, funds, investors, financiers, operators and developers come to share ideas and drive the industry forward.

Information:

<http://www.terrapinn.com/2010/IIWeu/>

Infrastructure Investment World India 2010

Date: 22- 24 November 2010

Location: Mumbai, India

Organiser: Terrapinn

Infrastructure Investment India 2010 is the platform for the entire infrastructure community - Back for the 4th year running, this 2 day conference brings together governments, funds, institutional investors, financiers, operators and developers to explore infrastructure investment and development opportunities in Asia.

Information:

www.terrapinn.com/2010/iiindia

Transport Finance & Investment Forum

Date: 8- 9 November 2010

Location: Turnberry Resort, Scotland

Organiser: Infrastructure Journal

The 7th Annual Transport Forum will once again bring together the leading minds in the transportation investment and finance sector to debate how best to leverage public and private funding models – including PPPs – in order to effectively deliver much needed transportation infrastructure. The Forum will provide visibility on project pipeline, liquidity levels and its impact on projects structure and where and how future sources of funding will be utilised.

Information:

www.ij-transportforum.com?WT.mc_id=Q002-PREQIN

Preqin Spotlight Readers are entitled to a 10% discount for the Transport Forum.

Please call 0845 056 8069 or email IJForums@emap.com and quote priority code Q002-PREQ

The poster features the Infrastructure Journal logo at the top left, with the text 'Infrastructure Journal' and 'The 7th Annual Transport Forum'. To the right, it says 'Endorsed by preqin' and 'Members receive 10% off Call and quote Q002-PREQ'. The main title 'Transport Finance & Investment Forum' is prominently displayed in the center, with the subtitle 'Living with volatility: new era, new opportunities'. Below this, the dates '8th - 9th November 2010' and location 'Turnberry Resort, Scotland' are listed. A section titled 'Expert speakers include:' lists numerous industry leaders from various organizations like Vinci, M&G Investments, and Deutsche Bank. At the bottom, there is a 'Why are IJ Forums unique?' section and contact information for the event.

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Living with volatility: new era, new opportunities

8th - 9th November 2010
Turnberry Resort, Scotland

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- Silja Turville, Head of Project and Infrastructure Finance, M&G Investments
- Dirk Sillinger, Managing Director, Billfinger Berger Project Investments
- Hugh Blaney, Founding Partner, Amber Infrastructure
- Tarston Bauges, CEO, VIFG
- Harry Baulk, Group Director, Economic Regulation, Civil Aviation Authority
- Keith Cottrell, Managing Director, Amey
- Michael Dodson, Managing Director, Head of Transport, Marguerite Fund
- Robin Farke, Executive Director, Banco Espirito Santo
- Chris Ebbel, Managing Director, Barclays Private Equity
- Ralf Ernst, Corporate & Investment Banking, UniCredit Bank AG
- Cheryl Fisher, Head of Division - Project Finance and Transport, Western Europe, EIB
- Javier Garcia Segura, Head of Infrastructure Developments, SEITT
- Jaine Gorostegui, Head London Office, Brazilian Development Bank (BNDES)
- Manish Gupta, Partner, Ernst & Young
- Philip Hej, Managing Director, Credit Suisse
- Fred Strassman, Director of Treasury, BAA
- John McCarthy, Managing Director, Global Head, RREEF Infrastructure
- Michael McChes, Managing Partner, GIP
- Nigel Morpeth, Technical Director Rail, Atkins
- Davesh Shroff, Partner, KPMG
- Stewart Green, Director of Asset Management, Balfour Beatty Capital
- Zoltan Papp, Executive Director, Intertoll
- Marc Partridge, Co-Head of Project & Structured Finance, Gazprom Bank
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Institutional Investor News

Toronto Transit Commission Pension Society to increase infrastructure exposure in 2011

The CAD 3.5 billion pension scheme plans to invest up to CAD 50 million in an additional infrastructure fund in the coming 12 months in order to move closer towards its CAD 150 million target allocation. It currently has CAD 75 million invested in the asset class, which includes a recent CAD 25 million commitment to an undisclosed fund providing exposure to brownfield projects in North America. It will consider first-time funds and seek exposure to PPP/PFI projects and co-investment opportunities. It invests in infrastructure for diversification purposes.

United Nations Joint Staff Pension Fund (UNJSPF) is in search of an investment advisor/research firm.

The Investment Management Division (IMD) of the USD 38 billion pension fund has issued a Request for EOI for an investment advisor/research provider to give advice on its global investment strategy, this includes; asset, regional and country allocation; global macro and global sector research providers to support the staff of IMD in asset allocation decision making and portfolio management as well as global sector advice in energy and natural resources and technology sectors. IMD is looking to hire several independent boutique-type research firms or asset management companies to provide one or several of the services it requires. One of the minimum required qualifications include: a 5-year track record in providing the requested services to public pension funds. The closing date for the receipt of a proposal from all interested parties is the 5th of October 2010.

Magnox Electric Group Pension Scheme to invest opportunistically in the next 12 months

The UK-based pension fund is planning to increase its exposure to the infrastructure asset class in the next 12 months. It has no specific allocation to alternative assets but will consider each opportunity on a case-by-case basis as a means of diversifying its investment portfolio. Magnox has previously gained

exposure to infrastructure through commitments to both unlisted and listed funds, and will not consider direct investment strategies. It has a particular preference for energy assets, but will consider a broad range of industries.

Opplysningsvesenets Fond targets emerging market opportunities

The NOK 1.6 billion Norwegian government agency is considering making further opportunistic investments in infrastructure funds over the next 12 months in order to move towards its 5% target allocation. The agency expects to invest in both unlisted and listed vehicles providing exposure to emerging markets and a broad range of industries. Its previous fund commitments have been in funds targeting the more developed markets in core infrastructure sectors. It currently has 4% of total assets invested in infrastructure opportunities.

Sampension to begin infrastructure investment program in 2011

The DKK 100 billion pension fund will begin investing in unlisted infrastructure funds in 2011. Sampension will initially look to commit to between 5 and 10 unlisted infrastructure vehicles, investing between DKK 100 million and DKK 200 million in each opportunity. It will focus on investments in renewable energy in the developed North American and western European markets, but will also consider other sectors. It will invest in funds handled by first-time fund managers and look to make co-investments. Sampension had originally expected to launch its infrastructure program in Q2 2010, but postponed this plan until 2011

Merchant Navy Officers Pension Fund (MNOFF) has appointed its investment consultant Towers Watson in the role of delegated CIO.

Towers Watson has been employed in the role of fiduciary manager for the pension fund since 2008, and following a review of its consulting role by KPMG on behalf of the pension fund, it has been appointed in the role of delegated CIO. Towers Watson will act in an advisory role offering strategic advice in areas such as risk and asset allocation, while final decisions on such matters

will remain with MNOFF's investment committee. However in its role as delegated CIO Towers Watson will have final say on the selection and de-selection of managers.

Norfolk County Council Pension Fund considers infrastructure investment

The GBP 1.9 billion pension fund will discuss the possibility of adding an infrastructure element to its current investment portfolio when it undergoes an asset liability study in Q1 2011. The pension plan has not previously invested in infrastructure but will evaluate the possibility of creating an allocation based on the advice of its investment consultant Hymans Robertson. Norfolk County Council Pension Fund is an active investor in private equity solely through funds of funds vehicles, but it will likely pursue a more opportunistic strategy towards infrastructure if an allocation is approved.

Inarcassa to consider both unlisted and listed infrastructure funds in the next 12 months

The EUR 520 million pension fund is looking to invest opportunistically in the infrastructure asset class in 2011 through both unlisted and listed vehicles. The pension plan has a preference for Italy-focused infrastructure funds but will also consider funds with a wider European focus in order to increase diversity. Future investments will complement its existing portfolio which features a commitment to Fondi Italiani Per Le Infrastrutture, an unlisted vehicle managed by F2i SGR providing exposure to economic infrastructure assets.

Data Source:

Preqin Infrastructure Online

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

This month, 44 new investors have been added and 211 investor profiles updated. More news and updates are available online for Infrastructure Online subscribers.

www.preqin.com/infrastructure