

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.

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The 2011 Preqin Infrastructure Review

More information available at:  
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# Infrastructure Spotlight

July 2011

## Feature

### Back on Track?

Although the growth of the infrastructure industry was halted by the economic downturn, it seems that the sector is definitely on the road to recovery. This month's feature article provides an overview of the industry, looking at fundraising, deal flow and investor sentiment towards the current market.

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## News Exclusives

### Infrastructure News

Each month Preqin's analysts speak to hundreds of investors and fund managers from around the world, uncovering exclusive intelligence on the unlisted infrastructure market. This month's News Exclusives features CalSTRS, Krung Thai Bank and Korean Teachers' Credit Union

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## The Facts

A look at the latest fundraising and deals statistics, along with an examination of North America-based fund managers and Nordic infrastructure investors:

- Fundraising Spotlight [Page 7.](#)
- Deals Spotlight [Page 8.](#)
- GP Spotlight: UK Fund Managers [Page 9.](#)
- LP Spotlight: Insurance Companies [Page 10.](#)

## 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.



# Back on Track?

This month's feature article takes a look at the unlisted infrastructure sector as a whole, considering fundraising, deal flow and the extent to which the industry has recovered from the downturn

The effects of the global financial crisis in 2009 and the lack of institutional investor activity brought an end to a sustained period of growth within the unlisted infrastructure fund industry. However, as the global economy has recovered, so too has the infrastructure asset class. Fundraising has picked up as investor sentiment has improved, buoyed by compelling investment opportunities in both developed and emerging markets. While the health of the industry has improved, some significant changes, driven primarily by the shifting demands of institutional investors, have also been seen within the infrastructure universe.

As shown in Fig. 1, infrastructure fundraising was in decline from its peak in 2007. This culminated in an 80% drop in aggregate capital raised in the midst of the financial crisis between 2008 and 2009, when 17 unlisted infrastructure funds reached a final close raising just \$7.4bn in investor capital. Institutional investors were forced to take stock of their portfolios and postpone further fund commitments, which resulted in the most challenging fundraising conditions experienced by infrastructure fund managers to date.

However, fundraising improved significantly in 2010, with 37 funds reaching a final close, raising an aggregate \$30.5bn. This represented more than four times the aggregate capital raised in 2009, and just an 18% drop from the 2008 total. Those institutional investors that had previously shied away from making further commitments returned to market and several sizeable funds that had been on the road for over two years were able to reach a final close. Fundraising conditions are expected to remain challenging in 2011, but recent fundraising figures and positive investor sentiment towards the asset class suggest that investor appetite is slowly returning to pre-crisis levels.

The improving attitude towards infrastructure funds over the last 18 months is shown by the increasing number of vehicles reaching or exceeding their initial fundraising targets. As shown in Fig. 2, 46% of funds that closed in 2010/H1 2011 achieved or exceeded their

original targets, 14 percentage points higher than those that did so in 2009. This is in part a feature of the recent growth in fundraising, but is also as a result of fund managers setting more realistic fundraising targets in the wake of the financial crisis. However, the number of funds meeting or exceeding their fundraising goals in 2010/H1 2011 was still significantly less than the 73% and 62% that achieved this in 2007 and 2008 respectively.

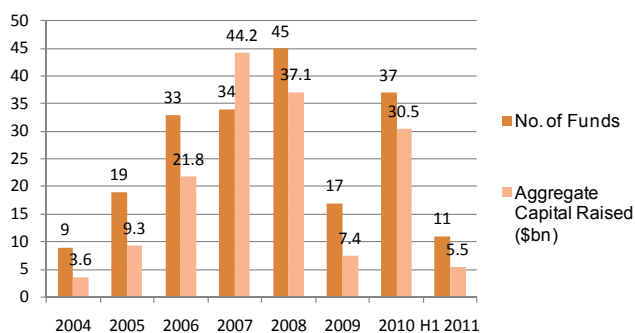
Despite the challenging fundraising environment, infrastructure fund managers have continued to launch new vehicles. A record 128 unlisted infrastructure funds are currently on the road seeking an aggregate \$91.8bn. This represents 16% more funds than were on the road in January 2010, but an increase of only 2% in terms of aggregate capital sought. This again shows that fund managers are generally lowering their fundraising expectations for new funds, and also suggests that fundraising is set to remain extremely competitive with so many firms seeking commitments for new vehicles.

## Deal Flow

Although recent fundraising levels have improved, infrastructure deal flow remains restricted by the ongoing effects of the financial crisis. The reduction in available and affordable long-term debt financing and high asset valuations has led to a more restricted deal flow since 2008. The number of deals taking place each year has remained relatively consistent since 2007, falling slightly from 251 completed transactions in 2008, to 239 in both 2009 and 2010. The 78 deals completed in H1 2011 suggests that annual deal volume will perhaps be lower than in the previous year, although the H1 figure should rise as more information becomes available.

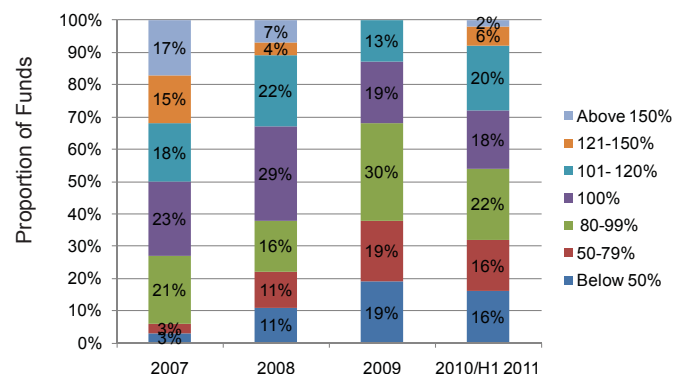
To compensate for the more restrictive debt financing options following the economic downturn, we have seen a decrease in the equity/debt ratio of infrastructure transactions and a reduction in the overall size of deals. Fig. 3 shows the annual breakdown of

Fig. 1: Unlisted Infrastructure Fundraising: 2004 - June 2011



Source: Preqin

Fig. 2: Final Close as a Percentage of Target Value, 2008 - H1 2011



Source: Preqin



all infrastructure deals completed by unlisted infrastructure fund managers since 2009 by deal size.

Investor Sentiment

Preqin's research suggests that investors remain keen to invest in infrastructure funds and assets over the long term. As of July 2011, Preqin's Infrastructure Online database featured profiles of over 1,180 institutional investors actively investing in infrastructure opportunities and over 140 other institutions that were considering establishing maiden allocations to the asset class.

The results of our June 2011 infrastructure investor study illustrate the growing importance of infrastructure assets as part of an institutional investor's portfolio. As shown in Fig. 4, 62% of investors plan to continue investing in unlisted infrastructure funds over the long term, while 22% expect to make direct investments and 18% plan to make co-investments in the future. 36% of surveyed investors expect to increase their allocations to infrastructure opportunities going forward and only 9% do not plan to invest at all.

In the 12 months following June 2011, 40% of investors plan to commit to at least one unlisted infrastructure fund, while a further 22% will invest on an opportunistic basis. The growth in popularity of direct infrastructure investment is also apparent, with 6% of investors planning to make direct investments in infrastructure assets over the coming year.

The survey clearly reflects the return of investor confidence and appetite for infrastructure assets following the financial crisis. It also illustrates that the alignment of LP and GP interests is slowly improving, with the proportion of investors citing both management fees and carry structures as areas in which the alignment of interests could be improved falling by 10 and 19 percentage points respectively from those stating the same in June 2010. At the same time, the proportion of investors believing hurdle rates to still be a major issue increased slightly.

Outlook

The unlisted infrastructure fund industry has made impressive progress in the last decade, emerging from a niche sector within private equity to become what is widely accepted as a separate asset class. The current infrastructure investor universe is made

up of institutions from over 70 different countries, with 46% having established separate allocations to the asset class.

However, if the unlisted fund industry is going to make a greater contribution to infrastructure project finance and the global infrastructure funding deficit, both LPs and GPs must continue to work towards resolving the key issues that still hinder the development of the asset class. For example, although our June 2011 investor survey suggests the alignment of LP and GP interests is improving, issues such as fund terms and conditions continue to have an impact on investor appetite for infrastructure funds. Investors now have considerably more influence when negotiating fund terms and conditions than in previous years, meaning fund managers will have to make sure their terms, especially those relating to management fees and carry structures, satisfy investor demands if they are to be successful in an increasingly competitive fundraising market.

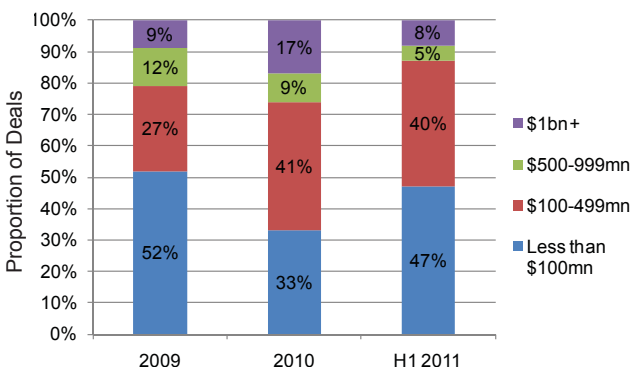
The resolution of these key issues will directly affect investor activity and therefore impact on future fundraising and deal flow. Investor confidence is slowly returning to pre-crisis levels, although most investors will now likely follow a more conservative investment approach when committing to infrastructure funds. Therefore increased investor and fund manager interaction and cooperation are needed in order for the market to continue to grow.

Data Source: The 2011 Preqin Infrastructure Review

This month's feature article is taken from The 2011 Preqin Infrastructure Review, the most comprehensive review of the unlisted infrastructure asset class ever produced.

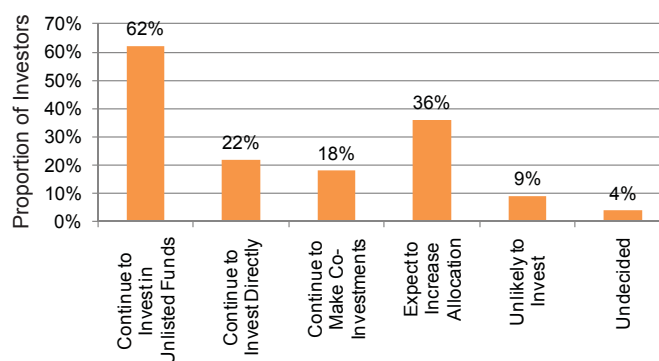
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Fig. 3: Breakdown of Infrastructure Deals by Transaction Value, 2009 - June 2011



Source: Preqin

Fig. 4: Investors' Long-Term Infrastructure Investment Plans



Source: Preqin

# News Exclusives

A round-up of exclusive infrastructure industry news gathered directly by our team of dedicated analysts. Subscribers to Preqin's Infrastructure Online service can click on the links to reveal the full profile updates.

Three investors have announced plans to make further infrastructure investments within the next year, and there have been four infrastructure deals completed in the past few weeks, three of which have included Spanish assets.

USD 16 billion [Korean Teachers' Credit Union](#) plans to invest USD 250 million within six months. The South Korean pension plan, which has around USD 1.4 billion currently invested in infrastructure, is planning to make both fund commitments and direct investments. The global investor recently decided to increase its allocation to the asset class, and will consider opportunities in a range of industries including aerospace, railways, renewable energy, sea ports, roads, water and waste management.

Another Asia-based investor, [Krung Thai Bank](#), is planning to invest in a domestic energy fund before the end of the year. The THB 1.8 trillion bank does not have a set allocation to the asset class, but is considering increasing its infrastructure exposure in the longer term. A decision will be made in its strategy review, due to take place in Q4. The bank is an opportunistic investor, and will consider investment in a range of sectors including toll roads, water, subways and natural resources. It tends to invest domestically, but will consider opportunities in Singapore and Hong Kong, and will also make direct investments.

California-based [CalSTRS](#), meanwhile, could invest up to USD 600 million in the coming 12 months. The USD 154.7 billion pension plan, which has a 2.5% allocation to infrastructure, is looking to invest in unlisted infrastructure funds. It is also looking for opportunities in the debt fund market for its Global Inflation-linked portfolio. The move is part of

CalSTRS' 2011/2012 business plan, which sees the pension plan increasing its infrastructure investment team; it will employ an additional investment consultant with expertise in niche infrastructure industries and another investment officer.

Spanish assets have been hot property in the deals market this month, with three Spanish asset deals being completed in the past few weeks.

[RREEF Pan-European Infrastructure Fund](#) and [Antin Infrastructure Fund](#) have acquired a 90% stake in [Andasol I and II](#), the thermosolar power plants situated in Marquesado del Zenete, Granada. Spanish construction firm [ACS Group](#) were the previous holders.

[KKR Infrastructure Fund](#) and [Munich Re](#) acquired a combined 49% stake in [Grupo T-Solar](#) from [Grupo Isolux Corsan](#). Grupo T-Solar is one of the leading independent power producers in the international renewable energy market, and it designs, develops, commissions and operates large photovoltaic power farms. Under the terms of the deal, the acquiring firms have the option to buy any new plants developed by Grupo T-Solar.

[RPI](#) has been bought out completely in a deal worth EUR 230 million by a consortium led by [Cube Infrastructure Fund](#). The firm owned 17 mini hydropower plants in Spain and Portugal. Partners in the acquisition were [Demeter Partners](#), and Spanish family offices [Minicentrales](#) and [Ovec](#).

Over in France, the EUR 122 million [A150 Highway PPP](#) contract has been awarded to the Alba consortium Led by [NGE Groupe](#), the consortium includes [Transport Infrastructure Investment Company](#), [InfraVia](#), [GIE and Razel](#), a subsidiary of [Group Fayat](#). The A150

Highway is to be extended by 18km, and will run between Barentin and Ecalles-Alix in a 50-year finance, design, build, operate and maintain deal.

## What's New?

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to [cwilson@preqin.com](mailto:cwilson@preqin.com) and we will endeavour to publish them in the next issue.

All of Preqin's exclusive intelligence is available on Infrastructure Online.

Subscribers can click on the firm and fund names to view the full profile.

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# Fundraising Spotlight

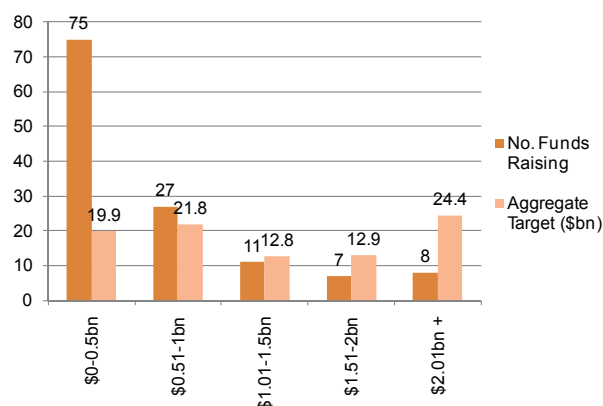
The latest statistics from the infrastructure fundraising market

Fig. 1: Key Facts: Unlisted Infrastructure Funds on the Road

Funds on the Road	US	Europe	ROW	Total
Number	31	51	46	128
Total Target Value (\$bn)	30.5	38.3	23	91.8
Average Target Size (\$bn)	1.0	0.8	0.5	0.7

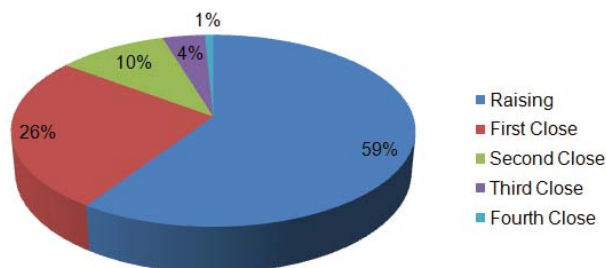
Source: Preqin

Fig. 2: Infrastructure Funds on the Road by Target Size



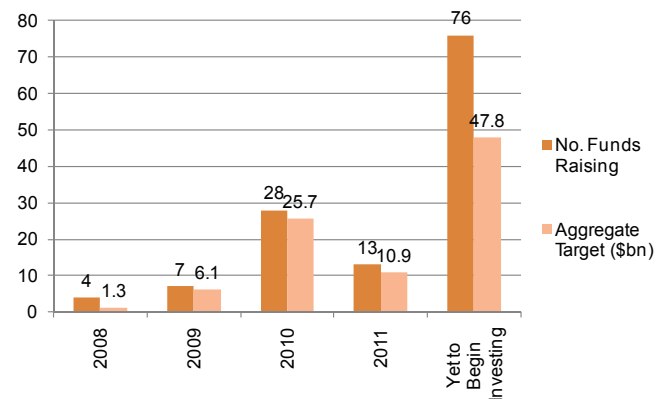
Source: Preqin

Fig. 3: Infrastructure Funds in Market by Fund Status



Source: Preqin

Fig. 4: Infrastructure Funds on the Road by Vintage Year



Source: Preqin

Fig. 5: Top 10 infrastructure Funds in Market by Target Size

Fund	Manager	Target Size (mn)	Fund Focus
<a href="#">Global Infrastructure Partners II</a>	Global Infrastructure Partners	5,000.0 USD	North America
<a href="#">Highstar Capital Fund IV</a>	Highstar Capital	3,500.0 USD	North America
<a href="#">Alinda US Core Infrastructure Fund</a>	Alinda Capital Partners	3,000.0 USD	North America
<a href="#">RREEF Pan-European Infrastructure Fund II</a>	RREEF Infrastructure	2,000.0 EUR	Europe
<a href="#">CVC European Infrastructure Fund</a>	CVC Infrastructure	2,000.0 EUR	Europe
<a href="#">Macquarie European Infrastructure Fund IV</a>	Macquarie Infrastructure and Real Assets (MIRA)	2,000.0 EUR	Europe
<a href="#">KKR Infrastructure Fund</a>	Kohlberg Kravis Roberts	2,500.0 USD	North America
<a href="#">First State European Diversified Infrastructure Fund</a>	Colonial First State Global Asset Management/First State Investments	1,500.0 EUR	Europe
<a href="#">ArcLight Energy Partners Fund V</a>	ArcLight Capital Partners	2,000.0 USD	North America
<a href="#">SteelRiver Infrastructure Fund North America II</a>	SteelRiver Infrastructure Partners	2,000.0 USD	North America

Source: Preqin

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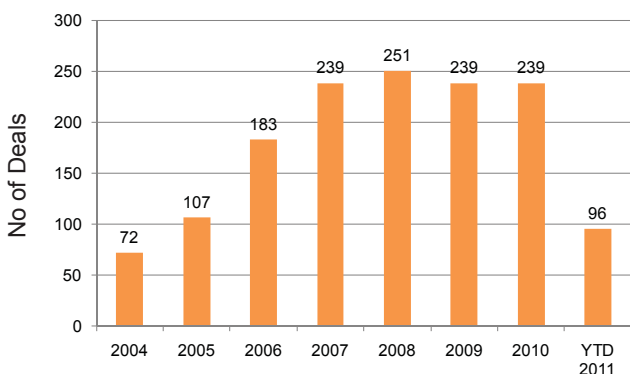
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# Deals Spotlight

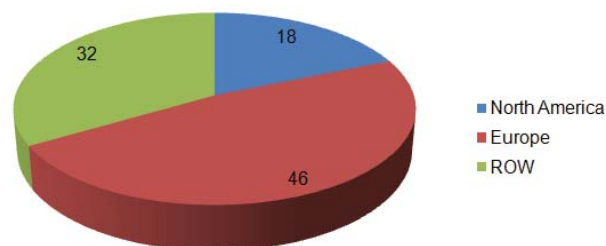
A round-up of infrastructure deals by year, size and region

Fig. 1: Annual Number of Deals Made by Unlisted Infrastructure Fund Managers, 2004 - July 2011



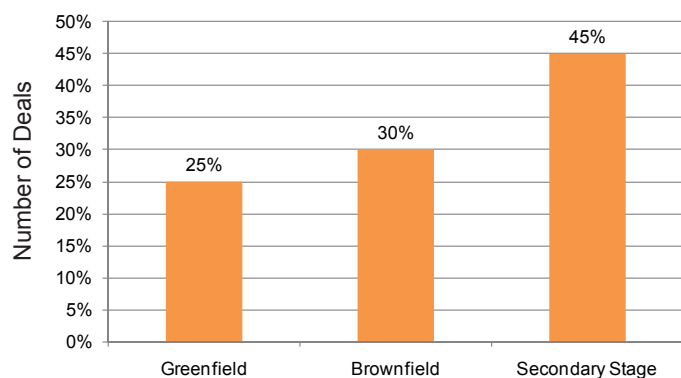
Source: Preqin

Fig. 2: Number of Infrastructure Deals by Region, July 2011



Source: Preqin

Fig. 3: Number of Infrastructure Deals by Project Stage, Jan - July 2011



Source: Preqin

## Data Source:

### Preqin Infrastructure Online

All information in Fundraising and Deals Spotlight is taken from Preqin Infrastructure Online.

Subscribers can click on the firm and fund names to view the full profile.

For more information please visit [www.preqin.com/infrastructure](http://www.preqin.com/infrastructure)

Fig. 4: Five Notable Deals, Jan - July 2011

Asset	Location	Industry	Investors	Deal Size	Stake	Date
<a href="#">Forth Ports</a>	UK	Sea Ports	Arcus Infrastructure Partners	GBP 760 mn	78%	Mar-11
<a href="#">PR-22 &amp; PR-5 Toll Roads</a>	Puerto Rico	Toll Roads	GS Infrastructure Investment Group, Abertis	USD 1,080 mn	100%	Jun-11
<a href="#">CLH Group</a>	Spain	Natural Resources Pipelines	AXA Private Equity	EUR 360 mn	10%	Mar-11
<a href="#">DEOCSA/DEORSA</a>	Guatemala	Power Distribution	Actis	USD 449 mn	92%	May-11
<a href="#">RPI - Renewable Power International</a>	Spain	Hydro Power	Natixis Environnement & Infrastructures Luxembourg, Demeter Partners, Minicentrales	EUR 230 mn	100%	Jul-11

Source: Preqin



# UK Fund Managers

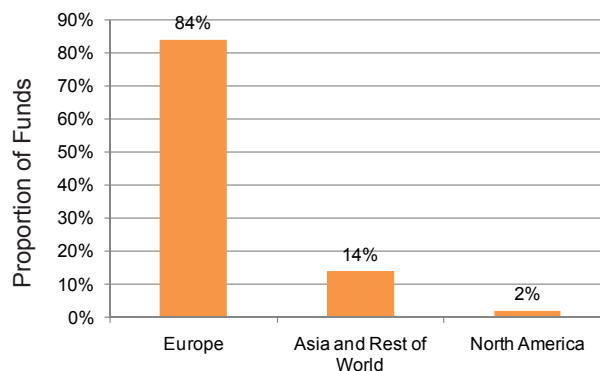
## A breakdown of UK fund managers investing in infrastructure

Fig. 1: Key Facts: UK-Based Infrastructure Fund Managers

Number of UK-Based Infrastructure GPs	47
Number of Funds Raised	46
Aggregate Capital Raised (€bn)	22.7
Number of Funds on the Road	31
Aggregate Capital Sought (€bn)	15.9

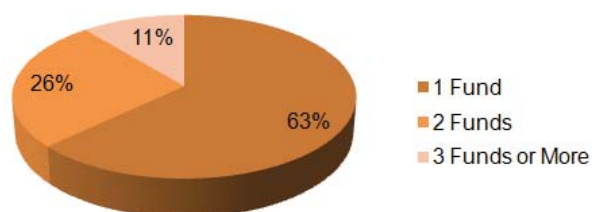
Source: Preqin

Fig. 2: Breakdown of Infrastructure Funds Managed by UK-Based GPs by Fund Focus



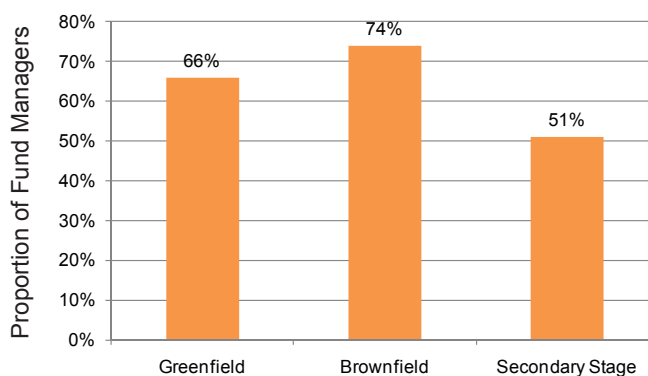
Source: Preqin

Fig. 3: Breakdown of UK-Based Infrastructure Fund Managers by Number of Funds Launched



Source: Preqin

Fig. 4: Proportion of UK-Based Infrastructure Fund Managers That Invest in Each Project Stage



Source: Preqin

Fig. 5: Key UK-Based Infrastructure Fund Managers

Fund Manager	No. of Funds Raised/Raising	Total Capital Raised (€bn)
<a href="#">RREEF Infrastructure</a>	2	2,687
<a href="#">Arcus Infrastructure Partners</a>	1	2,170
<a href="#">Innisfree</a>	7	2,003
<a href="#">Semperian PPP Investment Partners Holdings</a>	1	1,470
<a href="#">Barclays Infrastructure Funds</a>	5	1,461

Source: Preqin

### Data Source: Preqin Infrastructure Online

Infrastructure Online has detailed profiles of 47 UK-based fund managers.

Subscribers can click on the firm and fund names to view the full profile.

For more information please visit [www.preqin.com/infrastructure](http://www.preqin.com/infrastructure)





# Insurance Companies

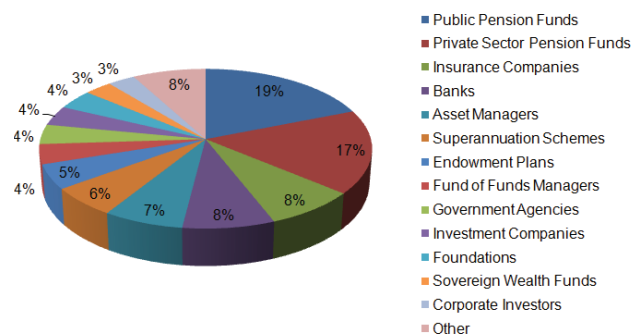
Everything you need to know about insurance companies that invest in infrastructure

Fig. 1: Key Facts: Insurance Companies Investing in Infrastructure

Number of Investors	98
Median AUM (\$mn)	26,800
Mean Current Allocation to Infrastructure	0.9%
Mean Target Allocation to Infrastructure	2.6%

Source: Preqin

Fig. 2: Breakdown of Infrastructure Investor Universe by Type

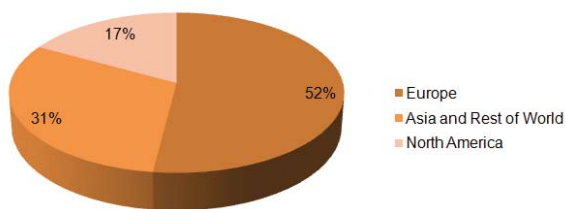


Source: Preqin

**Data Source: Preqin Infrastructure Online**

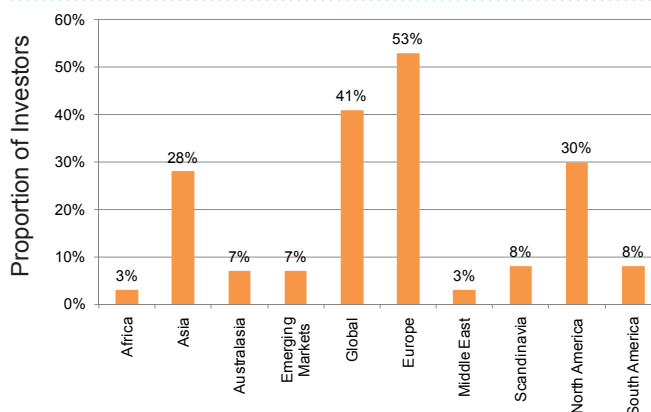
Infrastructure Online has detailed profiles of 98 insurance companies that invest in infrastructure. Subscribers can click on the firm and fund names to view the full profile. For more information please visit [www.preqin.com/infrastructure](http://www.preqin.com/infrastructure)

Fig. 3: Breakdown of Insurance Companies Investing in Infrastructure by Location



Source: Preqin

Fig. 4: Breakdown of Insurance Companies Investing in Infrastructure by Geographic Investment Preferences



Source: Preqin

Fig. 5: Key Insurance Companies Investing in Infrastructure

Investor	Investor Country	AUM (\$mn)	Current Allocation to Infrastructure (% of AUM)
<a href="#">New India Assurance Company</a>	India	8,200	4.35%
<a href="#">Ping An Insurance (Group)</a>	China	117,843	1.21%
<a href="#">CNP Assurances</a>	France	353,057	0.32%
<a href="#">PFA Pension</a>	Denmark	49,428	1.90%
<a href="#">Assicurazioni Generali</a>	Italy	602,740	0.12%

Source: Preqin

# 2011 Preqin Infrastructure Review

Now in its fourth year, the **2011 Preqin Infrastructure Review** represents the most comprehensive examination of the unlisted infrastructure asset class ever produced.

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- Profiles for over 170 institutional investors in the sector including investment plans, strategic preferences and key contact details, plus the results of our investor survey.
- Detailed listings of all funds ever closed, plus funds currently raising capital.
- Information gathered by our dedicated team of analysts from numerous data sources, including via direct interaction with fund managers and investors to ensure the information in the Review is as accurate, comprehensive and exclusive as possible.



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# Conferences Spotlight

## Forthcoming Events

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Conference	Dates	Location	Organizer
Infrastructure Investment World Brazil 2011	23 - 25 August 2011	Rio De Janeiro	Terrapinn
Infrastructure Investment World Asia 2011	12 - 14 September 2011	Hong Kong	Terrapinn
Infrastructure Investment World Europe 2011	November 2011 (TBC)	London	Terrapinn
Institutional Investing in Infrastructure (I3)	8 - 9 November 2011	Chicago	Institutional Real Estate
World Infrastructure Summit	15 - 17 November 2011	Barcelona	Emap
Infrastructure Investment World Deutschland 2011	6 - 8 December 2011	Germany	Terrapinn