

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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FEATURED PUBLICATION:

The 2010 Preqin Infrastructure Review

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Infrastructure Spotlight

February 2011

Feature

All Eyes on India:

The lack of suitable infrastructure and funding deficits are causing private investment opportunities to multiply in many emerging markets. We take an in-depth look at the infrastructure market in India, considering the managers investing in the region and the deals that have recently take place.

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Regulars

Deals Spotlight:

A round up of recent infrastructure deal activity including Q4 2010 deals by industry and details of the recent purchase of Eemshaven Storage Terminal.

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Fundraising Spotlight:

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All the latest news on infrastructure investors, including CalPERS, Cambridge University Endowment Fund and Development Bank of Japan

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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.

All Eyes on India

Elliot Bradbrook takes an in-depth look at the growing demand for infrastructure in India and the opportunities the region has to offer private investors.

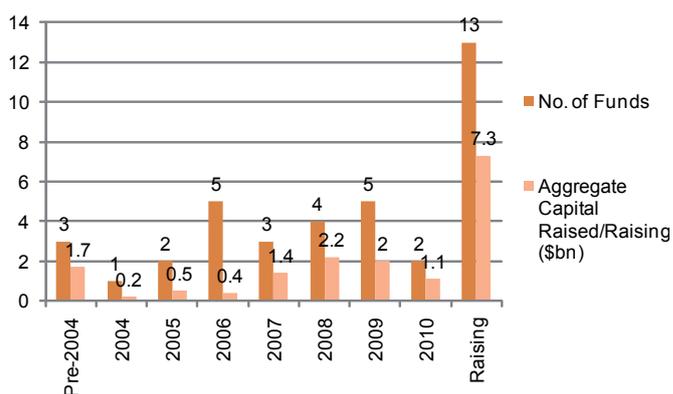
The global demand for private investment in infrastructure has grown significantly over the past decade, especially in developed markets. There has been huge growth in regions such as West Europe both as a result of increased investor appetite for infrastructure, and the ever-widening funding deficits of governments unable to meet the demand for development.

Although the majority of infrastructure investment activity takes place in developed economies there are more and more opportunities for investment in emerging markets. India is one such country and is reported to require around \$1tn worth of infrastructure development in the next five years if it is to meet the demands of a growing population and an emerging industrial economy. The Indian government does not have the means or capability to finance this alone; a significant proportion of this capital will therefore need to be provided by the private sector. Institutional investors and unlisted infrastructure funds will therefore play a key role in Indian infrastructure development.

Fundraising

Preqin is currently tracking 38 unlisted infrastructure funds with a preference for investment in Indian projects. As shown in Fig. 1, 25 of these funds have already held a final close raising an aggregate \$9.5bn,

Fig. 1: Historical Indian Infrastructure Fundraising



Source: Preqin

and a further 13 funds are currently in market seeking an additional \$7.3bn in institutional capital. There are also nine India-focused infrastructure funds expected to be launched by unlisted fund managers in 2011, so the amount of capital available for infrastructure investment in India over the next few years is anticipated to more than double.

The ten largest India-specific infrastructure funds are listed in the table in Fig. 2. Macquarie State Bank of India Infrastructure Fund is the largest of these vehicles and is currently in market seeking \$2bn. It invests

in a range of infrastructure sectors including transportation, energy, telecommunications and utilities. In January 2011, the fund invested \$60mn for an interest in Soham Energy, a developer and operator of hydro power facilities across India. The fund's portfolio also includes stakes in the Anuppur Thermal Power Plant in Madhya Pradesh, and Viom Networks, an independent telecommunications company based in New Delhi.

Aside from these India-specific infrastructure funds, there is a growing number of Asia-focused funds coming to market which

Fig. 2: 10 Largest Infrastructure Funds Focused Primarily on India

Fund	Firm	Firm Location	Fund Size (mn)	Status
Macquarie State Bank of India Infrastructure Fund	Macquarie Infrastructure and Real Assets	Australia	USD 2,000*	First Close
3i India Infrastructure Fund	3i	UK	USD 1,200	Closed
Trikona Infrastructure	Trikona Capital	India	USD 1,000	Closed
IDFC India Infrastructure Fund	IDFC Project Equity Company	India	USD 927	Closed
PineBridge Asian Infrastructure Partners I	PineBridge Investments - Infrastructure	US	USD 861	Closed
JPMorgan Asian Infrastructure & Related Resources Opportunity Fund	JPMorgan - Infrastructure Investments Group	US	USD 859	Closed
The Asian Infrastructure Fund	AIF Capital	Hong Kong	USD 780	Closed
ENAM Infrastructure Fund	ENAM	India	USD 750*	Raising
Ashmore PTC India Energy Infrastructure Fund	Ashmore Investment Management	UK	USD 750*	Raising
India Infrastructure Advantage Fund	ICICI Venture Funds Management	India	USD 750*	Raising

Source: Preqin

* Denotes Target Size



could potentially include India within a wider investment remit. As shown in Fig. 3, funds currently on the road focused on emerging markets outnumber those focused on both the developed European and North American markets. 51 funds are currently on the road targeting infrastructure opportunities in Asia and Rest of World. This includes the 13 India-specific funds already mentioned and a further 21 vehicles with a broader Asia focus, showing the growing importance of such funds in the global fundraising market.

North American and European funds are targeting more capital than their emerging market counterparts - \$31.6bn and \$30.8bn respectively. However, emerging market funds are certainly growing in importance as institutional investors look to diversify their portfolios and fund managers look to capitalize on the abundance of development opportunities available in countries like India.

Due to a lack of sustainable existing infrastructure, it is unsurprising that the majority of funds primarily targeting Indian opportunities will invest in greenfield and brownfield stage projects. As illustrated in Fig. 4, 74% of India-focused funds will invest in developmental greenfield assets, 84% will invest in brownfield projects, and 42% target more established secondary stage opportunities.

As shown in Fig. 5, 47% of India-focused infrastructure funds are managed by firms based within the country. Most are first-time fund managers, but have experience in Indian infrastructure development. The remaining 53% are managed by firms based outside of the country; these fund managers will need to form close

partnerships with industry and political players in India to help analyze and source appropriate opportunities if they are to be successful. Issues such as political stability and manager experience and/or knowledge will impact on future investor appetite, meaning fund managers must work hard to satisfy investor concerns.

Investors

Institutional investors are keen to gain exposure to emerging market infrastructure opportunities for a number of reasons – portfolio diversification, or the chance to increase returns by investing in infrastructure assets capable of providing a level of return similar to that of private equity.

Preqin is currently tracking 191 institutional investors willing to invest capital in Asia, 137 of which are willing to invest in the more emerging markets within the region. A considerable number are based outside of Asia but are looking to increase their exposure to infrastructure opportunities in the area. Investors based within Asia are

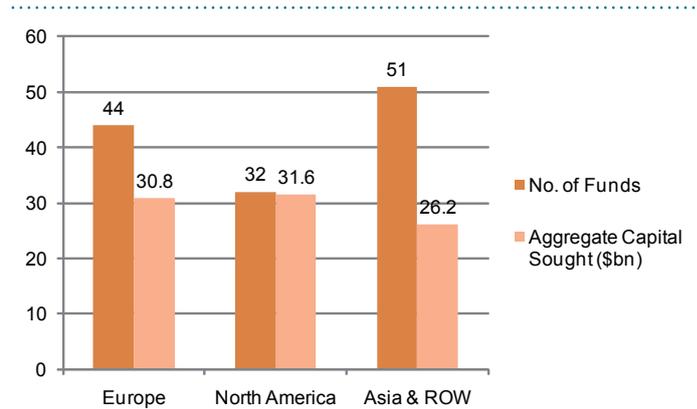
split between India and other countries including Japan, Vietnam, Singapore, South Korea and Hong Kong.

International Finance Corporation (IFC) is a significant investor in Indian infrastructure. The firm invests in emerging markets throughout the world and has invested capital in a number of Indian infrastructure projects, both through direct strategies and commitments to third party infrastructure funds. Its unlisted portfolio includes a \$50mn investment in Macquarie State Bank of India Infrastructure Fund and further commitments to IDFC India Infrastructure Fund and Asia Environmental Partners. These investments have provided IFC with exposure to a range of social and economic infrastructure sectors.

Deals

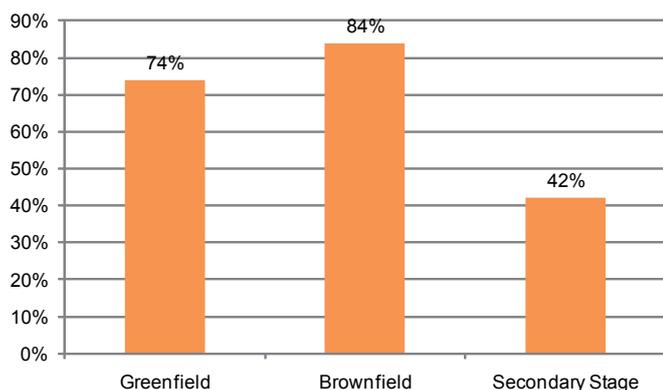
Fig. 6 shows the growth in the annual number of deals completed by unlisted infrastructure fund managers in India since 2004. The figure has risen steadily during this period with 103 deals being made

Fig. 3: Unlisted Infrastructure Funds on the Road by Region



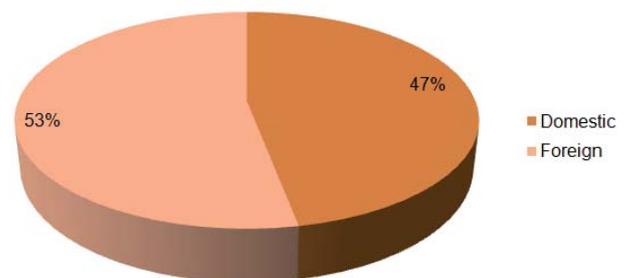
Source: Preqin

Fig. 4: Breakdown of Indian Infrastructure Funds by Project Stage Focus



Source: Preqin

Fig. 5: Breakdown of Indian Infrastructure Fundraising by Manager Location



Source: Preqin

in total, paralleling the increase in the fundraising market. 22 deals were finalized in Indian infrastructure assets in 2010 and two further deals have already been made in Q1 2011. In terms of the global total, India has attracted the third highest number of deals for a single country since 2004, behind only the US and the UK. This shows the growing importance of Indian infrastructure assets in terms of the global marketplace.

India is in need of development in a range of different infrastructure sectors and industries. Unsurprisingly, deals in core infrastructure sectors such as energy, transportation, telecommunications and utilities dominate the marketplace. Fig. 7 shows that since 2004, 80% of deals completed by unlisted infrastructure fund managers in India were in these four core industries. Other important sectors include logistics and social assets such as education and healthcare facilities.

The largest India-based deal on record is the INR 45.4 bn (USD 982 mn) acquisition of a 20% stake in GMR Kamalanga Energy by a consortium of investors led by IDFC India Infrastructure Fund in 2009. The transaction included a debt package provided by a consortium of 12 domestic Indian banks totalling INR 34 billion. GMR is a special purpose entity, developing a 1,050 MW coal-based power project in Orissa, India.

Outlook

The growing demand for infrastructure development in India over the coming years will require a huge amount of private sector investment and as such, unlisted infrastructure fundraising and deal flow in India looks set to rise in order to compensate for the shortfall in the availability of public sector project financing. There are currently 13 India-specific infrastructure funds on the road targeting \$7.3bn and a further nine vehicles set to be launched in 2011 which will target Indian infrastructure opportunities. The amount of capital available for investment in India will therefore continue to rise, particularly when pan-Asia funds also raising capital which could be invested in India are included.

Although commitments in countries like India expose investors to significantly higher level of risk/return, investors recognise the need for diversification within their portfolios. A growing number of investors are beginning to turn to emerging market infrastructure to provide an additional layer of diversification and there will be an abundance of opportunities on which they can capitalise as countries such as India attempt to bridge the widening infrastructure funding gap in the coming years.

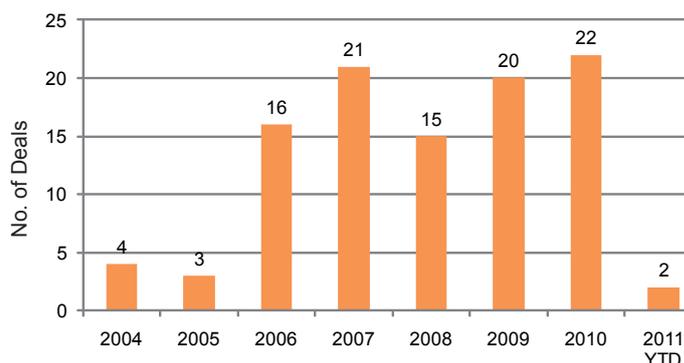
Data Source:

Infrastructure Online

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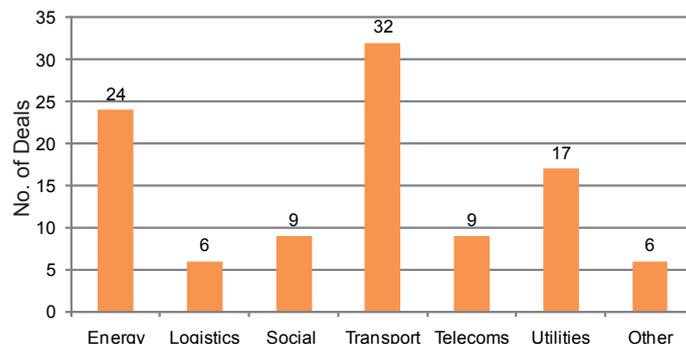
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Fig. 6: Number of Deals Completed by Unlisted Infrastructure Fund Managers in India, 2004 - 2011 YTD



Source: Preqin

Fig. 7: Number of Deals Completed by Unlisted Infrastructure Fund Managers in India by Industry, 2004 - 2011 YTD

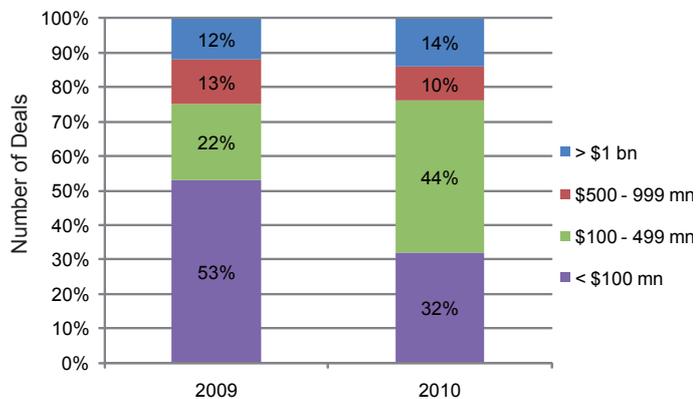


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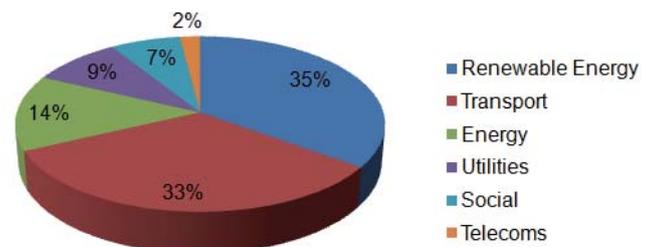
Deals Spotlight

Fig. 1: Breakdown of Deals by Transaction Value: 2009 vs. 2010



Source: Preqin

Fig. 2: Number of Infrastructure Deals by Industry, Q4 2010



Source: Preqin

Recently Closed Deal: Eemshaven Storage Terminal

In January 2011, NIBC European Infrastructure Fund and Vopak formed a joint venture to construct a storage terminal in the port of Eemshaven, comprising 11 tanks each with 60,000 cubic metres of storage capacity. Vopak and NIBC European Infrastructure Fund are equal shareholders in the joint venture.

The deal was financed through a EUR 84 million debt package; debt providers included ING, Rabobank and NIBC.

Deal Date – January 2011

Stake – 100%

Investors – NIBC European Infrastructure Fund, Vopak

Project Stage – Greenfield

Financial Advisor – Rabobank

Debt Providers – ING Bank, NIBC, Rabobank

Fig. 3: Most Active Unlisted Infrastructure Fund Managers in the Last 12 Months

Fund Manager	Number of Investments in the Last 12 Months	Total Raised Through Unlisted Infrastructure Funds (bn)
Macquarie Infrastructure and Real Assets	21	USD 20.3
DIF	13	EUR 0.8
Morgan Stanley Infrastructure	7	USD 4.0
NIBC Infrastructure Partners	7	EUR 0.4
JPMorgan - Infrastructure Investments Group	6	USD 1.4
Barclays Private Equity - Infrastructure	5	USD 1.9
ArcLight Capital Partners	4	USD 7.2
Energy Capital Partners	4	USD 6.6
Meridiam Infrastructure	4	EUR 0.7
Israel Infrastructure Fund	4	USD 0.1

Source: Preqin

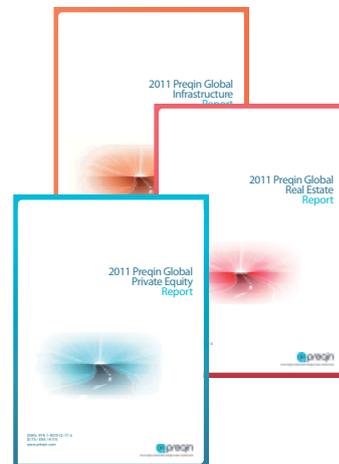
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The 2011 Preqin Global Alternatives Reports are the most comprehensive reviews of the alternatives investment industry ever undertaken, and are a must have for anyone seeking to understand the latest developments in the private equity, real estate and infrastructure markets.

Key content includes:

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- Detailed analysis on every aspect of the industry with a review of 2010, and predictions for the coming year;
- Comprehensive source of stats - including fundraising, performance, deals, GPs, secondaries, fund terms, investors, placement agents, advisors, law firms;
- Numerous reference guides for different aspects of the industry - Who is the biggest? Where are the centres of activity? How much has been raised? Where is the capital going? Who is investing? What are the biggest deals? What is the outlook for the industry?



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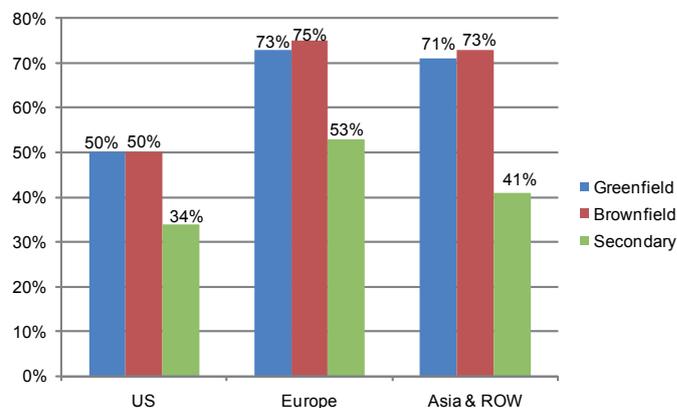
Fundraising Spotlight

Fig. 1: Number of Infrastructure Funds on the Road

Funds on the Road	US	Europe	Asia & ROW	Total
Number	32	44	51	127
Total Target Value (\$bn)	31.7	30.9	26.2	88.8
Average Target Size (\$bn)	1	0.7	0.5	0.7

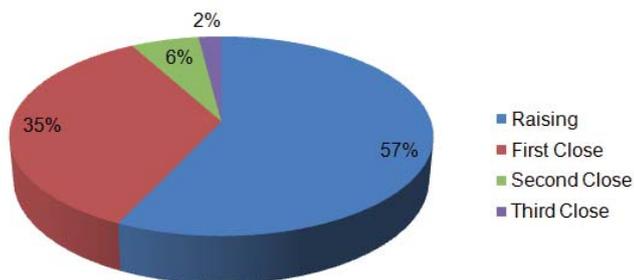
Source: Preqin

Fig. 2: Project Stage Focus of Infrastructure Funds on the Road by Region



Source: Preqin

Fig. 3: Breakdown of Infrastructure Funds on the Road by Status



Source: Preqin

Recently Closed Fund: DG InfraYield

Manager – Infran

Target Size (mn) – EUR 150

First Close (mn) – EUR 120 (January 2011)

Geographic Focus – Benelux

Industry Focus – Distribution/Storage Facilities, Energy, Renewable Energy, Telecoms, Transportation, Water

Sample Investors - Ethias Insurance, Stichting

Bedrijfstakpensioenfondsvoor de Bouwnijverheid, Gimv, VDK Spaarbank

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Fig. 4: 10 Largest Infrastructure Funds on the Road

Fund	Manager	Size (mn)	Manager Country
Global Infrastructure Partners II	Global Infrastructure Partners	5,000 USD	US
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
Macquarie European Infrastructure Fund IV	Macquarie Infrastructure and Real Assets	2,000 EUR	Australia
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK
KKR Infrastructure Fund	Kohlberg Kravis Roberts	2,500 USD	US
Macquarie State Bank of India Infrastructure Fund	Macquarie Infrastructure and Real Assets	2,000 USD	Australia
Blackstone Infrastructure Fund	Blackstone Infrastructure Partners	2,000 USD	US
Marguerite Fund	Marguerite Adviser	1,500 EUR	Luxembourg

Source: Preqin

Conferences Spotlight

Forthcoming Events

Conference	Dates	Location	Organizer
African Investment Summit 2011	28 February 2011	London	Terrapinn
Public-Private Partnerships in Emerging Markets	14 - 16 March 2011	Kuala Lumpur	KW Group
Clean & Green Investment Forum	23 - 24 March 2011	San Francisco	Opal
Infrastructure Investment World Americas 2011	11 - 14 April 2011	New York	Terrapinn
2nd Alternative Investments Summit	04 May 2011	New York	iGlobal Forum
Infrastructure Investment World MENA 2011	16 - 18 May 2011	Bahrain	Terrapinn
Infrastructure Investment World Asia 2011	6 - 9 August 2011	Hong Kong	Terrapinn
Infrastructure Investment World Europe 2011	November 2011 (TBC)	London	Terrapinn

Institutional Investor News

Development Bank of Japan (DBJ) to increase international infrastructure exposure

The USD 167 billion Tokyo-headquartered bank will make additional opportunistic investments in unlisted infrastructure funds during 2011. DBJ typically commits to unlisted funds outside of its domestic borders, with a preference for vehicles focused on the energy sector and the developed infrastructure markets in the US, Europe and Australia. The bank's previous commitments to unlisted infrastructure funds total approximately USD 100 million and it is also an active direct investor in domestic projects. DBJ will commit to first-time infrastructure funds as well as PPP/PFI and co-investment opportunities.

Cambridge University Endowment Fund expects debut infrastructure fund commitment

The GBP 1.1 billion endowment plan is to make its first infrastructure commitment and is seeking opportunistic investments. Cambridge University Endowment Fund will look for exposure to a global portfolio of assets in a range of project stages and infrastructure industries. Opportunities will be considered on a case-by-case basis, and investments sought according to specific internal risk/return criteria. Cambridge also invests in private equity, hedge funds and real estate, and makes all its investment decisions in-house.

Schindler Pensionskasse to double infrastructure exposure in the coming 12 months

The CHF 1.4 billion private pension scheme is planning to invest in several unlisted infrastructure funds in 2011 in order to reach its 3% target allocation to the asset class. The pension plan currently has approximately CHF 15 million committed to three infrastructure funds, about 1.1% of total assets. In the coming 12 months, Schindler Pensionskasse will focus on funds targeting US and European projects and will consider a range of infrastructure industries. It traditionally invests between CHF 5 million and CHF 8 million in an individual fund. It also invests in hedge funds, private equity and real estate.

UNIQA Alternative Investments eyes exposure to renewables

The EUR 24 billion Austrian asset manager does not have any previous exposure to infrastructure assets, but may invest in 2011. It will consider a range of routes to market including unlisted and listed infrastructure funds, and direct investment. UNIQA is particularly interested in gaining exposure to wind and photovoltaic solar power facilities on a global scale. The asset manager also invests in private equity and hedge funds.

Wega Support seeks maiden infrastructure investment

The German family office is looking to make its first infrastructure investments in 2011 through commitments to unlisted funds. Wega Support plans to invest on an opportunistic basis and make commitments through its 20% target allocation to private equity. The family office will only consider investments offering a significant rate of return, so will focus on funds targeting mainly greenfield opportunities. Wega makes all its investment decisions in-house and currently allocates over 50% of total assets under management to alternatives.

Feri Institutional Advisors to commit to five new infrastructure funds in 2011

The EUR 14 billion German asset manager will seek to invest in approximately five new unlisted infrastructure vehicles over the next 12 months to increase its exposure to the asset class. It will invest opportunistically, generally with a broad focus but with a bias towards Europe, and will judge each investment opportunity on a case-by-case basis. Feri Institutional Advisors has historically invested in economic infrastructure assets across all project stages. The asset manager will invest in PPP/PFI projects and consider co-investment opportunities, but is unlikely to commit to first-time infrastructure fund managers.

CNP Assurances to increase infrastructure exposure in 2011

The EUR 250 billion insurance group is actively seeking further infrastructure investment opportunities as it looks towards fulfilling its EUR 5 billion target

allocation to the asset class. CNP Assurances has previously invested both directly and indirectly through commitments to third party unlisted funds. It will focus on investment opportunities in Euro-denominated assets and funds, and has a preference for brownfield, OECD-based projects. The insurance group will also only commit to funds which invest no more than 20% of total capital in renewable energy projects.

CalSTRS to revise infrastructure investment policy

The USD 146 billion California State Teachers' Retirement System, which maintains a 2.5% target allocation to infrastructure, has proposed several changes to its future investment strategy. Under the new guidelines, investments in North America will make up 20-70% of its portfolio, investments in OECD nations will comprise 10-50% and investments in non-OECD nations will be allocated 0-20%. CalSTRS also plans to increase its exposure to private infrastructure from 70% to 80% of the total portfolio, leaving 20% for investment in listed public-equities. Historically, CalSTRS has only invested in infrastructure through core and value-added strategies, but under the new guidelines its value-added allocation will allow for opportunistic investments. It will vote on these changes in April 2011.

Data Source:

Preqin Infrastructure Online

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

This month, we have added new investors and 110 investor profiles have been updated. More news and updates are available online for Infrastructure Online subscribers.

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