

Infrastructure Spotlight

September 2008 / Volume 1 - Issue 1

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

Feature Article

page 4

Pension Funds turning to Infrastructure

Features exclusive analysis from the 2008 Preqin Infrastructure Review. In this month's investor spotlight we identify who are the prominent investors in infrastructure and examine why they are looking to invest in the sector.

Fundraising Article

page 7

This month's Fundraising Spotlight takes an in-depth look at the booming market for infrastructure funds including details on recently closed funds and funds currently on the road.

If you would like to receive Infrastructure Spotlight each month please email spotlight@preqin.com.

Publisher:
Preqin Ltd, Scotia House, 33 Finsbury Square,
London. EC2A 1BB

Tel: +44 (0)207 065 5100
w: www.preqin.com

Investor News

page 9

All the latest news on investors in infrastructure:

- Capital Innovations creating a new infrastructure fund of funds.
- Wyoming Retirement System making its first foray into the infrastructure market.
- State Universities Retirement System of Illinois issues RFP for infrastructure managers.

Preqin Infrastructure

page 3

Preqin Infrastructure Online is the industry's leading online source of information on private equity real estate, with data for:

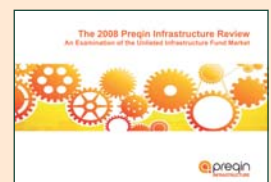
- Fundraising
- Fund Performance
- Investor Profiles
- Plus more...

We take an in-depth look at the product, and how it can help you. Includes information on ordering and registering for your free trial.

OUT NOW

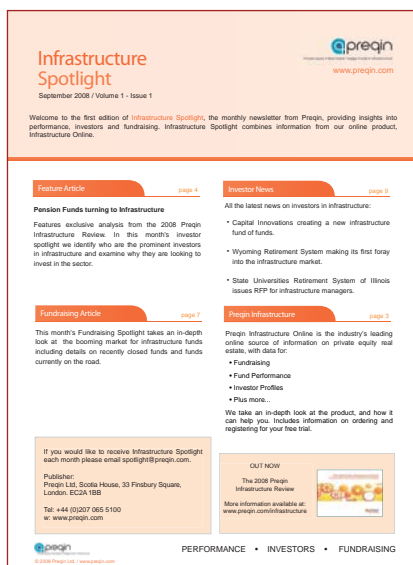
The 2008 Preqin
Infrastructure Review

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



Receive Spotlight Free Every Month: Registration is quick and easy Please visit www.preqin.com/spotlight

Infrastructure Spotlight is the free monthly publication from Preqin packed full of our latest research and data. Spotlight is sent out monthly to subscribers as a PDF. Registering takes only a few seconds at the following address: www.preqin.com/spotlight



Infrastructure Spotlight:

Preqin is the preeminent supplier of data and analysis on the unlisted infrastructure market.

Infrastructure Spotlight contains exclusive research and analysis from our industry-leading publications and online databases.

We examine such topics as:

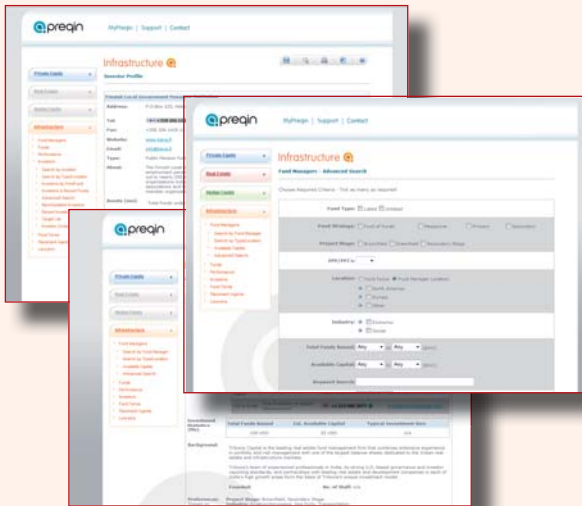
- Fundraising trends
- Investor attitudes
- Private equity real estate performance
- Fund of funds
- Trends in real estate fund focus
- Changes in fund sizes
- Shifts in the geographic focus of funds
- Plus much more

To register to receive Infrastructure Spotlight as soon as it is released every month, please visit:

www.preqin.com/spotlight

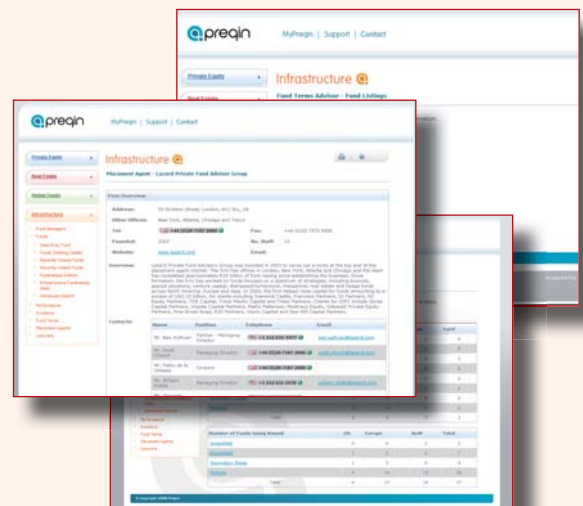
Preqin Infrastructure Online

Infrastructure Online is the most comprehensive resource available to infrastructure professionals today. Whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor this is a vital information service for you.



- **Fund Managers:** View detailed profiles on over 130 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 200 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 400 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.
- **Fund Terms:** What are the typical terms that a infrastructure fund charges? What are the implications of making changes to different fees? How do these fees vary between fund type and strategy?



To register for your free trial please visit: www.preqin.com

www.preqin.com

Investor Spotlight: Pension Funds turn to Infrastructure

Infrastructure fundraising has seen dramatic growth in recent years, and has evolved from a niche sector of the private equity industry into what is now regarded as an asset class in its own right. In this month's Investor Spotlight we identify who are the prominent investors in infrastructure and examine why they are looking to invest in the sector.

If we look at fundraising in the unlisted infrastructure market over recent years, as shown in Figure 1, it can be seen that \$34.9 billion was committed to unlisted funds that closed in 2007, up from the \$3.7 billion raised in 2004. Even in the tough current economic climate \$14.1 billion has been committed to funds that have already closed in 2008. (YTD September 25th)

In order to ascertain who is committing the capital which is stimulating the rapid growth in the unlisted infrastructure fund market we can utilise Preqin's new Infrastructure Online Database, which features over 400 institutional investors profiles. The types of investor and make-up of the investor universe for infrastructure funds is shown in Figure 2 and highlights the significant contribution of pension funds, accounting for 52% of active investors by number.

Looking more closely at these pension funds it is clear that they have a great appetite for increasing their exposure to infrastructure with the vast majority having target allocation well above their existing allocations. Preqin has calculated that there is in fact a potential \$15 billion of commitments to be made by public pension funds alone over the next 18 months to 2 years. This is a significant figure in the context of the amount of money which has been raised by infrastructure funds so far this year and suggests that fund raising should continue to be strong over the coming years.

Fig. 1:

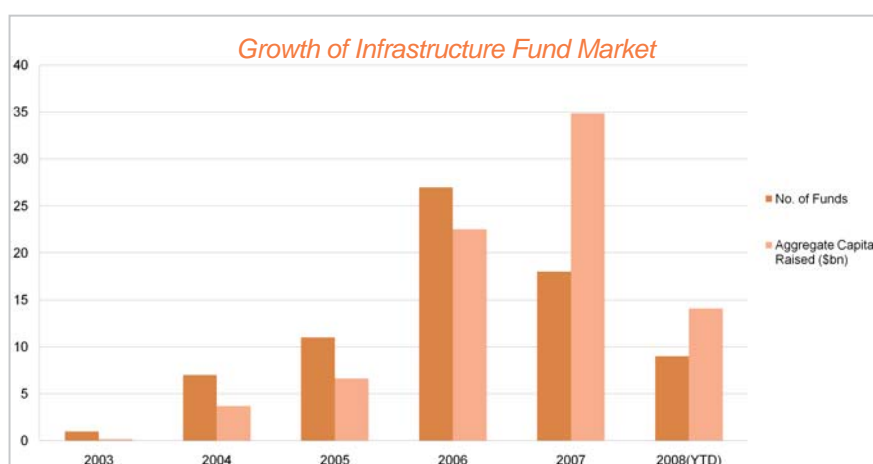
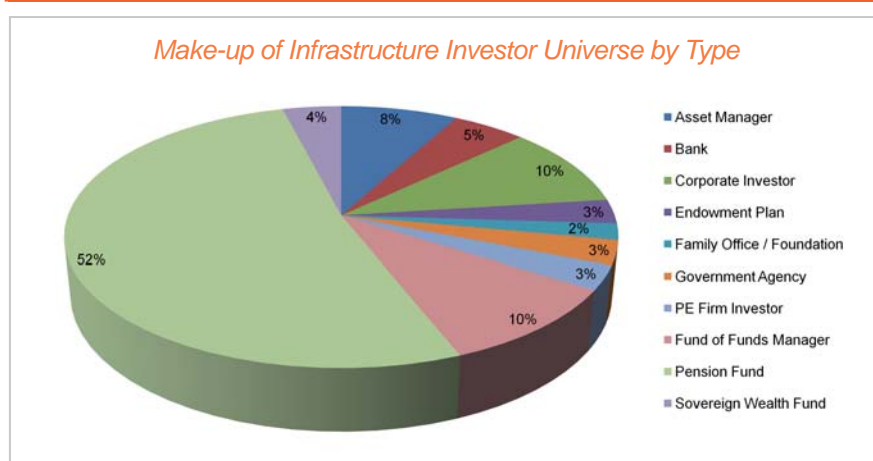


Fig. 2:



Pension funds are prominent investors in infrastructure funds because many of the characteristics of infrastructure investments such as the relatively low correlation to other asset classes,

inflation-hedge characteristics and long-term predictable and steady cash flows are an appropriate match for the inflation-linked long-term liabilities experienced by pension funds. Also, it is important to

Investor Spotlight: Pension Funds turn to Infrastructure

note that pension funds are prominent investors in infrastructure funds because these institutions are better suited to overcome the relatively large minimum investment requirements imposed by infrastructure funds.

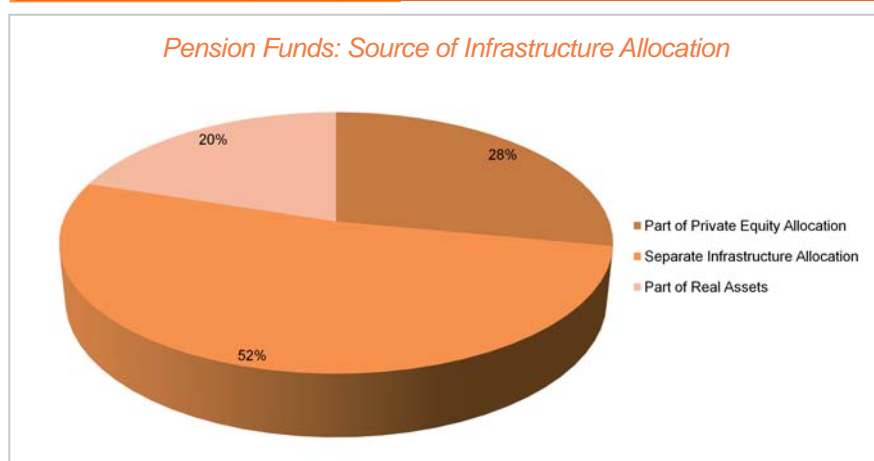
There is also the added incentive for public pension funds to invest in domestic infrastructure projects to fulfil any responsible investment or domestic economic growth policies imposed. In August members of the Texan state government proposed legislation to ensure its state pensions, including the \$108 billion Teachers Retirement System of Texas which has a 3% target allocation to infrastructure, invest in transport infrastructure projects within the state to help finance its infrastructure funding deficit.

The current concerns regarding infrastructure and the wider global economic climate have led to a degree of plateauing in the fundraising market, with 2008 fundraising unlikely to exceed the record breaking levels experienced in 2007, shown in Figure 2.

Does this mean that investors' appetite, and more specifically pension funds' appetite, for infrastructure is waning?

The long term indications in the infrastructure market are for growth, and Preqin Infrastructure data would certainly suggest that the lack of further growth in 2008 is due more to investors, including some pension funds, simply delaying making new investments rather than investors decreasing their allocations to the asset class. We are still seeing a steady flow of infrastructure fund commitments by pension funds - in September, Macquarie Infrastructure

Fig. 3:



Partners II reached an interim close (rumoured to be \$200 million) with commitments from a selection of US pension funds including Public School Teachers' Pension & Retirement Fund of Chicago, San Diego County Employees' Retirement Association and Arizona Public Safety Personnel Retirement System.

A further indication of pension funds' positive outlook for infrastructure funds is confirmed by the procession of pension funds announcing maiden commitments to infrastructure funds, such as Wyoming Retirement System who last month announced commitments totalling \$120 million, equating to nearly 2% of its total assets. Not only are we seeing more pension funds investing in infrastructure, we are also seeing an increase in the size of allocations to the asset class, with the mega US pension funds CalPERS and CalSTRS announcing large target allocations for infrastructure in Q3 of 2008.

Further evidence of the positive outlook by pension funds for infrastructure

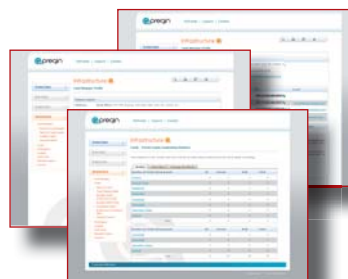
funds is highlighted in Figure 3 which shows 52% of pension funds actively investing in infrastructure funds have established a separate allocation for the sector. This separate allocation implies that pension funds are committed to investing in infrastructure over the long-term.

From our analysis it is clear that pension funds are the most prominent investors in this emerging asset class. This can be attributed to pension funds' realisation that infrastructure funds can be strong performers, with steady returns over the long-term that can match their own long-term liabilities. With the largest pension funds increasing their allocations and the smaller institutional investors starting to make maiden allocations, the asset class is set to grow further as it becomes more established and proven as an integral component of a truly diversified alternatives portfolio.

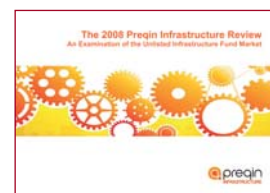
Preqin Infrastructure: Order Form

The industry's leading online infrastructure information resource, with comprehensive data on:

- GPs
- Performance
- Fundraising
- LPs
- Fund Terms
- Placement Agents
- Lawyers



Infrastructure Online



2008 Infrastructure Review

Preqin Infrastructure Order Form - Please complete and return via fax, email or post

I would like to purchase the 2008 Infrastructure Package (publication plus 12 month's access to Infrastructure Online)

£1,095 + £10 Shipping \$2,175 + \$40 Shipping €1,445 + €25 Shipping (Prices include 55% discount on full publication price)

I would like to purchase 12 month's access to Preqin Infrastructure Online only:

Standard license: £895 \$1,775 €1,195

Premium license: £1,790 \$3,550 €2,390
(up to 5 users)

I would like to purchase the 2008 Preqin Infrastructure Review only:

£395 + £10 Shipping \$795 + \$40 Shipping €495 + €25 Shipping

Additional Copies

£95 + £10 Shipping \$180 + \$40 Shipping €115 + €25 Shipping

(Shipping costs will not exceed a maximum of £15 / \$60 / €37 per order)

Name: _____

Firm: _____ Job Title: _____

Address: _____

City: _____ Post / Zip Code: _____ Country: _____

Telephone: _____ Email: _____

PAYMENT OPTIONS:

Cheque enclosed (please make cheque payable to 'Preqin') Please invoice me

Credit Card Visa Amex Mastercard

Card Number: _____ Expiration Date: _____

Name on Card: _____

Preqin - Scotia House, 33 Finsbury Square, London. EC2A 1BB

w: www.preqin.com / e: info@peqin.com / t: +44 (0)20 7065 5100 / f: +44 (0)87 0330 5892 or +1 440 445 9595

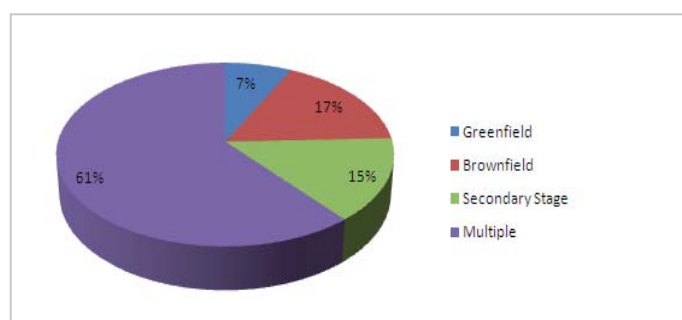
Fundraising Spotlight

Infrastructure

Infrastructure Funds on the Road

Funds on Road	US	Europe	ROW	Total
Number	17	26	36	79
Total Target Value (\$bn)	34	39	23	96
Average Target Size (\$mn)	200	1500	666	1,215

Funds on the Road by Strategy



Infrastructure Funds on the Road

Fund	Manager	Target Size	GP Location
Macquarie European Infrastructure Fund III	Macquarie Funds Management Group	5,000 EUR	Australia
GS Infrastructure Partners II	GS Infrastructure Investment Group	7,500 USD	US
Macquarie Infrastructure Partners II	Macquarie Funds Management Group	6,000 USD	Australia
aAIM Infrastructure Fund	aAIM Infrastructure	2,000 GBP	UK
Merrill Lynch Infrastructure	Merrill Lynch	3,500 USD	US
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK
Fondi Italiani Per Le Infrastrutture	F2i SGR	2,000 EUR	Italy
Alinda Infrastructure Fund II	Alinda Capital Partners	3,000 USD	US
Citi Infrastructure Investors	Citigroup Infrastructure Investors	3,000 USD	US
Santander Infrastructure Fund II	Santander Private Equity	1,500 EUR	Spain

Recently Closed Infrastructure Funds

NIBC European Infrastructure Fund I

Manager: NIBC Infrastructure Partners

Target Size (mn): 500 EUR

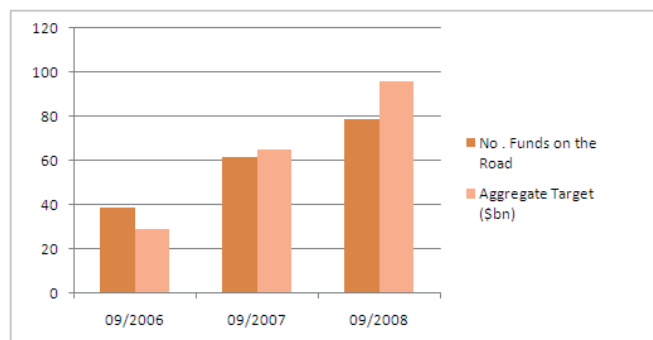
Final Close (mn): 500 USD (Aug-2008)

Geographic Focus: West Europe - Belgium, Germany, Luxembourg, Netherlands, UK,

Infrastructure Industries: Education Facilities, Energy, Railway, Renewable Energy, Waste Management

Sample Investors: Arizona Public Safety Personnel Retirement System, Health Care Foundation of Greater Kansas City, Public School Teachers' Pension & Retirement Fund of Chicago, San Diego County Employees' Retirement Association

Funds in Market over Time



Conferences Spotlight: Forthcoming Events:

Conferences:

CONFERENCE/EVENT	ORGANISER	DATES	LOCATION
US-Africa Infrastructure Conference	6 - 8 October 2008	Washington DC	Corporate Council on Africa
Australia Infrastructure Partnerships	7 - 8 October 2008	Sydney	PFI
India Infrastructure Investment Congress	7 - 8 October 2008	Mumbai	Terrapinn
North America West Coast Infrastructure Partnership	14 - 15 October 2008	Los Angeles	PFI
South Australia's Infrastructure Conference	16 October 2008	Adelaide Showgrounds	Expotrade Australia
North American Port & Intermodal Finance & Investment Summit	20 - 22 October 2008	Houston, TX	Infocast
Financing Energy Projects in Asia	21 - 22 October 2008	Singapore	PFI
Infrastructure Investor	22 - 23 October 2008	New York	PEI Conferences
Invest Russia Conference	28 - 29 October 2008	London	CMP Information
Energy Infrastructure World Middle East 2008	9 - 11 November 2008	Doha, Qatar	Terrapinn
Investing in Infrastructure Assets Europe	17 - 20 November 2008	London	Terrapinn
3rd Annual: Institutional Investing in Infrastructure 2008	17 - 19 November	Boston	IREI
The Bond Buyer's 9th Annual Transportation Finance / P3 Conference	17 - 18 November 2008	Denver	SourceMedia
Infrastructure Asset Management	18 - 19 November 2008	Radisson SAS Portman	Marketforce
Annual Global Airport Development (GAD)	24 - 27 Novemeber 2008	Budapest	ICBI
Russian Infrastructure Finance	3 - 5 December 2008	London	C5
North America West Coast Infrastructure Partnership	14 - 15 December 2008	Los Angeles	PFI

Investor Spotlight: LP News

Capital Innovations creates new infrastructure fund of funds with labour-sensitive strategy

The infrastructure fund of funds manager's second vehicle will have a sustainable, labour union-sensitive investment strategy to meet client demand from Taft-Hartley pension funds. The vehicle will focus on funds investing in infrastructure industries, including energy, transport and social infrastructure worldwide. The fund of funds strategy is expected to provide investors with economic value in conjunction with social benefits as it will only gain exposure to projects that guarantee responsible contracts, the humane treatment of the workforce and appropriate wages. The vehicle is expected to be launched by Q1 of 2009.

State Universities Retirement System of Illinois issues RFP for infrastructure managers

The USD 14.6 billion retirement system is searching for infrastructure managers to handle its maiden infrastructure allocation of 1%. The retirement system's foray into the asset class was approved by its board in June, with the possibility of a target allocation increase at a later date. The searches were approved at the September board meeting and will be initiated near the end of September. The appointment of the infrastructure fund managers is expected by the beginning of 2009.

Tulare County Employee Retirement Association (TCERA) to consider maiden infrastructure investment

As part of an asset-liability study the USD 1 billion retirement system is considering investing in infrastructure, commodities and emerging markets. The creation of an allocation to infrastructure funds is only in the early stages of discussion; however, it was confirmed that if an allocation was established it would result in the issuing of infrastructure manager RFP's. With the assistance of its general consultant Summit Strategies Group TCERA expects to complete the asset-liability study by the end of 2008.

Wyoming Retirement System makes its foray into the infrastructure market

Wyoming Retirement System has hired Macquarie Infrastructure Group and Alinda Capital Partners to each manage USD 60 million for its infrastructure portfolio. The trustees of the retirement system were attracted to the managers as they both offer exposure to North American core infrastructure funds and believe the type of opportunities on offer will provide diversification for its overall investment portfolio whilst providing strong returns. The allocation was established with the assistance of Buck Consultants, as a general consultant.

Separately, in September, the Wyoming Retirement System plans to launch a nationwide search for its first CIO. The successful candidate's main duties will include tracking the conditions in the market and making appropriate recommendations, especially in areas that the retirement system may not have previous experience in.

Employees' Retirement System of the City of Milwaukee considers infrastructure for diversification

The USD 5 billion retirement system is considering increasing the diversification within its alternatives portfolio via maiden investments in infrastructure, commodities, absolute return strategies and private equity. The trustees of the retirement system have already increased the alternatives allocation to 15-20% and were monitoring the various asset classes during 2008 to improve their understanding of the sectors. The new alternatives allocation was proposed by the retirement system's consultant Mercer, following an asset-liability study earlier in the year. There is no time frame for the implementation of an investment strategy but it is unlikely that any of the maiden investments will be made in 2008.

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.

Contact us for more information - info@preqin.com