Preqin Industry News

Nicholas Jelfs provides a breakdown of the latest infrastructure news, including investors looking to make new investments in the asset class.

A number of investors are making new infrastructure fund commitments over the next 12 months:

The $9.6bn Kuwait Fund for Arab Economic Development is seeking to make a minimum of three new infrastructure fund commitments over the next 12 months, and will consider both listed and unlisted vehicles. The government agency has a 5% target allocation to infrastructure, and currently has 1% invested in the asset class.

The University of British Columbia Endowment is planning to invest a further CAD 10mn in the infrastructure asset class in the coming 12 months in order to fulfil its 5% target allocation. The endowment plan will primarily seek to invest the capital in unlisted infrastructure funds which focus on the acquisition of assets in the OECD, but with a particular preference for Canadian projects.

Santa Barbara County Employees' Retirement System (SBCERS) is set to consider new opportunities in the infrastructure asset class over the next 12 months. The public pension fund hired Meketa Investment Group as its infrastructure consultant in December 2012, and has subsequently set aside a 2% target allocation to infrastructure.

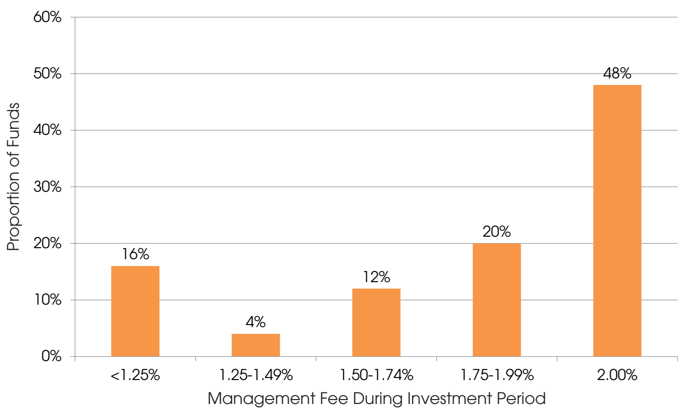
While more investors are including a dedicated allocation to infrastructure within their portfolio, many still remain opportunistic towards the asset class:

Mizuho Corporate Bank will remain an opportunistic investor in private infrastructure funds and direct assets in 2013. It is open to all geographical regions and will evaluate opportunities across all infrastructure sectors. However, Mizuho Corporate Bank is unlikely to consider the US market in the short term due to expected regulatory changes in the US.

The £2.5bn North East Scotland Pension Fund has introduced a new 12% target allocation to alternative assets in order to make additional capital available for further investments in 2013. The pension fund will adhere to its long-term strategy of investing on an opportunistic basis, targeting global and industry diverse unlisted funds including both primary and fund of funds vehicles.

What management fee can investors expect to pay for infrastructure funds during the investment period?

Chart of the Month: Management Fee Charged by Infrastructure Funds During the Investment Period (Funds Raising and Vintage 2011-2013 Funds Closed)



Source: Preqin Infrastructure Online

Despite calls for lower fees, investors can still realistically expect to pay a 1.75-2% management fee when investing in many infrastructure funds, with a significant 48% of infrastructure vehicles still charging a 2% management fee. Over half of unlisted infrastructure fund managers now charge a fee of less than 2%, with 32% of funds charging a management fee of under 1.75%.

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 spotlight@preqin.com and we will endeavour to publish them in the next issue.