

Managers and Investors Concerned with Infrastructure Valuations

52% of fund managers cite finding attractive investment opportunities as biggest challenge in 2016

In its 2016 Global Infrastructure Report, Preqin finds that both fund managers and investors are concerned with sourcing deals at compelling pricing in 2016. The average size of infrastructure transactions completed in 2015 stands at a record \$528mn, and the majority (51%) of surveyed fund managers said they are finding it more difficult to find attractive investment opportunities compared to a year ago. Valuations and deal flow were each cited as key concerns by the highest proportion of investors (38%). Nevertheless, fund managers are confident in their ability to deploy capital, with 77% stating that they intended to deploy more capital in 2016 than last year.

Investors increasingly seem to be trusting in the ability of seasoned managers to find good value opportunities. More than half (52%) of the capital raised by unlisted infrastructure funds in 2015 was secured by the six largest funds to close in the year. Furthermore, 44% of investors said they will not invest in first-time funds in the coming year, the highest proportion ever.

Key 2016 Global Infrastructure Report Facts:

- **Investor Satisfaction:** Eighteen percent of institutional investors said that their investments had exceeded their expectations in 2015, up from 3% at the end of 2014. However, 24% felt their investments in 2015 had fallen short of expectations, up from 14% a year ago.
- **Record Distributions:** Unlisted infrastructure funds distributed a record \$34bn to investors in 2014, and the first half of 2015 saw a further \$22bn in capital distributions. This is the first time that the flow of distributions has exceeded the equity called up for new investments, which equalled \$17bn in H1 2015.
- **Investor Allocations:** Nearly half (48%) of investors plan to invest more capital in infrastructure in 2016 compared to 2015. In the longer term, 91% of investors plan to increase or maintain their infrastructure allocations, down from 100% at the end of 2014.
- **Increased Appetite:** Almost three-quarters (74%) of surveyed fund managers stated that they have seen an increase in investor appetite over the past year, while only 4% said they were seeing less.
- **Key Concerns:** After deal flow (38%) and valuations (38%), the largest proportion of infrastructure investors (32%) cited performance as a key issue in 2016. Conversely, only 2% of fund managers anticipate achieving performance objectives as a challenge in 2016.

**For more from the Preqin 2016 Global Infrastructure Report, please visit www.preqin.com/reports
To request a complimentary press copy of the report, please contact press@preqin.com**

Comment:

“The infrastructure market has seen steady growth over the past few years, and the asset class now forms a fixture of many institutional investors’ portfolios. Overall, investor sentiment is positive, and the record levels of distributions from funds over the past two years have allowed an increased level of capital to be re-invested into the asset class. With many investors planning to invest more capital in both the short- and long-term, infrastructure could see increased capital inflows through 2016.

This increase in available capital, though, has put pressure on fund managers to find opportunities at attractive pricing, and many are finding it harder to put capital to work effectively. Investors are also increasingly concerned about the ability of the managers they invest with to find value in the market, and we are seeing more capital being allocated to the managers with the longest track records.”

Andrew Moylan – Head of Real Assets Products, Preqin

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

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