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Press Release

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Emerging Unlisted Infrastructure Fund Managers Struggle to Raise Capital

Number of funds closed annually by emerging managers has fallen 50% from 2013 to 2016

Since 2013, emerging infrastructure fund managers – those which are raising their first or second unlisted infrastructure vehicle – have found the infrastructure fundraising market increasingly challenging. Funds closed by emerging managers have represented an increasingly shrinking proportion of total industry fundraising in 2016-2017 YTD compared to previous years, despite overall capital raised increasing in that period. At the same time, the disparity between the average size of funds raised by emerging and established managers has increased from $391mn in 2011 to $985mn in 2016, and currently the difference in average fund size is at a record $1.2bn.

For more information and analysis, see the full *September 2017 Real Assets Spotlight* here:
https://www.preqin.com/docs/newsletters/ra/Preqin-Real-Assets-Spotlight-September-2017.pdf

Key Emerging Infrastructure Fund Manager Facts:

- **The annual number of vehicles closed by emerging managers has fallen 50% from 2013 to 2016**, from 50 funds securing $16bn in 2013, to 25 funds securing $10bn in 2016. In 2017 YTD, just 15 funds have closed.
- Emerging managers accounted for 60% of the funds closed in 2012, and 58% of the total capital raised. **In 2017 so far, they represent 41% of closed vehicles and 16% of aggregate capital**.
- As established managers have seen fundraising rise, **the disparity between the size of funds raised by established and emerging managers has increased** from $391mn in 2011 to $1.2bn in 2017 YTD.
- However, **57% of funds closed by emerging managers in 2016 – 2017 YTD achieved or exceeded their targets**, a similar proportion to that of funds raised by established fund managers in the same period (60%).
- **At the same time the average size of funds raised by emerging managers is increasing**, from $292 in 2011 to $479 in 2017 YTD.
- Looking ahead, **the number of funds in market managed by emerging managers has fallen**: in August 2016 there were 106 emerging funds in markets, while in August 2017 there were 87. In the same period, the aggregate targets of these funds fell from $54bn to $45bn.
- **Emerging managers that have closed a fund since the start of 2016 spend significantly longer in market** on average: 34 months, compared to just 16 months for established managers.

Tom Carr, Head of Real Assets Products:

"Over the past few years, overall infrastructure fundraising has seen slight increases in levels of aggregate capital raised. However, fundraising for established fund managers has flourished, as they are able to quickly and successfully raise progressively larger vehicles. Given that the unlisted infrastructure fundraising market remains relatively small, emerging fund managers raising their first or second vehicle are finding it harder to compete with these mega funds and secure capital.

Although emerging infrastructure managers, compared to established managers, are struggling to fundraise, the majority are achieving as well as exceeding their fund target size. We are also seeing a slow increase in the average fund size of funds managed by emerging managers since 2011, although this growth has been at a much slower pace than those of established managers. With 42% of infrastructure investors reporting a willingness to invest in first-time funds, the emergence of new managers into the infrastructure industry will be necessary to satisfy investor appetite. However, in the face of the increasingly competitive fundraising market, emerging managers will have to strategize accordingly to attract investor capital."

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