

The Q1 2016 Preqin Quarterly Update

Infrastructure

Insight on the quarter from the leading provider of alternative assets data

Content includes...

Fundraising

Amount of capital secured by infrastructure funds increases significantly.

Funds in Market

Over half of funds in market have been seeking capital for more than a year.

Investors in Infrastructure

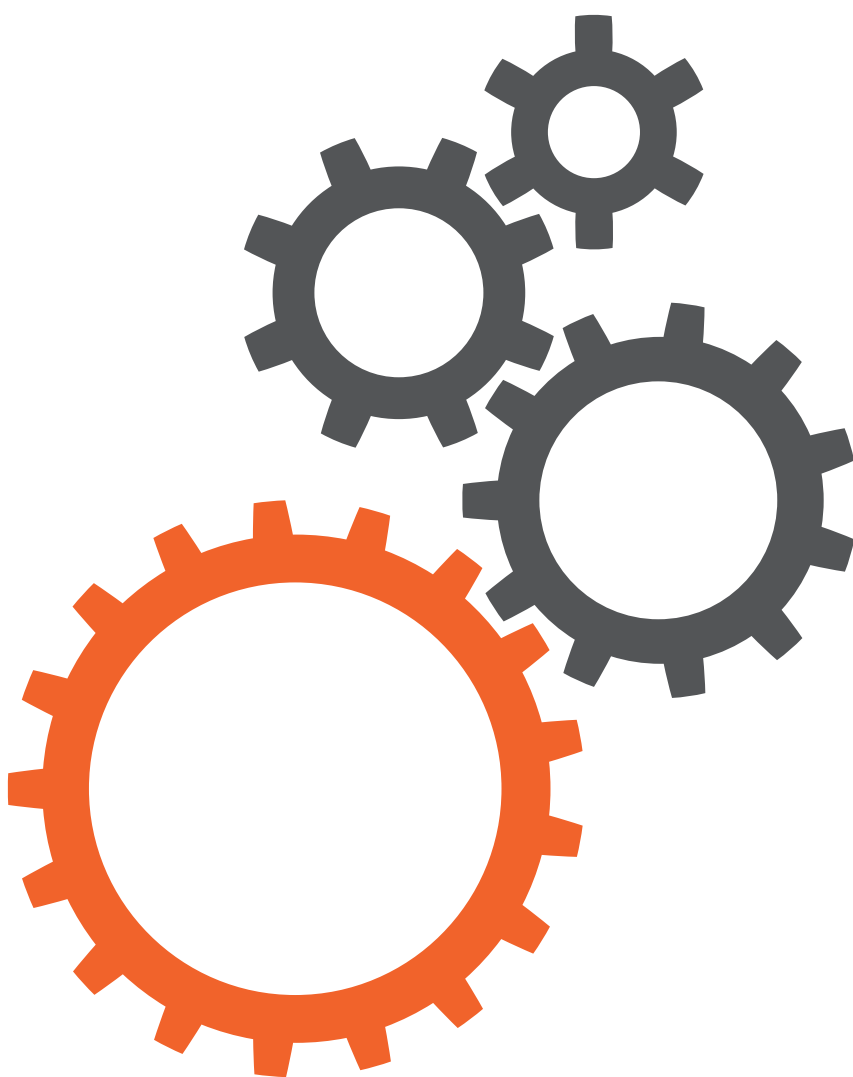
Almost a quarter of investors plan to invest in four or more funds over the coming 12 months.

Deals

Number of infrastructure deals increases for the third consecutive quarter.

Dry Powder

North America-focused funds account for the largest proportion of global dry powder.





Foreword - Tom Carr, Preqin

Q1 2016 has illustrated the faith investors are placing in the deal sourcing capabilities of the established infrastructure firms; of the 10 infrastructure funds to reach a final close this quarter, the four vehicles raised by Morgan Stanley, Stonepeak, Macquarie and Ardian were responsible for 89% of the \$14.6bn fundraising total. Furthermore, the proportion of uncalled capital held in mega funds has increased to account for 44% of all infrastructure dry powder, a reflection of the largest funds dominating the market.

Deal flow is up on the Q4 2015 total; the 224 completed infrastructure deals represent the third successive quarterly rise in infrastructure deal activity. Asia was home to three of the largest transactions of the quarter, which helped the continent to secure 37% of global reported deal value, its largest quarterly proportion on record.

As it stands, unlisted infrastructure funds are delivering the consistent returns that investors seek from the asset class, uncorrelated to other traditional and alternative asset classes. The median net IRR for infrastructure funds across all vintages remains consistent at around 10% and is among the least volatile private capital strategies, while the PrEQIn Infrastructure Index has consistently outperformed the PrEQIn All Private Equity Index and the S&P 500 Index since its inception in 2007, emphasizing the value infrastructure can provide in diversifying investor portfolios.

Preqin's **Infrastructure Online** is an indispensable tool for all firms looking to market funds, develop new business or find new partners in the coming months. Behind every data point in this report is a wealth of individual firm- and fund-level data available on Preqin's leading online services. We hope you find this report useful, and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

Key Facts: Q1 2016



\$3.6bn

Amount secured by the largest fund closed in Q1 2016, North Haven Infrastructure Partners II.



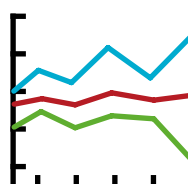
\$3bn

Value of the largest infrastructure deal completed, the launch of the \$3bn Sembcorp Gayatri Power Complex in India.



104%

Fund managers that have closed infrastructure funds in Q1 2016 have raised an average of 104% of their initial targets.



9%

Unlisted infrastructure funds with a 2013 vintage year have a median net IRR of 9%.



43%

Proportion of completed infrastructure deals that took place in Europe in Q1 2016.



\$124bn

Unlisted infrastructure dry powder stands at a record \$124bn at the end of Q1 2016.

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Data Source:

Preqin's **Infrastructure Online** is the leading source of intelligence on the infrastructure industry. This constantly updated resource includes details for all aspects of the asset class, including infrastructure transactions, fund managers, strategic investors and trade buyers, net-to-investor fund performance, fundraising information, institutional investor profiles and more.

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Fundraising in Q1 2016

The level of institutional capital secured by unlisted infrastructure funds that reached a final close in Q1 2016 has risen significantly compared with Q4 2015 from fewer funds closing: 10 unlisted infrastructure funds reached a final close raising an aggregate \$14.6bn, compared with 13 funds securing \$5bn in the previous quarter (Fig. 1).

Since the beginning of 2015, 70 unlisted infrastructure funds have reached a final close, raising a combined \$56.6bn in capital. As expected, traditional markets continue to dominate the fundraising landscape; North America-focused funds raised \$22.0bn in institutional capital from 18 funds reaching a final close, while 24 Europe-focused funds secured \$18.1bn (Fig. 2).

Fund managers closing vehicles in Q1 2016 secured a larger proportion of their initial target size than managers at any

other point since 2008; infrastructure funds closed since the beginning of 2016 have, on average, secured 104% of their target, compared to an average of 98% over the previous three years (Fig. 3). Indicative of a competitive marketplace, fund managers are spending a long time marketing their funds; since 2008, the average time spent on the road by unlisted infrastructure fund managers is around 20 months (Fig. 4).

The largest unlisted infrastructure fund to close in Q1 2016 was North Haven Infrastructure Partners II, managed by Morgan Stanley Infrastructure (Fig. 5). The fund secured \$3.6bn and targets global infrastructure assets predominantly in core economic sectors. Illustrative of the capital concentration among a small number of infrastructure firms, the top four largest funds to close in Q1 2016 were responsible for 89% of the total capital raised.

Key Fundraising Facts: Q1 2016



\$14.6bn

Amount of capital raised by 10 infrastructure funds that reached a final close in Q1 2016.



\$3.6bn

Amount secured by the largest fund closed during the quarter, North Haven Infrastructure Partners II.



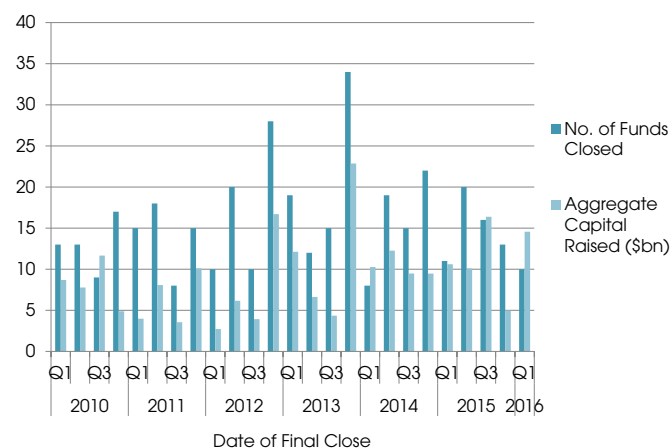
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The highest number of funds closed this quarter focus on European infrastructure assets.

104%

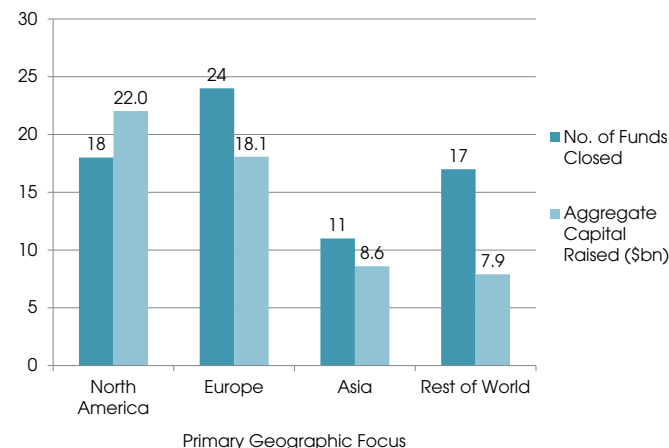
Average proportion of target size achieved by infrastructure funds closed this quarter.

Fig. 1: Global Quarterly Unlisted Infrastructure Fundraising, Q1 2010 - Q1 2016



Source: Preqin Infrastructure Online

Fig. 2: Unlisted Infrastructure Fundraising by Primary Geographic Focus, 2015 - Q1 2016



Source: Preqin Infrastructure Online



Fig. 3: Average Proportion of Target Size Achieved by Unlisted Infrastructure Funds, 2008 - Q1 2016

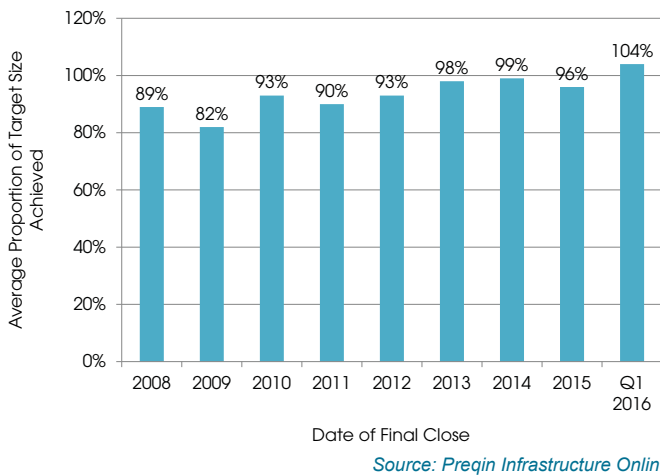


Fig. 4: Average Time Spent in Market by Unlisted Infrastructure Funds, 2008 - Q1 2016

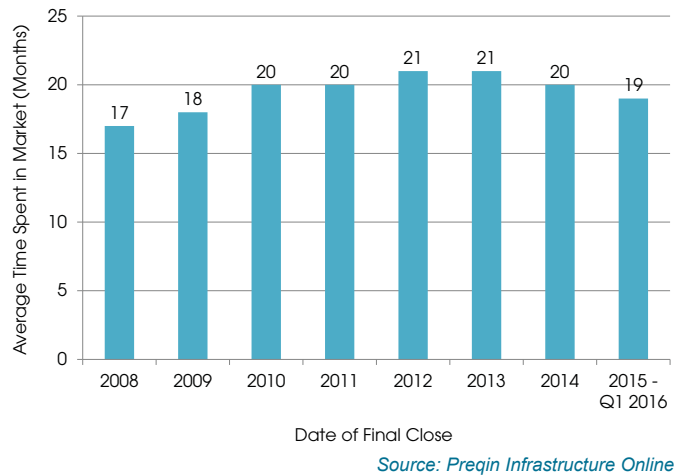


Fig. 5: Five Largest Unlisted Infrastructure Funds Closed in Q1 2016

Fund	Firm	Fund Size (mn)	Geographic Focus
North Haven Infrastructure Partners II	Morgan Stanley Infrastructure	3,600 USD	Global
Stonepeak Infrastructure Partners II	Stonepeak Infrastructure Partners	3,500 USD	North America
Macquarie Asia Infrastructure Fund	Macquarie Infrastructure and Real Assets (MIRA)	3,100 USD	Asia
Ardian Infrastructure Fund IV	Ardian	2,650 EUR	Western Europe
Sustainable Asset Fund	Vision Ridge Partners	430 USD	Global

Source: Preqin Infrastructure Online

Fig. 6: 10 Largest Unlisted Infrastructure Funds Closed, 2015 - Q1 2016

Fund	Firm	Fund Size (mn)	Final Close Date	Geographic Focus
ArcLight Energy Partners Fund VI	ArcLight Capital Partners	5,575 USD	Jul-15	North America
Westbourne Capital Infrastructure Debt Fund Program 1	Westbourne Capital	4,800 AUD	Feb-15	Global
North Haven Infrastructure Partners II	Morgan Stanley Infrastructure	3,600 USD	Mar-16	Global
Stonepeak Infrastructure Partners II	Stonepeak Infrastructure Partners	3,500 USD	Jan-16	North America
KKR Global Infrastructure Investors II	KKR	3,100 USD	Jul-15	North America, Europe
Macquarie Asia Infrastructure Fund	Macquarie Infrastructure and Real Assets (MIRA)	3,100 USD	Feb-16	Asia
ISQ Global Infrastructure Fund	I Squared Capital	3,000 USD	Apr-15	Global
Ardian Infrastructure Fund IV	Ardian	2,650 EUR	Jan-16	Europe
First State European Diversified Infrastructure Fund	Colonial First State Global Asset Management/First State Investments	2,000 EUR	Jan-15	Europe
CCCC First Phase Equity Investment Fund	CCCC Fund Management	15,000 CNY	Nov-15	Asia

Source: Preqin Infrastructure Online

Data Source:

Preqin's **Infrastructure Online** contains detailed information on all aspects of the fundraising market, with extensive profiles for all 189 funds currently being marketed and over 690 funds closed historically.

Profiles include information on interim and final close sizes, known investors, investment preferences and much more.

For more information, please visit: www.preqin.com/infrastructure



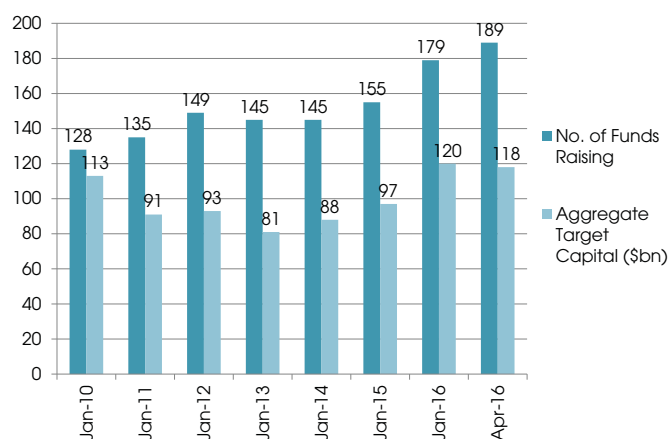
Funds in Market

At the start of Q2 2016, there were 189 unlisted infrastructure funds in market, seeking \$118bn in aggregate capital (Fig. 1). The market remains competitive and while the aggregate capital sought is slightly down from \$120bn at the start of the year, the number of funds on the road has increased significantly from 155 funds in market in January 2015. Further evidence of a challenging fundraising environment is found when examining the length of time fund managers spent marketing vehicles, with the majority (59%) of funds having spent more than a year fundraising, including a fifth that have been in market for more than three years (Fig. 2).

The largest number of unlisted infrastructure funds on the road focus on European opportunities, with 73 funds seeking \$35.5bn in aggregate capital commitments (Fig. 3). However, the 54 North America-focused funds in market are targeting more capital (\$59.1bn).

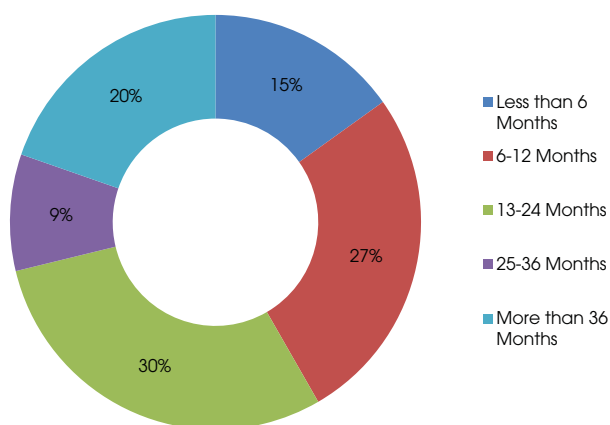
The two largest funds in market, Brookfield Infrastructure Fund III and Global Infrastructure Partners III, are each targeting \$12.5bn in investor commitments, which would make either of these the largest infrastructure fund of all time if it reached a final close (Fig. 4).

Fig. 1: Unlisted Infrastructure Funds in Market over Time, January 2010 - April 2016



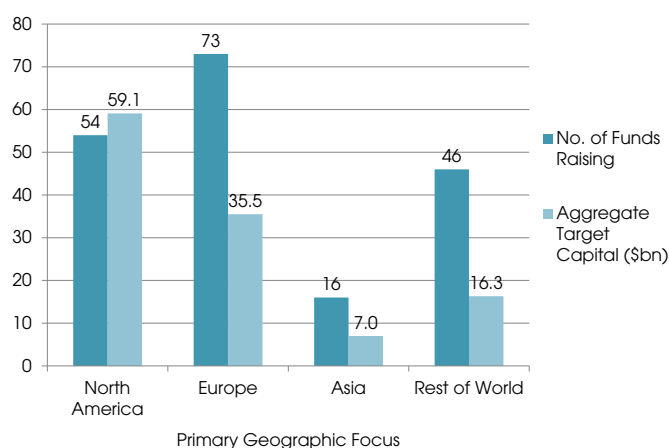
Source: Preqin Infrastructure Online

Fig. 2: Time Spent on the Road by Unlisted Infrastructure Funds in Market



Source: Preqin Infrastructure Online

Fig. 3: Unlisted Infrastructure Funds in Market by Primary Geographic Focus



Source: Preqin Infrastructure Online

Fig. 4: Five Largest Unlisted Infrastructure Funds Currently in Market

Fund	Firm	Target Size (mn)	Geographic Focus	Headquarters
Brookfield Infrastructure Fund III	Brookfield Asset Management	12,500 USD	Global	Canada
Global Infrastructure Partners III	Global Infrastructure Partners	12,500 USD	Global	US
Alinda Infrastructure Fund III	Alinda Capital Partners	5,000 USD	Europe, North America	US
West Street Infrastructure Partners III	GS Infrastructure Investment Group	3,000 USD	Europe, North America	US
Global Infrastructure Partners Capital Solutions Fund	Global Infrastructure Partners	2,500 USD	Global	US

Source: Preqin Infrastructure Online



Experts in Infrastructure Fund Placements since 2008

DC Placement Advisors is a private markets advisory firm established in 2008 as a specialist to deliver placement and advisory services to leading alternative fund managers. With a team of 10 professionals with a broad-ranging expertise in financial marketing and the investment management industry, our strengths are in the placement of carefully selected infrastructure, private equity/debt and real asset funds.

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- **Compelling performance**
Global leader in infrastructure debt fund placements and strong infrastructure equity fundraising track record
- **Passion to deliver**
Highly committed multilingual team with longstanding infrastructure fundraising expertise



Institutional Investors in Infrastructure

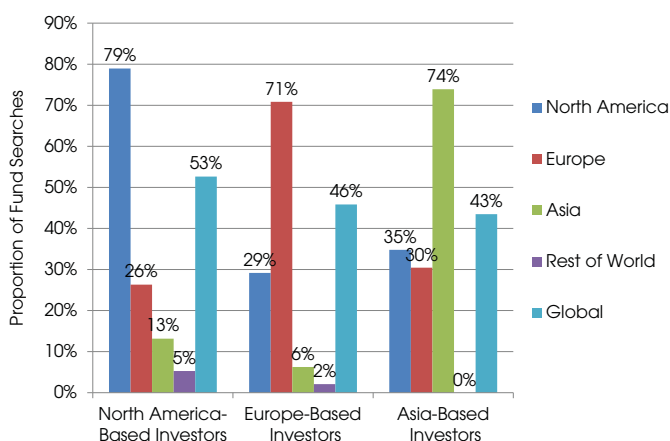
Institutional investors that plan to be active in the next 12 months will predominantly target their domestic markets, although large proportions will continue to target opportunities globally (Fig. 1). Over half (53%) of North America-based investors will target global opportunities, while 46% and 43% of Europe- and Asia-based institutions respectively will do the same over the next 12 months.

Unlisted infrastructure funds remain investors' primary route to market, particularly for North America-based institutions, where nearly all active investors will gain access to the asset class through unlisted vehicles (Fig. 2). Approximately a

third of investors across all regions examined will seek direct investment in infrastructure assets, while listed funds remain the least utilized route to market among institutional investors.

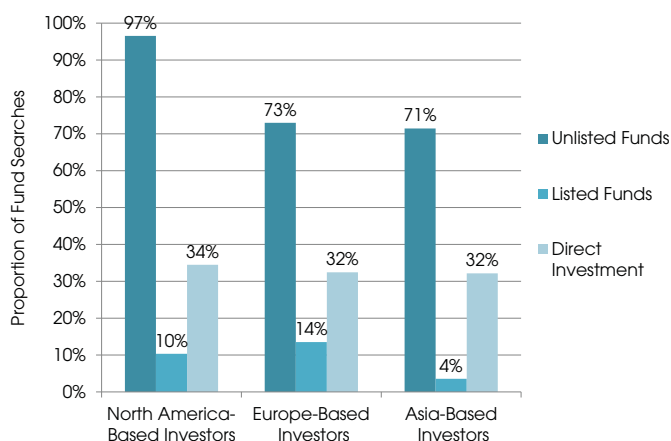
The largest proportion (45%) of investors will commit less than \$100mn to unlisted infrastructure funds in the next year, although 14% will make large commitments of \$500mn or more (Fig. 3). Active infrastructure investors will invest this capital with fewer fund managers than in Q1 2015; more than three-quarters of the active investor population plan to invest in less than four unlisted funds, compared with 47% of investors seeking unlisted funds at the same time last year (Fig. 4).

Fig. 1: Regions Targeted by Infrastructure Investors in the Next 12 Months by Investor Location



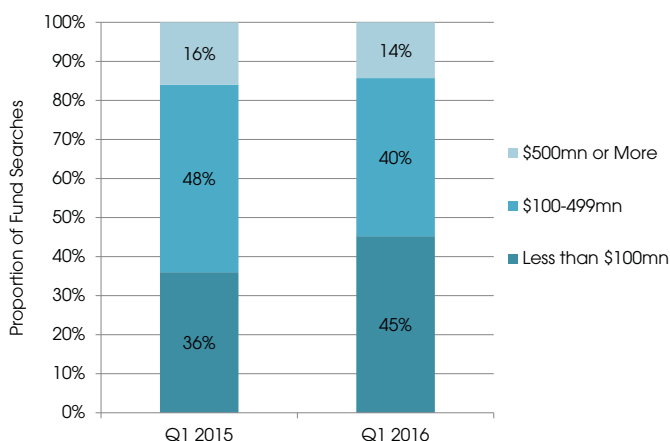
Source: Preqin Infrastructure Online

Fig. 2: Preferred Route to Market of Infrastructure Investors in the Next 12 Months by Investor Location



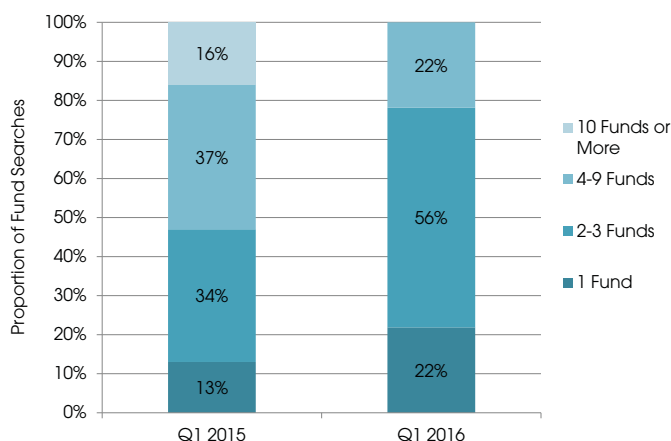
Source: Preqin Infrastructure Online

Fig. 3: Amount of Capital Infrastructure Investors Plan to Commit to Unlisted Infrastructure Funds in the Next 12 Months, Q1 2015 vs. Q1 2016



Source: Preqin Infrastructure Online

Fig. 4: Number of Unlisted Funds Infrastructure Investors Plan to Commit to in the Next 12 Months, Q1 2015 vs. Q1 2016



Source: Preqin Infrastructure Online



Deals

In Q1 2016 there were 224 completed infrastructure deals for an estimated aggregate deal value* of \$102bn, representing the third successive quarterly rise in infrastructure deal flow (Fig. 1). Furthermore, average deal size has increased from \$427mn in Q4 2015 to \$455mn in Q1 2016 (Fig. 2).

With 96 completed infrastructure deals in Q1 2016, Europe again saw the highest number of deals, although the 50 transactions in Asia were completed for a higher reported value (\$16.5bn) than the \$12.3bn worth of European deals (Fig. 3). Furthermore, the three largest deals of Q1 2016 were for Asian infrastructure assets.

Over half (56%) of all transactions completed in the quarter were for renewable energy assets, while transport infrastructure represented 13% of deals (Fig. 4). As in previous quarters, secondary stage assets represented the largest proportion (67%) of deal flow in Q1 2016, while just over a quarter (27%) of transactions were for assets in the greenfield phase of development (Fig. 5). The largest deal of the quarter was Sembcorp Industries' \$3bn launch of Sembcorp Gayatri Power Complex in February, consisting of two 1,320 MW coal-fired power plants in India.

Key Deals Facts: Q1 2016



\$102bn

Estimated aggregate value of completed infrastructure deals.



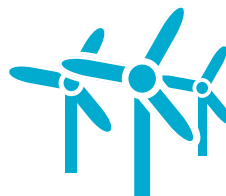
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The US saw the highest number of completed infrastructure deals of any single country.



\$3bn

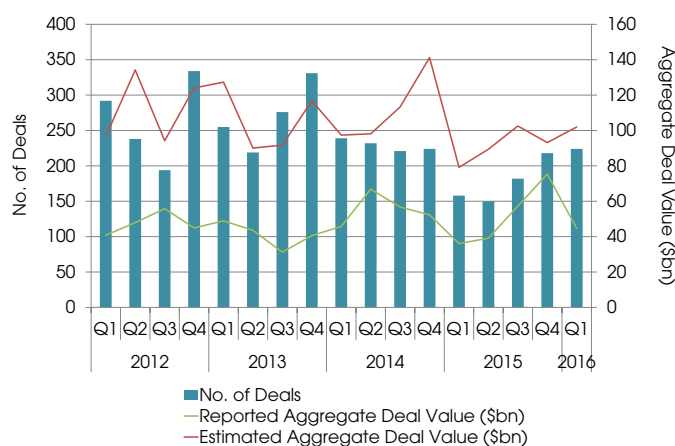
Value of the largest completed infrastructure deal, the launch of the \$3bn Sembcorp Gayatri Power Complex in India.



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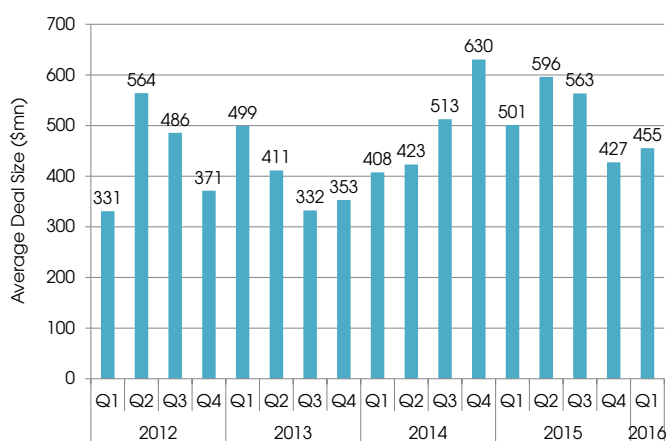
The largest number of completed infrastructure deals took place in the renewable energy sector.

Fig. 1: Quarterly Number and Aggregate Value of Infrastructure Deals Completed Globally, Q1 2012 - Q1 2016



Source: Preqin Infrastructure Online

Fig. 2: Average Quarterly Infrastructure Deal Size, Q1 2012 - Q1 2016

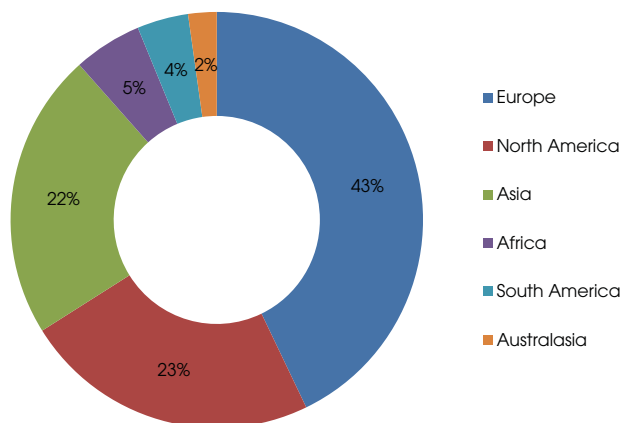


Source: Preqin Infrastructure Online

*Value is based on reported deal values and estimates where a deal size is not disclosed.

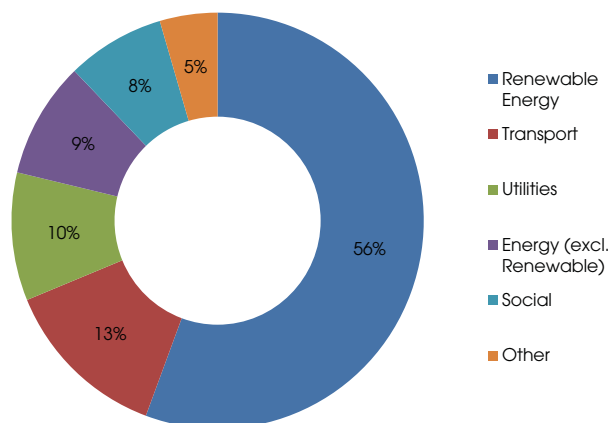


Fig. 3: Completed Infrastructure Deals in Q1 2016 by Region



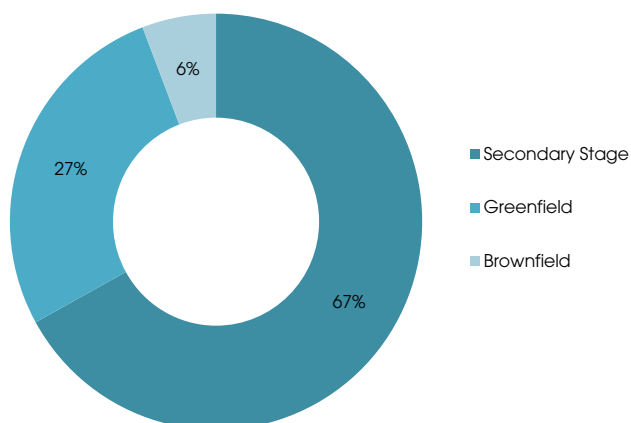
Source: Preqin Infrastructure Online

Fig. 4: Completed Infrastructure Deals in Q1 2016 by Industry



Source: Preqin Infrastructure Online

Fig. 5: Completed Infrastructure Deals in Q1 2016 by Project Stage



Source: Preqin Infrastructure Online

Data Source:

Preqin's **Infrastructure Online** contains detailed information on more than 12,600 deals globally.

View details on fund managers and investors that are bidding for, buying and selling infrastructure assets. See information on the type of infrastructure asset and location, data on the equity invested and the percentage stake acquired by the investor, and information on the deal date, structure and duration.

For more information, please visit:

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Fig. 6: Notable Infrastructure Deals Completed in Q1 2016

Asset	Location	Industry	Investor(s)	Total Deal Size (mn)	Stake (%)	Deal Date
Sembcorp Gayatri Power Complex	India	Power Plants	Gayatri Projects, NCC Infrastructure, Sembcorp Industries	3,000 USD	-	Feb-16
Chinese Hospital Portfolio Project	China	Hospitals	Dalian Wanda Group	2,300 USD	100.0	Jan-16
Nam Dinh 1 Thermal Power Plant	Vietnam	Power Plants	ACWA Power International, Taekwang Power	2,240 USD	-	Jan-16
Isagen	Colombia	Hydro Power	Brookfield Renewable Energy Partners, Unidentified Investor/s	2,200 USD	57.6	Jan-16
London City Airport	UK	Airports	Alberta Investment Management Corporation (AIMCo), Borealis Infrastructure, Ontario Teachers' Pension Plan, Wren House Infrastructure Management	2,000 USD	75.0	Feb-16
Maryland Purple Line	US	Railroads	Fluor Corporation, Meridiam, Star America Infrastructure Partners	2,000 USD	100.0	Mar-16
Vankor Field	Russia	Natural Resources	Bharat PetroResources, Indian Oil Corporation, Oil India Limited	2,000 USD	23.3	Mar-16
South Mountain Freeway PPP Project	US	Roads	Ames Construction, Fluor Corporation, Granite Construction, PB	1,900 USD	100.0	Jan-16
Khulna Power Plant	Bangladesh	Geothermal Power	Bharat Heavy Electricals	1,600 USD	-	Feb-16
EEW Energy-from-Waste	Germany	Waste-to-Energy Conversion	Beijing Enterprises Holdings	1,438 EUR	100.0	Feb-16

Source: Preqin Infrastructure Online



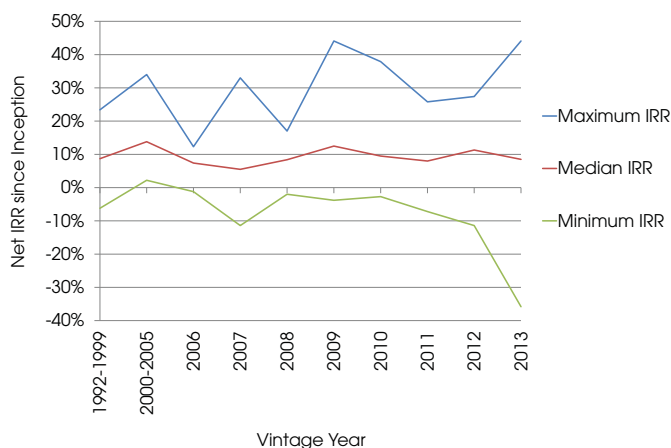
Fund Performance and Dry Powder

Infrastructure is a long-term investment typically favoured for its relatively stable returns. Fig. 1 shows that the median net IRR for infrastructure funds across all vintages remains consistent at approximately 10%, while Fig. 2 indicates that infrastructure returns are among the least volatile among all private capital strategies.

The PrEQIn Infrastructure Index currently stands at 174.0 points, consistently outperforming the PrEQIn All Private Equity Index since its inception in 2007, as well as the S&P 500 Index (Fig. 3). The contrast in performance between the strategies during this period highlights infrastructure's low correlation with other asset classes, emphasizing the value infrastructure can provide in diversifying investor portfolios.

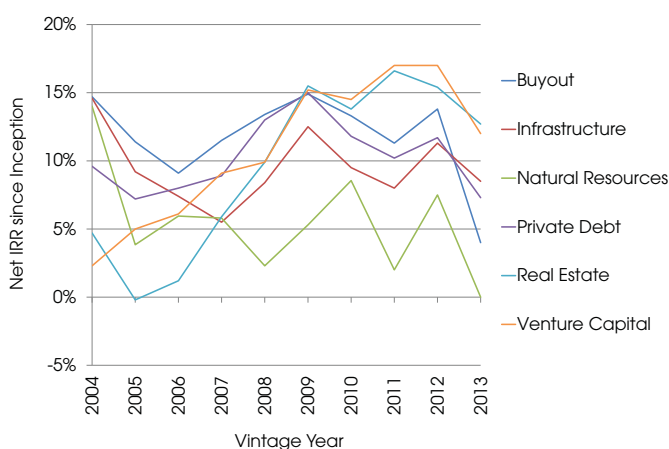
The proportion of infrastructure dry powder held in mega funds has increased from 38% in December 2015 to 44% as of March 2016, reflecting how the largest funds dominate (Fig. 4). Fig. 5 shows that funds focused on North America hold the largest amount of dry powder at \$60bn (48% of total available capital), followed by Europe (29%), Asia (13%) and Rest of World (10%).

Fig. 1: Maximum, Median and Minimum Net IRRs for Unlisted Infrastructure Funds by Vintage Year



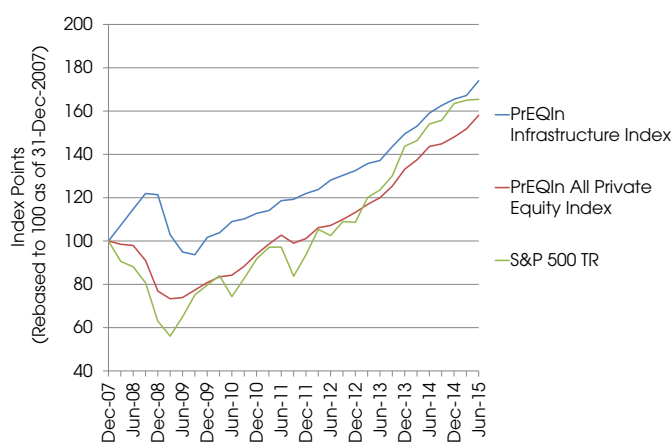
Source: Preqin Infrastructure Online

Fig. 2: Median Net IRR by Vintage Year: Infrastructure vs. Other Private Capital Strategies



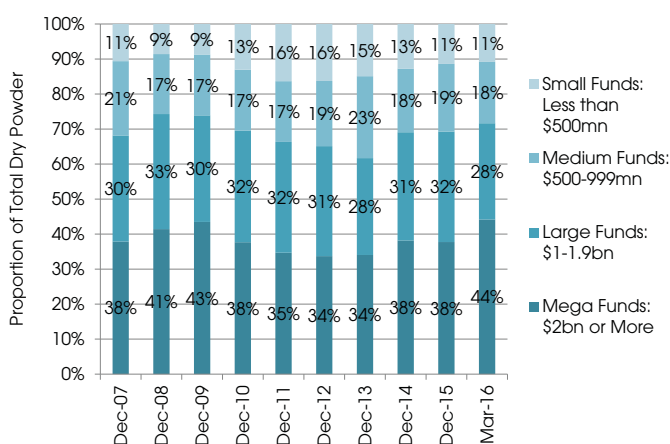
Source: Preqin Infrastructure Online

Fig. 3: PrEQIn Index: Infrastructure vs. All Private Equity Strategies and S&P 500 TR



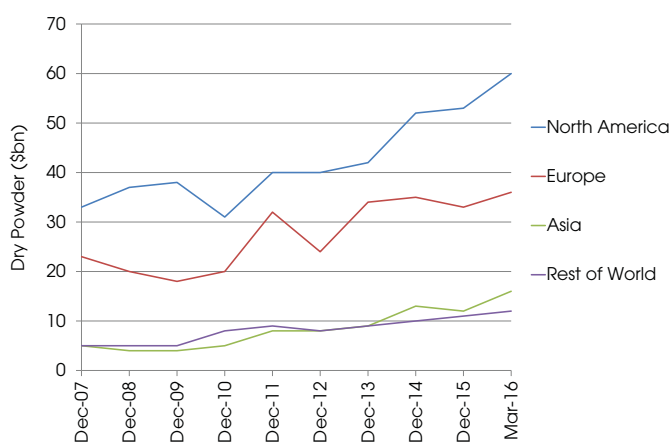
Source: Preqin Infrastructure Online

Fig. 4: Unlisted Infrastructure Dry Powder by Fund Size, December 2007 - March 2016



Source: Preqin Infrastructure Online

Fig. 5: Unlisted Infrastructure Dry Powder by Fund Primary Geographic Focus, December 2007 - March 2016



Source: Preqin Infrastructure Online



The Q1 2016 Preqin Quarterly Update: Infrastructure



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With global coverage and detailed information on all aspects of the infrastructure asset class, Preqin's industry-leading **Infrastructure Online** service keeps you up-to-date on all the latest developments in the infrastructure universe.

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