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## Fundraising Future Predictions

The significant \$8.25bn final close of Global Infrastructure Partners II at the beginning of October 2012 increased the aggregate capital raised by unlisted infrastructure funds during the year by 80% to \$18.6bn. Although this capital does not contribute to our Q3 2012 fundraising analysis, the sizeable nature of the fund shows the willingness of LPs to invest in the infrastructure asset class, particularly if a fund manager can offer attractive terms and illustrate a strong track record in the space.

However, the closure of GIP II does not alter the congested and challenging nature of the current unlisted fundraising market. Institutional investors remain highly cautious when making fresh fund commitments and several key issues continue to impact the flow of LP capital into infrastructure funds, such as high management fees, as well as concerns over liquidity and manager experience. This led to just six unlisted infrastructure funds reaching a final close in Q3 2012, raising an aggregate \$2.7bn in investor capital, 48% less than in the previous quarter.

Despite this, Preqin data shows that there is growing GP and LP interest in the infrastructure sector. Although just \$2.7bn was raised by funds that held final closes in Q3 2012, a significant \$14bn was raised by infrastructure funds holding interim closes during the quarter. This shows good market momentum and, based on the fact that many of these funds were launched within the last 18 months, also proves that fund managers are successfully raising fresh investor capital. The closure of Global Infrastructure Fund II on such a sizeable amount of capital also provides cause for cautious optimism, although this should be regarded as an exception to an otherwise restricted fundraising environment.

The current fundraising market is characterized by a large number of funds on the road targeting lower and perhaps more realistic levels of institutional capital. As of the start of Q4 2012, there are 142 unlisted infrastructure funds in market targeting an aggregate \$91.6bn. Going forward, fund managers face a prolonged fundraising process and are likely to raise less capital overall than in previous years due to ongoing market volatility and investors now following more conservative investment strategies. We therefore expect more funds to hold interim closes in the coming 12 months as opposed to final closes, in order to begin putting capital to work sooner while continuing to seek further investor commitments.

Fundraising will undoubtedly remain tough over the short-to-medium term, but based on Preqin's conversations with institutional investors, placement agents and infrastructure fund managers worldwide, the private infrastructure market looks set to grow considerably in future. Global demand for infrastructure development is increasing and the public sector no longer has the resources to meet this demand, meaning the private sector will become an even more important source of investment capital in the future. With the vast majority of active infrastructure investors primarily gaining exposure to infrastructure through commitments to unlisted funds, the future looks bright for those fund managers able to meet and exceed investor requirements.

Fig. 14: Sample of Infrastructure Funds Closing On or Above Target in Last 12 Months

Fund	Firm	Target Size (mn)	Final Close Size (mn)
ArcLight Energy Partners Fund V	ArcLight Capital Partners	2,000 USD	3,310 USD
EnCap Flatrock Midstream Fund II	EnCap Flatrock Midstream	1,250 USD	1,786 USD
InfraRed Infrastructure Fund III	InfraRed Capital Partners	1,000 USD	1,200 USD
JPMorgan Global Maritime Investment Fund	JPMorgan - Infrastructure Investments Group	750 USD	780 USD
HgCapital Renewable Power Partners Fund II	HgCapital	500 EUR	542 EUR
Philippine Investment Alliance for Infrastructure	Macquarie Infrastructure and Real Assets (MIRA)	600 USD	625 USD
Saratoga Asia Fund III	Saratoga Capital Group	450 USD	600 USD
Equitix Fund II	Equitix	150 GBP	333 GBP
Lloyds Bank European Infrastructure Partners	Lloyds Bank Project Finance Funds	200 EUR	222 EUR
FINTRA	Darby Overseas Investments	150 USD	150 USD

Source: Preqin Infrastructure Online