



Infrastructure Investors on the Hunt

Which investor types are actively looking to invest in the infrastructure asset class in 2013? What is their preferred route to market? Paul Bishop analyzes the investment preferences of active infrastructure investors and takes a look into their plans for investment in 2013.

Preqin's analysts speak to investors in infrastructure around the world every day in order to find out about the types of funds and geographies that they are actively seeking to invest in. Over 1,750 investors on Preqin's Infrastructure Online have a preference for or have previously committed to the infrastructure asset class, and based on our conversations with these investors, we have identified 662 institutions that are open to making new investments in the current market. Of these 662 investors, 56% are actively seeking new opportunities over the coming 12 months, while the remaining 44% have an opportunistic investment strategy.

Given the rising number of infrastructure funds on the road, the increased competition for commitments, and the cautious nature of investors when it comes to committing fresh capital, an understanding of investors' preferences towards infrastructure investment can help fund managers to make informed decisions when raising a fund. In this month's Infrastructure Spotlight, Preqin provides an exclusive insight into these active infrastructure investors in order to identify what fund managers should be aware of when marketing a fund in 2013.

Institutions Seeking New Infrastructure Investments

Fifty-two percent of government agencies tracked by Preqin's Infrastructure Online are currently seeking further investments in infrastructure, the highest proportion of any investor type. Of these investors, 61% are actively seeking investments as opposed to opportunistically looking to invest; this investor type may therefore prove to be a significant source of capital for fund managers in 2013. For example, Kuwait Fund for Arab Economic Development plans to commit to up to three new funds over the coming 12 months to work towards its 5% target allocation to infrastructure.

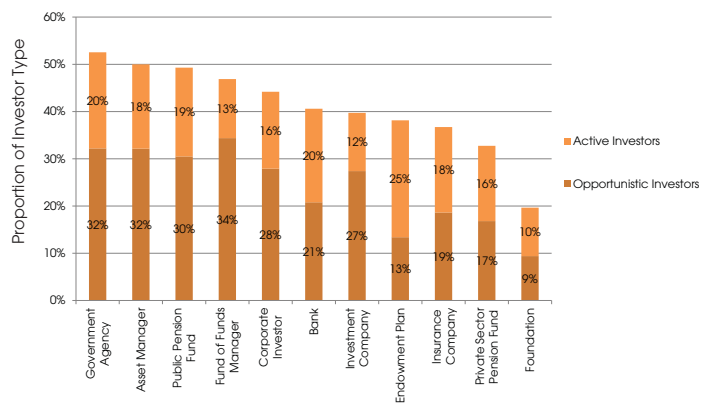
Asset managers, public pension funds and all fund of funds managers with an allocation to infrastructure are also prominent investors in the market, with 50%, 49% and 47% of each investor type respectively open to new investments in the coming year. Of these institutions, 36%, 38% and 27% respectively are actively planning to invest in infrastructure in the coming 12 months, with the remaining following an opportunistic strategy.

While infrastructure fund managers can continue to expect those investors with long-term liabilities such as insurance companies and pension funds to remain among the most active investors in the coming 12 months, it is clear many other institutions will be making new commitments to infrastructure throughout 2013.

Regional Location and Geographical Preferences

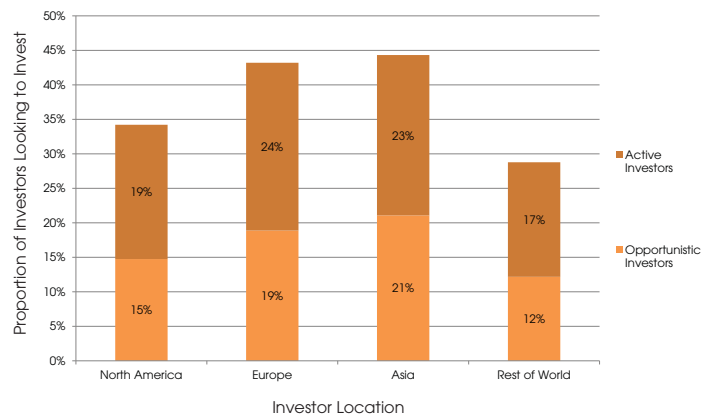
A significant 44% of Asia-based infrastructure investors are searching for new opportunities, the highest proportion of any other region (although it should be noted that the universe in terms of number is much smaller). Europe is traditionally home

Fig. 1: Proportion of Institutional Investors in Infrastructure of Each Type Searching for New Investments in the Next 12 Months: Active vs. Opportunistic



Source: Preqin Infrastructure Online

Fig. 2: Proportion of Institutional Investors in Infrastructure Seeking New Investments in the Next 12 Months by Location: Active vs. Opportunistic



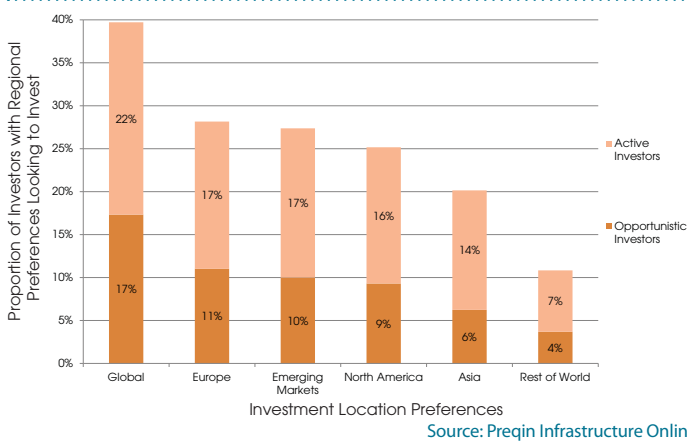
Source: Preqin Infrastructure Online

to the largest number of infrastructure investors, and 43% of the investors located in the region are searching for new investments. North American investor appetite is also strong, with 34% of North America-based investors looking to commit capital to infrastructure. Twenty-nine percent of Rest of World investors expect to make new investments in 2013.

Fund managers of infrastructure vehicles that are globally focused are likely to attract significant levels of investor capital in the coming 12 months, as shown in Fig. 3. Thirty-nine percent of infrastructure investors that maintain a global investment focus are currently open to further commitments, of which 55% will be actively investing and have firm plans to increase their exposure in the coming year.

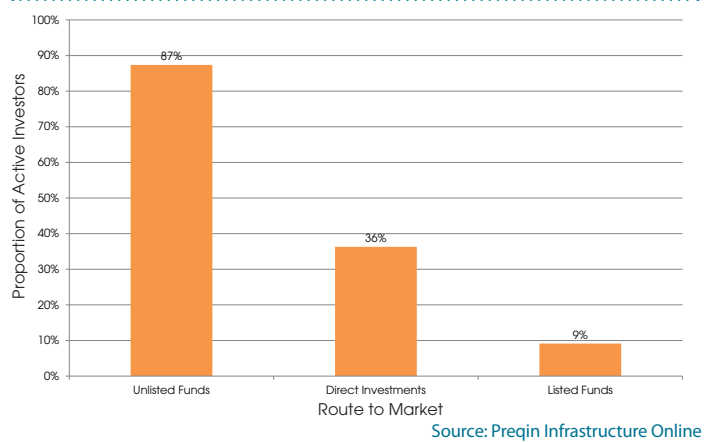


Fig. 3: Proportion of Investors in Infrastructure with Investment Location Preferences Searching for New Investments in the Next 12 Months



Finnish pension fund, Tapiola Mutual Pension Fund plans to make one to two commitments to global-focused infrastructure funds in 2013, as does Canadian insurance company Industry Alliance Insurance and Financial Services which is planning to allocate CAD150mn to global-focused infrastructure in the coming 12 months. Outside of this, Europe-focused and emerging markets-focused funds look set to be in significant demand, with 28% and 27% of investors focusing on these regions planning new investments. Twenty percent of those investors that are looking to gain exposure to Asia are seeking new investments, while 25% of investors that consider investing in North America-focused funds are looking for new vehicles to commit to.

Fig. 4: Proportion of Active Institutional Investors in Infrastructure Searching for New Investments in the Next 12 Months by Preferred Route to Market



Investment Strategy Preferences

Fig. 4 shows that unlisted fund commitments will remain the primary route to market for investors that are actively planning to make new infrastructure investments in the coming 12 months, with 87% of those LPs with firm plans to invest holding a preference for this route. Direct investments are targeted by 36% of investors actively planning to invest in infrastructure in the next year, and only 9% of active infrastructure investors favour listed funds.

In terms of strategy, investors actively seeking new investments are mainly focused on primary equity investments, with 98% expecting to favour this strategy in the coming 12 months. Sixteen percent of

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investors actively seeking new infrastructure opportunities consider debt/mezzanine funds, although only 1% of investors are purely seeking debt/mezzanine exposure as opposed to a mix of debt and equity. Just 4% of active investors plan to target infrastructure funds of funds over the coming year.

Investor Demand

While more than half of active investors in infrastructure are looking to commit between \$50mn and \$349mn in the asset class over the next 12 months, as shown in Fig. 4, a significant 16% of investors are looking to invest \$500mn or more in infrastructure vehicles in this time period. This is positive for fund managers looking to secure new capital commitments in 2013, with the majority of active investors intending to commit at least \$100mn in the year ahead. Most of the larger and more active investors are also open to direct investments in infrastructure assets.

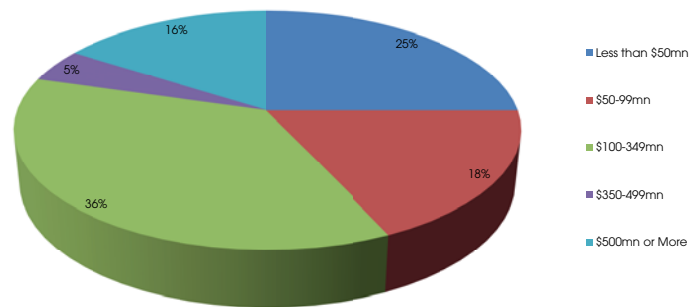
Just over half (51%) of investors with active plans to increase their exposure to infrastructure in the coming 12 months are seeking to make between one and two investments, as shown in Fig. 6, and 40% are seeking to make between three and five new investments, suggesting that investor appetite remains strong. University of Ottawa Retirement Pension Plan is one investor which plans to commit to infrastructure in 2013. The private sector pension fund is seeking to commit to up to three global or North America-focused unlisted funds over the coming year. Only 9% of active investors are seeking to make in excess of six investments in infrastructure over the next 12 months.

Outlook

Appetite for infrastructure among institutional investors continues to rise as the asset class becomes a more established and attractive investment product. Data from Preqin's Future Searches and Mandates feature shows that there are a wide range of investors of varying types and locations looking to commit capital to the asset class, as well as the large pension funds and insurance companies which have traditionally accounted for a large proportion of investors in infrastructure.

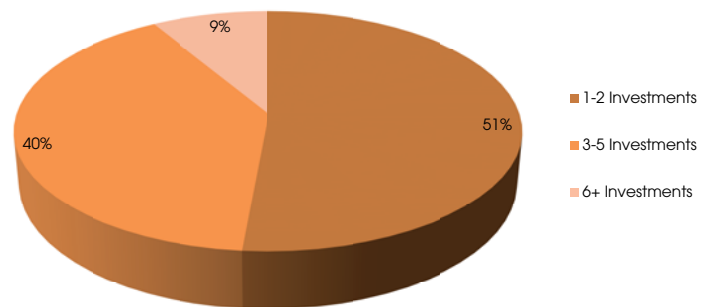
While there is a significant number of institutional investors planning to commit to infrastructure in the coming year, the

Fig. 5: Amount of Capital Active Institutional Investors Plan to Commit to Infrastructure over the Next 12 Months



Source: Preqin Infrastructure Online

Fig. 6: Number of Infrastructure Investments Active Institutional Investors Plan to Make over the Next 12 Months



Source: Preqin Infrastructure Online

fundraising market remains crowded and most fund managers looking to market infrastructure funds will need to target a diverse investor base for their offerings if they are to be successful.

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Looking to source new investors for your fund? Subscribers to Preqin's [Infrastructure Online](#) can click [here](#) to view detailed profiles and investment plans of 662 institutional investors that are looking to make new commitments over the next 12 months via the Future Searches and Mandates feature.

The Future Searches and Mandates feature is the perfect tool to pinpoint those institutions that are seeking new infrastructure funds for investment now. Search for potential new investors by current investment searches and mandates, including fund type and regional preferences, timeframes for next investment, and much more.

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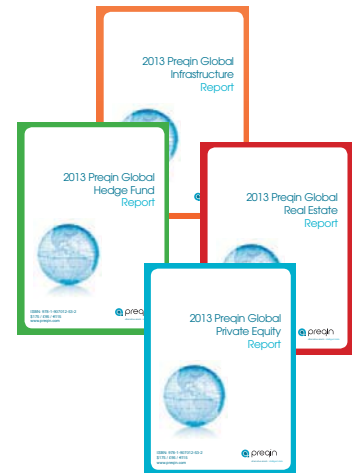
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