

Welcome to Infrastructure Spotlight, the monthly newsletter from Preqin providing insights into performance, investors, deals and fundraising. Infrastructure Spotlight contains information from our online product, Infrastructure Online.

Cleantech and Renewable Energy

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Cleantech and Renewable Energy Infrastructure

As the private equity cleantech and renewable energy market continues to grow, we explore the role infrastructure funds are playing in the development of this booming sector.

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- Fundraising
- Fund Performance
- Investor Profiles
- Deals

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Investor Spotlight

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All the latest news on investors in infrastructure, including:

- John Hancock Financial Services
- Verma Mutual Pension Insurance Company
- Derbyshire County Council Pension Plan

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Cleantech and Renewable Energy Infrastructure

Private equity cleantech and renewable energy is a booming sector in the global marketplace, with numerous investment opportunities arising from the need to address the negative impact of human activity on the environment. The vast majority of private equity fund managers investing in cleantech opportunities are venture capital firms (77%), but a further 12% of all managers involved in the sector manage infrastructure funds.

Cleantech encompasses a range of technologies and industries designed to improve the operational efficiency of product services and processes, while reducing energy consumption, waste and/or pollution. Consequently, there is significant scope for private equity infrastructure firms to invest in renewable energy projects such as solar, wind, geothermal, hydroelectric etc, as well as in environmental services like water and waste recycling.

Fundraising

As shown in Fig. 1, cleantech and renewable energy infrastructure fundraising rose steadily between 2005 and 2007, with the number of funds doubling and aggregate capital raised trebling during the period. Cleantech infrastructure fundraising reached its peak in 2007 when eight funds raised over \$1.5 billion in capital commitments. However, the financial crisis resulted in difficult fundraising conditions in 2009, and as a result, only three vehicles focusing exclusively on the sector were closed, raising \$0.4 billion.

There are 25 cleantech and renewable energy-focused infrastructure funds currently in market, seeking an aggregate \$11.5 billion. As shown in Fig. 2, funds primarily focused on European assets account for both the majority of vehicles on the road and the highest proportion of target capital, with 14 funds looking to raise \$7.2 billion. In terms of capital sought, North America is the next most significant region with four funds seeking to raise \$2.4 billion, while there are seven

cleantech infrastructure funds in market primarily focused on Asia and Rest of World looking to raise \$1.9 billion.

The range of fund sizes being targeted by cleantech infrastructure funds in market is split fairly evenly, as shown in Fig. 3. The highest proportion of funds on the road, 32%, are targeting between \$101 million and \$250 million. 16% of funds are targeting up to \$100 million, 20% are targeting \$251-500 million, 16% are targeting \$501-999 million and a further 16% are targeting at least \$1 billion.

In terms of manager location, the majority of cleantech and renewable energy infrastructure funds on the road, 64%, are being raised by firms based in Europe, as shown in Fig. 4. A further 20% of funds are managed by firms located in Asia and Rest of World, and the remaining 16% are managed by firms headquartered in North America.

Investor Interest

The cleantech and renewable energy sector covers a diversified range of technologies and industries, meaning that institutional investors are able to gain exposure to such opportunities through different investment strategies and for different purposes. Many government agencies are required to act responsibly and aid in the development and enhancement of renewable energy, clean technology and environmental services for socio-political reasons, while other investors such as pension plans and investment banks intend to capitalize on the profitability of the sector.

The majority of cleantech funds are raised by venture firms and a significant number of institutional investors investing in the sector gain exposure by making commitments to venture funds. As shown in Fig. 5, 60% of investors active in the space have made at least one commitment to a venture vehicle. However, infrastructure funds are

Fig. 1:

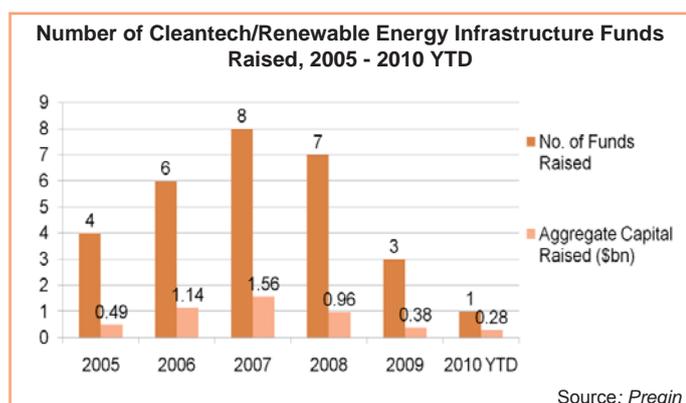
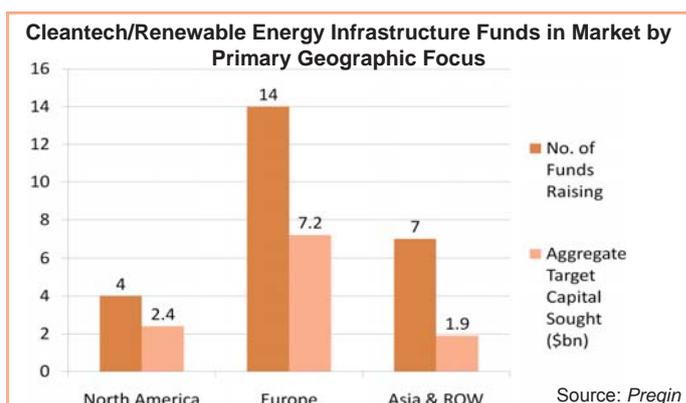


Fig. 2:



also popular with 28% of investors choosing to gain exposure to the sector via this route.

Investor interest in cleantech and renewable energy assets looks set to continue as the private equity markets show signs of recovery. Venture funds will continue to dominate the sector, but investors will increasingly be gaining exposure to cleantech and renewable energy assets through infrastructure vehicles as the market matures and more investment opportunities for infrastructure stage deals start appearing

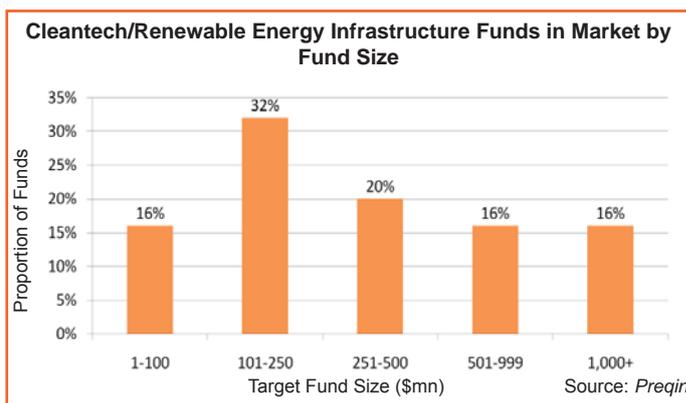
Significant Deals Made in 2010

A number of significant cleantech and renewable energy deals have been completed by unlisted fund managers so far in 2010, including Platina Partners' purchase of the Fruges Wind Farm through its European Renewable Energy Fund. The vehicle purchased the facility from Infigen Energy for €71.3 million in April 2010. Fruges is a 140MW wind power generation plant located in Pas de Calais, France.

In the US, USRG Power and Biofuels Fund III established Westery Wind in March 2010. The fund is the sole owner of the company, which focuses on providing capital and expertise to advance the development of wind energy projects in all phases of development throughout the US.

Infrastructure Fund of Colombia and ContourGlobal purchased a 92% stake in Ternoemcali, in a deal worth \$187 million. Ternoemcali is the owner and operator of a 233MW geothermal power facility located near the city of Cali, Colombia. International Finance Corporation (IFC) provided a debt financing package for the transaction.

Fig. 3:



Looking to the Future

Although the initial buzz surrounding the cleantech industry driven by political and media appetite has perhaps passed, the issue of protecting the environment is clearly one that lingers. Investors now recognize cleantech and renewable energy as a mainstream investment strategy and despite disappointing fundraising in 2009, it remains a sector that has expanded significantly in recent years and retains future growth potential. There is still a gap in the spending required to curb the rate of global warming and this will need to be filled by the private sector.

Of the 25 cleantech and renewable energy infrastructure funds that are currently on the road, 10 have already held at least one interim close, indicating good momentum within the market. This is expected to continue as investor appetite grows and investors continue to utilize different strategies to gain exposure to the industry.

Elliot Bradbrook

Fig. 4:

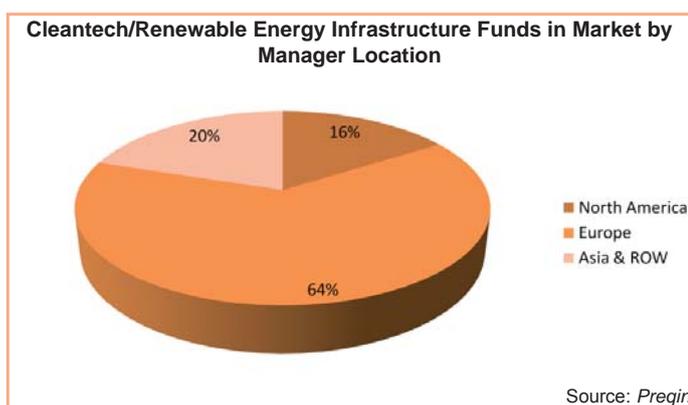
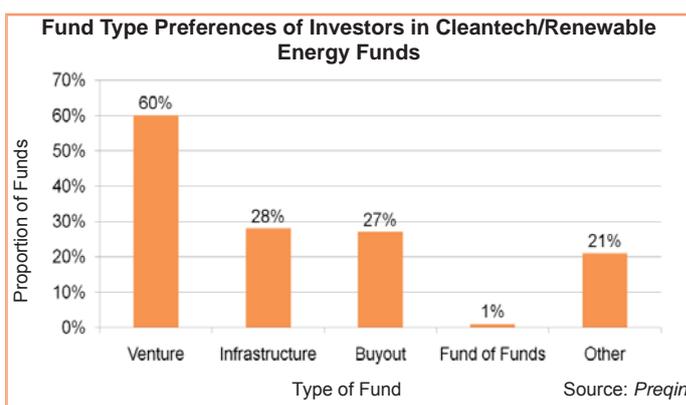


Fig. 5:



Fundraising Spotlight

Funds on the Road

Funds on the Road	US	Europe	RoW	Total
Number	20	37	46	103
Total Target Value (\$bn)	26.1	34.7	21.8	82.6
Average Target Size (\$bn)	1.3	0.9	0.5	0.8

Source: Preqin

Recently Closed Fund

InfraMed

Manager: EFG-Hermes Private Equity
Target Size (mn): 1,000 EUR
First Close (mn): 385 EUR (May 2010)
Target IRR (Net): 12-16%
Geographic Focus: Africa, Europe, Middle East
Industry Focus: Energy, Social Infrastructure, Transportation
Sample Investors: Caisse de Depot et de Gestion, Casa Depositi e Prestiti Spa, CDC Infrastructure, European Investment Bank.

10 Largest Funds on the Road

10 Largest Unlisted Infrastructure Funds on the Road

Fund	Manager	Target Size (mn)	Manager Location
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	3,000 EUR	UK
Energy Capital Partners II	Energy Capital Partners	3,500 USD	US
Highstar Capital IV	Highstar Capital	3,500 USD	US
Macquarie European Infrastructure Fund III	Macquarie Capital Funds	2,500 EUR	Australia
KKR Infrastructure Fund	Kohlberg Kravis Roberts	2,500 USD	US
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK
Blackstone Infrastructure Fund	Blackstone Infrastructure Partners	2,000 USD	US
Macquarie State Bank of India Infrastructure Fund	Macquarie Capital Funds	2,000 USD	Australia
Table Rock Partners	Table Rock Capital	2,000 USD	US
Marguerite Fund	Marguerite Adviser	1,500 EUR	Luxembourg

Source: Preqin

Fig. 1:

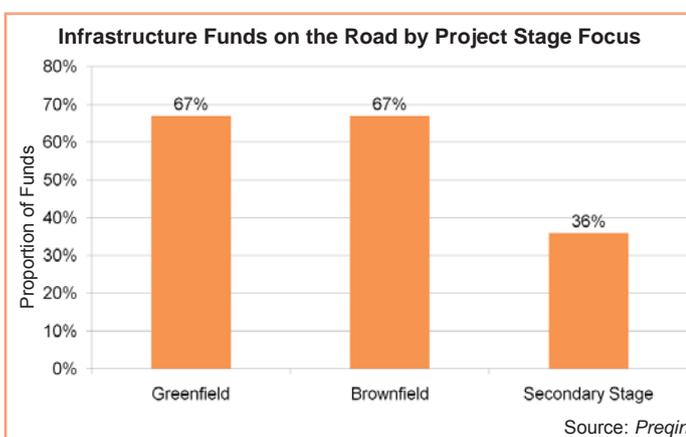
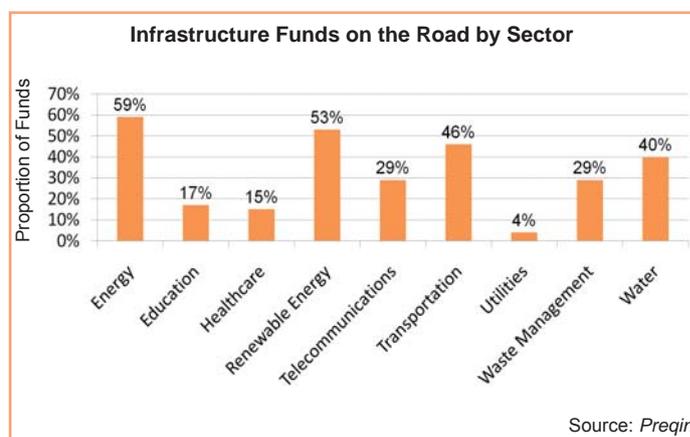


Fig. 2:



Deals Spotlight

Recently Closed Deal

Greenstar

In June 2010, Global Infrastructure Partners and Montagu Private Equity acquired a combined 100% stake in Greenstar for GBP 135 million from NTR Group. Greenstar is a recycling-led waste management service provider with operations in the UK and Ireland, and the US. The consortium purchased Greenstar in order to integrate it with its existing portfolio company Biffa. Both GIP and MPE acquired Biffa in February 2008.

Total Stake: 100%

Total Deal Size (mn): GBP 135

Investors: Global Infrastructure Partners, Montagu Private Equity

Seller: NTR Group

Project Stage: Secondary Stage

Fig. 1:

Number of Deals Made By Unlisted Fund Managers by Sector: 1994 - 2010 YTD

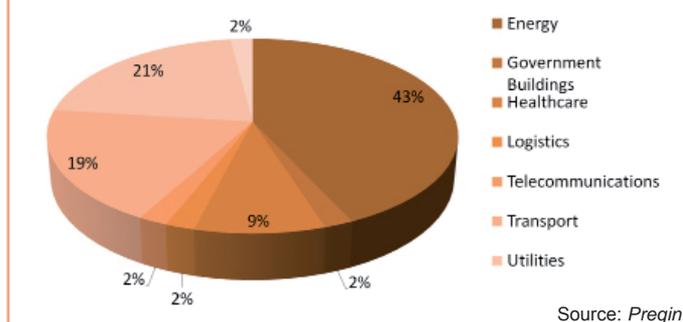


Fig. 2:

Infrastructure Deals Made by Unlisted Fund Managers by Region: 1994 - 2010 YTD

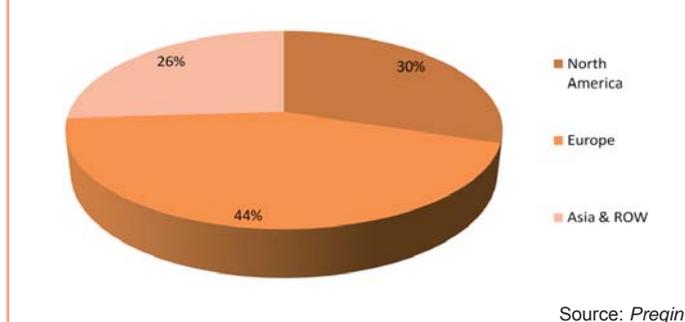


Fig. 3:

10 Most Active Unlisted Infrastructure Fund Managers in Last 12 Months

Fund Manager	Number of Investments in the Last 12 Months	Total Raised through Unlisted Infrastructure Funds (mn)
DIF	11	EUR 638
Equitix	11	GBP 107
LS Power Group	10	USD 4,285
Innisfree	8	GBP 2,416
Energy Capital Partners	6	USD 5,250
Platina Partners	6	EUR 402
Meridiam Infrastructure	6	EUR 706
Global Infrastructure Partners	5	USD 5,640
Actis	5	USD 1,602
AXA Private Equity	5	EUR 1,362

Source: Preqin

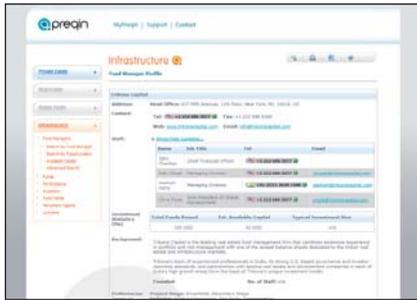
Conferences Spotlight: Forthcoming Events

Conferences

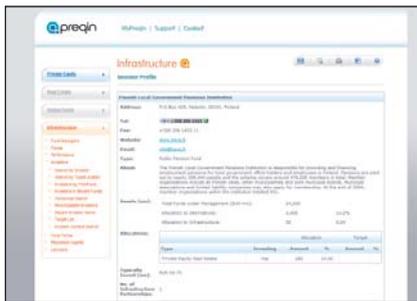
CONFERENCE/EVENT	DATES	LOCATION	ORGANIZER
Finance & Development Asia India Summit 2010	26 - 27 Aug	Delhi	Incisive Media
Infrastructure Investment World Asia 2010	31 Aug - 3 Sept 2010	Hong Kong	Terrapinn
Infrastructure Investment World Brazil 2010	31 Aug - 1 Sept 2010	Rio de Janeiro	Terrapinn
5th Annual North American Energy and Infrastructure Finance Forum	16-17 Sept 2010	New York	Euromoney Seminars
Institutional Investing in Infrastructure	31 Oct-2 Nov	Washington DC	IREI
AIS 2010 Abu Dhabi Showcase of Alternative Investment Funds	3-4 Nov	Abu Dhabi	Leoron Events
Infrastructure Investment World Africa 2010	8-10 Nov 2010	Johannesburg	Terrapinn
Infrastructure Investment World India 2010	22-24 Nov 2010	Mumbai	Terrapinn
Infrastructure Investment World Europe 2010	30 Nov-3 Dec 2010	London	Terrapinn

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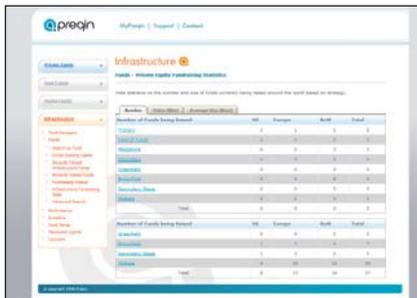
INVESTORS: See detailed profiles for over 600 investors who are actively investing in infrastructure funds. Investors include infrastructure fund of funds, pension funds, endowments, family offices and other institutional investors. Detailed profiles include background, contact details, investment plans, preferred fund strategies and known previous investments in infrastructure funds.



FUND TERMS: What are the typical terms that a infrastructure fund charges? What are the implications of making changes to different fees? How do these fees vary between fund type and strategy?

FUNDS: Detailed profiles of over 400 listed and unlisted infrastructure funds encompassing all strategies including primary, secondary, mezzanine and fund of funds; and details on the fund's investment preferences in terms of project stage, industry and geographic region.

PERFORMANCE: View the performance data for individual funds, and extensive benchmark data for called-up, distribution, remaining value, IRRs and multiples



FUND MANAGERS: View detailed profiles on over 250 Fund Managers from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular fund strategies, infrastructure industry types, infrastructure project stages or locations.

DEALS: Details on which funds are bidding for, buying or selling infrastructure assets. Includes information on the type of infrastructure asset and location, data on the equity invested and the percentage stake acquired by the fund, information on the deal date, structure and duration plus names of funds' co-investors in transactions.

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Investor Spotlight: Investor News

Varma Mutual Pension Insurance Company to make further fund commitments

The EUR 30 billion insurance company is looking to invest EUR 100 million in the infrastructure asset class in the coming 12 months. Varma will commit to one or two unlisted infrastructure funds predominantly targeting European infrastructure assets, but will also consider funds with a focus on North America.

The insurance company does not intend to invest the capital immediately but expects additional fund commitments to take place in either Q4 2010 or in early 2011. Varma began investing in unlisted infrastructure funds in 2004 and currently has a total of EUR 600 million invested in seven infrastructure vehicles.

Derbyshire County Council Pension Plan monitoring infrastructure fund market

The GBP 2.4 billion pension plan has no defined plans to make additional infrastructure investments in the remainder of 2010, but it is actively reviewing the opportunities available. Any future investments must add diversification to its current infrastructure portfolio, which consists of a single commitment to Equitix Fund I, a vehicle that invests in UK PFI social infrastructure projects. The pension plan is monitoring unlisted funds that invest outside the UK and offer exposure to core economic infrastructure assets. The infrastructure projects must be at least partially operational and not involve a public-private partnership (PPP/PFI) finance model.

Manitoba Public Insurance looking to make debut infrastructure investments

The CAD 2.2 billion insurance company has hired Towers Watson as its infrastructure-specific consultant to help develop a defined infrastructure investment strategy with a view to making infrastructure manager hires in Q3 and Q4 2010. Manitoba is looking to invest 5% of its total assets in infrastructure, which currently equates to approximately CAD 110 million. The insurance company expects to focus on core economic infrastructure sectors such as telecommunications, transportation and utilities, primarily within North America, although a defined investment policy has not yet been implemented. It will consider both traditional private equity infrastructure funds and fund of funds vehicles. Manitoba Public Insurance has not previously invested in infrastructure opportunities, but will do so as part of a new inflation-linked allocation and an expansion to its pre-existing alternatives exposure, which includes allocations to both private equity and real estate.

Louisiana School Employees' Retirement System may invest in infrastructure via new opportunistic allocation

The USD 1.31 billion pension fund has established a 6% allocation to opportunistic investments. Although no investments will be made until July at the earliest, Louisiana School Employees' Retirement System (LSERS) has hinted that this

new allocation may feature its first exposure to infrastructure. Investments in commodities and real estate will also be considered. The pension fund has been considering investing in infrastructure for some time, having held an educational presentation on the asset class at its Investment Committee Meeting in September 2009.

Industriens Pensionsforsikring to invest significant capital in infrastructure over next 12 months

The USD 13.2 billion Danish pension plan will continue to invest in unlisted funds over the next 12 months. It currently has commitments to eight infrastructure funds, and is in advanced stages of due diligence for a further three, as it seeks to move towards an infrastructure allocation of 5% of its total assets. Its present level of exposure stands at around 3.7%. Although its additional investments will primarily be in the form of re-ups, the pension plan will also very selectively seek out new managers. Industriens Pensionsforsikring's current infrastructure exposure extends across both developed nations in Europe and North America and emerging markets in Asia and South America. It has invested, via its fund commitments, in a range of economic and social sectors.

John Hancock Financial Services to continue infrastructure investments over next 12 months

The investment arm of John Hancock Life Insurance, with USD 65 billion under management, will invest opportunistically in infrastructure over the next 12 months. The firm already has significant exposure to the asset class with around USD 1.7 billion, or 2.6% of total assets, invested. Half of this figure comprises unlisted fund commitments with the other half invested directly in assets. The firm does not invest in listed funds. Since its initial move into infrastructure in the 1980s, John Hancock has developed a large portfolio of assets throughout North America, primarily targeting the energy and renewable energy sectors. It has made commitments to funds managed by ArcLight Capital Partners, Energy Investors Funds and Tenaska Capital Management. Despite considering first-time funds, John Hancock generally seeks managers with a positive track record.

Alastair Scott

Each month Spotlight provides a selection of the recent news on institutional investors in infrastructure.

This month, 13 new investors have been added and 261 investor profiles updated. More news and updates are available online for Infrastructure Online subscribers.

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