

Welcome to the latest edition of Infrastructure Spotlight, the monthly newsletter from Preqin providing insights into infrastructure performance, investors and fundraising. Infrastructure Spotlight uses information from our online product Infrastructure Online.

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Volume 2 - Issue 11

FEATURED PUBLICATION:

The 2010 Preqin Infrastructure Review

More information available at:
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Infrastructure Spotlight

November 2010

Feature

The Infrastructure Debt Fund Market

As infrastructure fund managers continue to contend with a lack of available debt finance, we take an in depth look at the unlisted infrastructure debt fund market and consider the outlook for the sector
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Data



You can download all the data in this month's Spotlight in Excel.

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. Feel free to use the data in any presentations, but please remember to cite Preqin as your source.

IJ Future Finance Forum

The only event to provide all the financial information needed to overcome adversity and rise to challenges for success in 2011
9-10 February 2011, London, UK
<http://www.ij-futurefinance.com>

Dear Preqin Subscriber,

Preqin is delighted to invite you to attend Infrastructure Journal's Future Finance Forum in London on 9th and 10th February 2011.

IJ Future Finance Forum will give the most comprehensive view of the future for infrastructure financing with statistics, data, insight and:

- Provide a macro-economic overview of Europe and the UK
- Uncover how to access the capital markets
- Give precise figures of available commercial bank capital
- Assess the likelihood of re-emergence of the bond markets
- Divulge how to overcome challenges in both the primary and secondary infrastructure markets: where will deal flow emerge from and what will be driving it?
- Inform you as to the future of Equity allocation and appetite for Infrastructure investment

I will be taking part in the Stream B: Secondary Market/Brownfield Roundtable discussion on planning your portfolio: growth sectors in 2011.

Other speakers at the event include:

- David Smith, Economics Editor, Sunday Times
- Peter Reekie, Finance Director, Scottish Futures Trust
- Julia Prescott, Partner, Meridiam
- Steven Wirth, Managing Director, UBS Investment Bank
- Gershon Cohen, Managing Director, Project Finance, Lloyds Banking Group
- Marc Bajer, CEO, Hadrian's Wall Capital
- Mike Redican, Managing Director, Debt Capital Markets, Deutsche Bank
- Stuart Lea, Managing Director, Leveraged & Acquisition Finance, HSBC

The most valuable two days out of the office, the IJ Future Finance Forum is the only place to provide you with the vital information and contacts you need to decide where the best opportunities lie for your company.

For more information, please visit www.ij-futurefinance.com or call the IJ Customer Services team on

0845 056 8069.

I hope to see you and your colleagues at the Forum in November.

Yours sincerely,

Elliot Bradbrook
Head of Infrastructure Research, Preqin

The Infrastructure Debt Fund Market

Elliot Bradbrook takes an in-depth look at infrastructure debt funds and considers the future prospects for this sector of the market

The unlisted infrastructure debt fund market, which includes funds that provide mezzanine financing, has historically been a small and fairly niche sector within the asset class. The completion of infrastructure projects traditionally requires a significant proportion of debt, which was limited by the contraction of the credit markets during the financial crisis. This has extended into 2010, with annual deal volume considerably down on previous years. Consequently, more unlisted infrastructure fund managers have begun raising debt funds in order to compensate for the shortfall in supply and to capitalize on the increasing demand for debt financing.

Preqin is currently tracking 30 infrastructure debt funds, 27 of which are traditional closed-ended vehicles, one of which is open-ended, one an evergreen fund and one a listed vehicle.

14 of the closed-ended funds have reached a final close, raising an aggregate \$5.5bn. The remaining 13 funds are currently raising capital, seeking a further \$6.5bn in total. These debt funds account for 11% of all funds currently on the road

and 8% of the total capital being sought by infrastructure fund managers worldwide.

Vintages

Fig. 1 provides a breakdown of the closed-ended infrastructure debt fund market by vintage year. There are seven vintage 2006 funds, the most of any vintage to date. Three funds are confirmed as vintage 2010, including FINTRA, managed by Darby Overseas Investments. FINTRA held a \$150mn first close in August 2010 and will provide both debt and equity financing to a range of transportation and energy projects in Colombia. It plans to raise \$300mn in total capital commitments.

There are seven debt funds currently raising capital, five of which are expecting to hold an interim close before the end of 2010. Three of the 13 infrastructure debt funds in market are expecting to hold a final close in either Q4 2010 or Q1 2011.

Investment Strategy

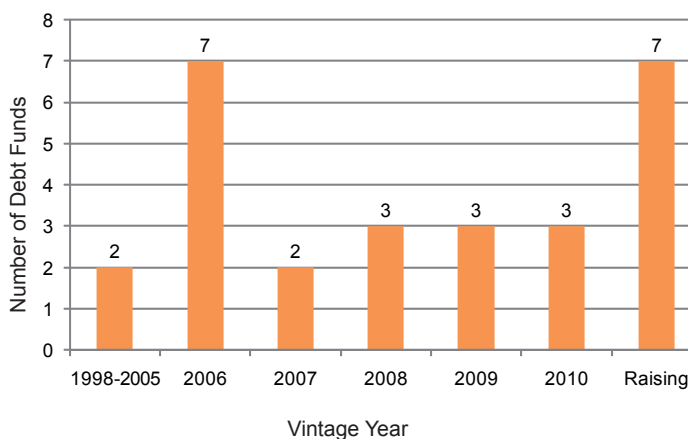
The current infrastructure debt fund market consists of both pure debt/mezzanine funds, and funds that plan to make both debt and equity investments.

“There are currently seven debt funds raising capital, of which five are expecting to hold an interim close before the end of 2010...”

As shown in Fig. 2, 44% of funds providing debt financing are solely debt-focused vehicles. Aviva Investors Hadrian Capital Fund I and AMP Infrastructure Debt Fund are two such funds and are seeking to raise £1bn and €500mn respectively. Aviva Investors Hadrian Capital Fund I will provide senior debt loans to European infrastructure projects and AMP Infrastructure Debt Fund will provide subordinated debt to both social and economic assets globally, including PPP/PFI projects.

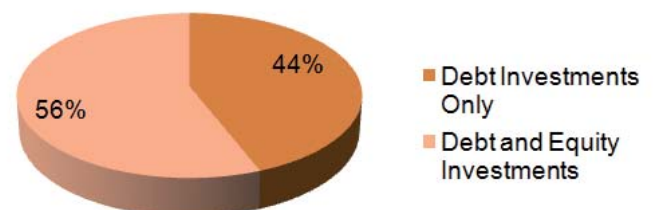
56% of debt funds intend to make both debt and equity investments. One example is DG Infra Yield, managed by Infran, which will provide a mixture of mezzanine, senior debt and equity to infrastructure projects in the Benelux region. The fund

Fig. 1: Number of Closed-Ended Infrastructure Debt Funds by Vintage Year



Source: Preqin

Fig. 2: Proportion of Infrastructure Debt Funds Making Only Debt Investments



Source: Preqin

will make equity investments in mature secondary stage assets but will also provide debt financing to greenfield and brownfield opportunities.

Primary Geographic Focus of Infrastructure Debt Funds

Fig. 3 gives a breakdown of the primary regional focus of infrastructure debt funds. Asia and Rest of World is the most targeted region, with 19 debt funds primarily focused on assets in these countries. Seven of these funds are managed by Darby Overseas Investments, a debt and mezzanine fund specialist focused on emerging markets. The firm closed its first emerging market debt fund, Darby Asian Infrastructure Mezzanine Capital Fund, in 1998 and has raised \$1.8bn to date for debt finance. Seven funds are focused on Europe and one targets North American assets.

Manager Location

Fig. 4 shows that 12 infrastructure debt funds are managed by firms based in North America, nine by firms based in Asia and Rest of World and six by firms based in Europe. Despite the dominance of Asia and Rest of World-focused infrastructure debt funds in terms of numbers, comparatively few of these vehicles are managed by firms based within this region.

Largest Infrastructure Debt Funds

The table in Fig. 5 shows the five largest infrastructure debt funds in terms of size or target size. Abraaj Infrastructure and Growth Capital Fund closed on \$2bn in 2007 and is the largest infrastructure debt

fund to close to date. Other significant debt funds include Hastings Infrastructure Debt Fund III and Cordiant Emerging Infrastructure Loan Fund, both currently in market seeking €1bn and \$750mn respectively.

Investor Sentiment towards Infrastructure Debt Funds

Preqin is currently tracking 72 institutional investors that have either previously invested in an infrastructure debt fund or would consider doing so in the future. A number of these are banking institutions that have previous experience in direct debt financing and would consider gaining similar exposure through commitments to third-party vehicles. Investors may also look to gain exposure to infrastructure debt funds as a means of further diversification within their infrastructure portfolios. Debt funds could also attract smaller investors due to the lower level of fees that are traditionally associated with debt vehicles as a result of lower management overheads.

In a Preqin survey conducted in June 2010, 20% of surveyed investors stated that the availability of debt is a major issue facing the infrastructure asset class. This is clearly affecting deal activity, with 2010 deal flow down considerably from previous years, as shown in Fig. 6. The debt that is available is often too expensive for many fund managers to take advantage of. Therefore, in order to overcome this gap unlisted debt funds are likely to play a greater role in providing an alternative source of debt financing in the future.

Outlook

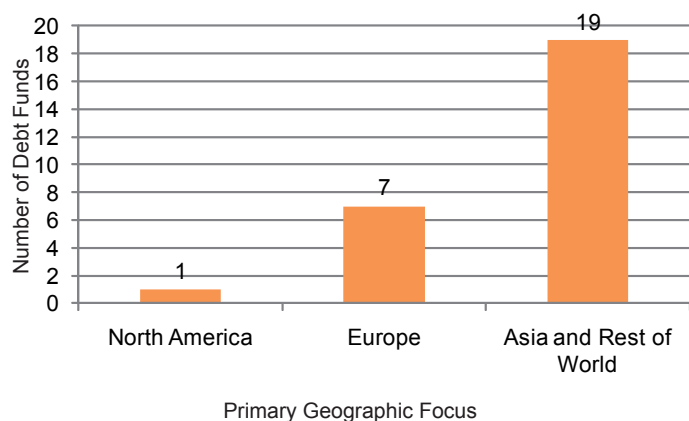
Infrastructure project finance requires a significant proportion of debt (often 70-90% of the transaction value), and the demand for debt financing is rising as the global need for infrastructure development increases. As a result, fund managers will have to acquire this debt from alternative sources other than traditional bank loans and bonds.

A record number of unlisted infrastructure debt funds is currently raising capital due to a lack of available or affordable debt from traditional sources. Although the number of debt funds in market has remained relatively small since 1998, the market looks set to more than double in size over the next 12-24 months, with 13 funds currently on the road looking to raise \$6.5bn. It is clear that an increasing number of fund managers and investors are looking to the strategy in order to capitalize on the tight credit market and this trend looks set to continue, with several debt funds in the planning stages and potentially coming to market in the coming months.

[Download Data](#)



Fig. 3: Number of Infrastructure Debt Funds by Primary Geographic Focus



Source: Preqin

Fig. 4: Number of Infrastructure Debt Funds by Manager Location



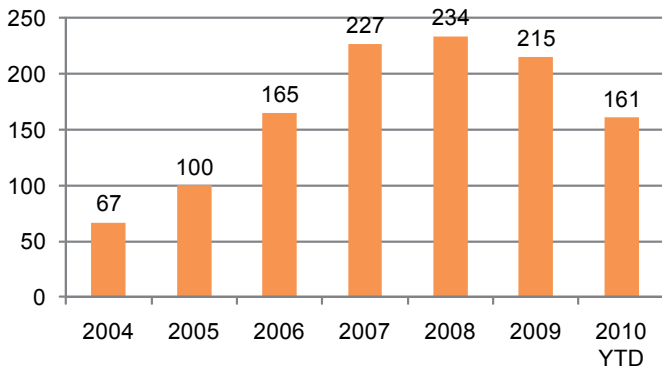
Source: Preqin

Fig. 5: Five Largest Infrastructure Debt Funds Raised/Raising

| Fund | Manager | Size (mn) | Status | Manager Location |
|---|---------------------------|-----------|---------|----------------------|
| Abraaj Infrastructure and Growth Capital Fund | Abraaj Capital | 2,000 USD | Closed | United Arab Emirates |
| Aviva Investors Hadrian Capital Fund I | Aviva Investors | 1,000 GBP | Raising | UK |
| Hastings Infrastructure Debt Fund III | Hastings Funds Management | 1,000 EUR | Raising | Australia |
| Cordiant Emerging Infrastructure Loan Fund | Cordiant Capital | 750 USD | Raising | Canada |
| AMP Infrastructure Debt Fund | AMP Capital Investors | 500 EUR | Raising | Australia |

Source: Preqin

Fig. 6: Number of Deals Completed by Unlisted Infrastructure Fund Managers, 2004-2010 YTD



Source: Preqin

Data Source:

Infrastructure Online

Infrastructure Online is the most comprehensive resource available to infrastructure professionals today. It is a vital source of information whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor. Information is available on investors, fund terms, fundraising, performance, fund managers and deals.

www.preqin.com/infrastructure

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INFRASTRUCTURE JOURNAL
Supporting Infrastructure Investment

Inaugural Infrastructure Investor M&A Seminar

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The Future of European Infrastructure M&A: Opportunities and Realities of Investment in an Evolving Landscape

Forced asset sales, government disposals and increased appetite by institutional investors is ensuring the Brownfield M&A space moves apace in spite of the uncertain and economically challenging financial landscape.

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The seminar will discuss:

- Where will deals emerge from?
- What sectors will be the most active?
- What's driving deal flow?

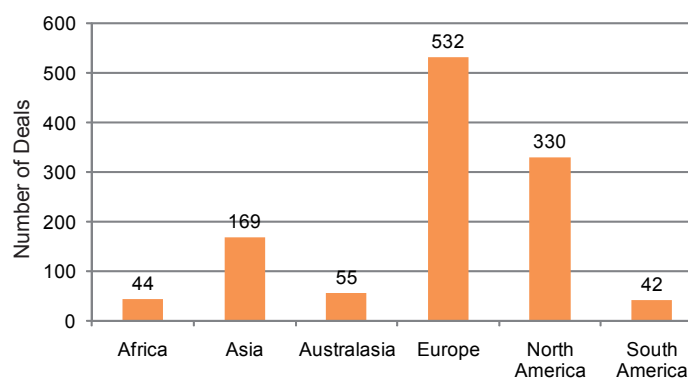
Confirmed speakers include: Enrique Fuentes, Corporate Development Director, **Ferrovial**; Mathias Burghardt, Head of Infrastructure, **AXA Private Equity**; Philippe Lenoble, Managing Director, **Goldman Sachs Infra Group**; Simon Gray, Founding Partner, **Arcus Infrastructure Projects**; Marcus Ayres, Director Transactions, **First State Investments**; Ed Clarke, Director, **Infracapital**; Steven Wirth, Managing Director, **UBS Investment Bank**; John Russell, Infrastructure UK, **HM Treasury**

Agenda
www.ijonline.com/Downloads/Website/Infrastructure_Investor_MA.pdf

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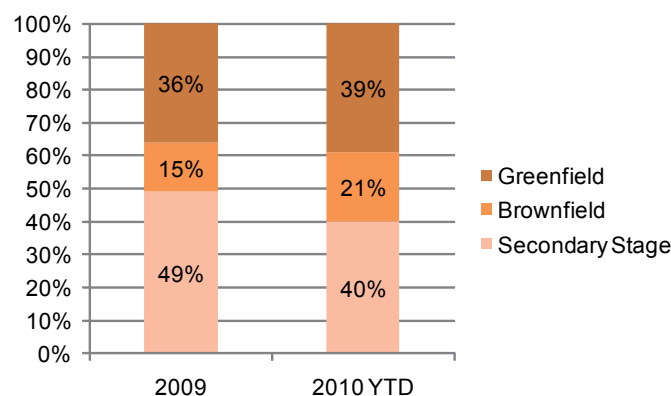
Deals Spotlight

Fig. 1: Number of Deals Completed by Unlisted Infrastructure Fund Managers by Region, 2004 - 2010 YTD



Source: Preqin

Fig. 2: Breakdown of Infrastructure Deals by Project Stage, 2009 - 2010 YTD



Source: Preqin

Fig. 3: Most Active Unlisted Infrastructure Fund Managers in the Last 12 Months

| Fund Manger | No. of Investments in Last 12 Months | Total Raised through Unlisted Infrastructure Funds (bn) |
|--|--------------------------------------|---|
| DIF | 16 | EUR 0.8 |
| Macquarie Infrastructure and Real Assets | 12 | USD 20.3 |
| Equitix | 10 | GBP 0.1 |
| NIBC Infrastructure Partners | 8 | EUR 0.4 |
| Innisfree | 7 | GBP 1.8 |
| Morgan Stanley Infrastructure | 7 | USD 4.0 |
| Meridiam Infrastructure | 6 | EUR 0.7 |
| EnerCap Capital Partners | 6 | EUR 0.1 |
| Energy Capital Partners | 5 | USD 6.6 |
| RREEF Infrastructure | 5 | EUR 2.0 |

Source: Preqin

[Download Data](#)



Recently Closed Deal: Port of Brisbane

In November 2010, a consortium led by Global Infrastructure Partners and including QIC, Industry Funds Management and Abu Dhabi Investment Authority acquired a 99-year lease for the Port of Brisbane for AUD 2.1 billion. The Port of Brisbane is located at the mouth of the Brisbane River on the east coast of Australia and is the largest sea port in Queensland.

The deal also included an AUD 0.2 billion commitment to fund an upgrade to the Port of Brisbane Motorway. The GIP consortium was preferred to a rival joint-bid from Morgan Stanley Infrastructure Partners and UniSuper.

Deal Date – November 2010

Deal Size (mn) – AUD 2,100

Stake – 100%

Investors – Global Infrastructure Partners, QIC, Industry Funds Management, Abu Dhabi Investment Authority

Project Stage – Secondary Stage

Data Source: Preqin Infrastructure Online

Preqin Infrastructure Online provides 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.

www.preqin.com/infrastructure

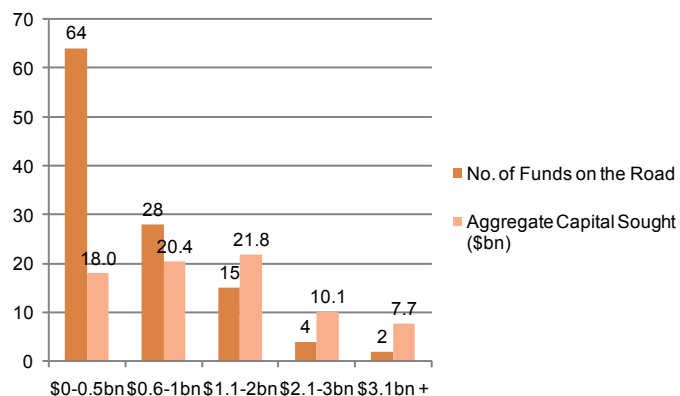
Fundraising Spotlight

Fig. 1: Number of Infrastructure Funds on the Road

| Number of Funds on the Road | | | | |
|-----------------------------|------|--------|-----------|-------|
| Funds on the Road | US | Europe | Asia& ROW | Total |
| Number | 28 | 38 | 47 | 113 |
| Total Target Value (\$bn) | 26.4 | 29.3 | 22.3 | 78.0 |
| Average Target Size (\$bn) | 0.9 | 0.8 | 0.5 | 0.7 |

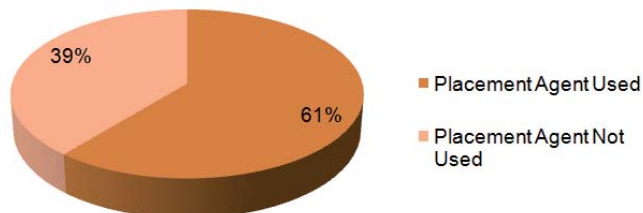
Source: Preqin

Fig. 2: Infrastructure Funds on the Road by Target Size



Source: Preqin

Fig. 3: Use of Placement Agents by Infrastructure Funds on the Road



Source: Preqin

Recently Closed Fund: Antin Infrastructure Fund

Manager – Antin Infrastructure Partners

Target Size (mn) – EUR 1,000

Final Close (mn) – EUR 1,100 (September 2010)

Geographic Focus – North America, Europe, OECD

Industry Focus - Energy, Environmental Services, Natural Resources, Railway, Roads, Sea Ports, Telecom, Transportation

Target IRR (Gross) – 15%

Placement Agent – Global Private Equity

Lawyer – SJ Berwin

Sample Investors - Asset Super, BNP Paribas Investment Partners

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Fig. 4: 10 Largest Infrastructure Funds on the Road

| Fund | Manager | Size (mn) | Manager Country |
|---|--|-----------|-----------------|
| RREEF Pan-European Infrastructure Fund II | RREEF Infrastructure | 3,000 EUR | UK |
| Highstar Capital Fund IV | Highstar Capital | 3,500 USD | US |
| ArcLight Energy Partners Fund V | ArcLight Capital Partners | 3,000 USD | US |
| CVC European Infrastructure Fund | CVC Infrastructure | 2,000 EUR | UK |
| KKR Infrastructure Fund | Kohlberg Kravis Roberts | 2,500 USD | US |
| AXA Infrastructure Fund III | AXA Private Equity | 1,500 EUR | France |
| Marguerite Fund | Marguerite Adviser | 1,500 EUR | Luxembourg |
| Blackstone Infrastructure Fund | Blackstone Infrastructure Partners | 2,000 USD | US |
| Macquarie State Bank of India Infrastructure Fund | Macquarie Infrastructure and Real Assets | 2,000 USD | Australia |
| United States Power Fund IV | Energy Investors Funds | 1,750 USD | US |

Source: Preqin

Conferences Spotlight: Forthcoming Events

| Conference | Dates | Location | Organizer |
|--|-----------------------|---------------|------------------------|
| Infrastructure Investment World India 2010 | 22-24 Nov 2010 | Mumbai | Terrapinn |
| Infrastructure Investment World Europe 2010 | 30 Nov-3 Dec 2010 | London | Terrapinn |
| Emerging Markets Summit: BRIC & Beyond | Dec 2010 (TBC) | New York | iGlobal Forum |
| Public-Private Financing and Investing Strategies Conference | 13 - 15 December 2010 | San Francisco | IIR |
| IJ Future Finance Forum Data, Analysis, Insight | 9-10 February 2011 | London | Infrastructure Journal |
| African Investment Summit 2011 | 28 February 2011 | London | Terrapinn |

Infrastructure Investment World Europe 2010

Date: 29 November - 2 December 2010

Location: The Grange St Paul's Hotel, London, UK

Organiser: Terrapinn

Now in its 5th year, with a track record of 300 delegates annually, Infrastructure Investment World Europe is Europe's leading infrastructure conference. With 2 streams: investment and infrastructure acquisition, financing and management, it is where government, funds, investors, financiers, operators and developers come to share ideas and drive the industry forward.

Information:

<http://www.terrapinn.com/2010/IIWeu/>

IJ Future Finance Forum

Date: 9th-10th February 2011

Location: London

Organiser: Infrastructure Journal

IJ Future Finance Forum will bring together European financial leaders, decision makers, debt and equity providers and infrastructure experts with the aim to assess how government initiatives such as TIF and the Green Investment Bank will impact on the industry.

Information:

www.ij-futurefinance.com?WT.mc_id=Q103-PREQIN

IJ Infrastructure Investor M&A Seminar

Date: 23rd November 2010

Location: Central London

Organiser: Infrastructure Journal

Infrastructure Journal (IJ) in association with Ashurst LLP and KPMG LLP is proud to invite you to the Infrastructure Investor M&A Seminar.

The meeting is designed as a senior-level discussion that will provide investors with insight into where future deal pipeline will emerge from and the opportunities available in Europe.

Speakers include: UK Transport Secretary Phillip Hammond; Enrique Fuentes, Corporate Development Director at Ferrovial and Stephen Paine, Managing Director, Global Head of Infrastructure at UBS Investment Bank

Information:

www.terrapinn.com/2010/iiindia



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David Smith
Economics Editor
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- Ask institutional investors to map out exactly what they need to see when investing in infrastructure
- Ensure you understand how new government initiatives like TIF and the Green Investment Bank will impact on investments
- Focus on two dedicated streams for the Greenfield and Brownfield investor market
- Detail what the future of procurement looks like in this new era with a dedicated PFI/PPP workshop

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Institutional Investor News

University of Western Ontario Endowment to establish 5% infrastructure allocation

The CAD 400 million endowment plan based in London, Ontario is considering dedicating 5% of total assets under management to the infrastructure asset class. The endowment plan has not previously invested in the infrastructure sector but could begin its investment program in 2011. University of Western Ontario will look to diversify its infrastructure portfolio by investing in unlisted funds targeting various geographic regions, infrastructure industries and project stages. It also invests in private equity, real estate and hedge funds.

Realdania to build infrastructure portfolio following secondary market purchase

The EUR 3 billion Danish foundation is looking to invest in a further infrastructure fund in 2011, following its maiden commitment to the asset class earlier this year. In September 2010, the foundation purchased an interest in a global renewable energy fund for EUR 12 million and expects to increase its exposure in the coming 12 months. Realdania has established a 5% target allocation to the infrastructure asset class and intends to build its portfolio over the medium to long term.

Danica Pension to seek direct infrastructure investments in 2011

The EUR 35.5 billion pension scheme will look to complement its existing portfolio of unlisted infrastructure fund commitments with direct investments in 2011. It will invest opportunistically in predominantly Europe-based infrastructure assets over the next 12 months as it looks to build upon its 0.5% allocation to the asset class. Danica Pension also expects to allocate a small proportion of capital to unlisted infrastructure funds next year. Its previous fund exposure is through commitments to European infrastructure vehicles.

Florida State Board of Administration targets North American energy sector

The USD 19 billion pension scheme for the Florida Retirement System will look to invest in further infrastructure

funds in 2011 as it moves towards its long-term target allocation of 2% to the asset class. The pension fund will invest opportunistically, and will continue with its strategy of investing in energy-related infrastructure vehicles focused on North America. The Board's current infrastructure portfolio features a USD 100 million commitment to Energy Capital Partners II. Mercer Investment Consulting acts as its infrastructure investment consultant.

University of British Columbia Endowment aims for diversity

The CAD 850 million endowment plan will look to make further commitments to unlisted infrastructure vehicles in 2011. University of British Columbia currently has 2.5% of total assets committed to infrastructure opportunities, while its target allocation stands at 5%. The endowment plan seeks to diversify its portfolio by investing in a range of regions, industries and project stages. It typically commits to funds focused on the US, Europe and Australia. In 2011, the endowment plan will consider PPP/PFI investments and co-investment opportunities, as well as the possibility of investing directly in the asset class. It does not usually invest with first-time fund managers.

Ball State University Endowment to pursue an opportunistic investment strategy

The USD 150 million university endowment plan is looking to make an opportunistic investment in an unlisted infrastructure vehicle targeting the energy sector in the coming 12 months. The commitment will complement its existing exposure to energy and natural resources assets following two previous fund commitments. The endowment invests in infrastructure via its allocation to real assets and will review each investment opportunity on a case-by-case basis as it looks to expand its portfolio in 2011.

CalPERS considers asset class reclassification

The USD 222 billion public pension scheme's board will meet on December 13th 2010 to discuss a possible reclassification of its entire investment

mix. The board met in November and provisionally approved the changes which would separate its assets into five categories; Liquidity/Hedge, Growth, Income, Real Assets and Inflation-Linked assets. The change would also increase the pension plan's minimum target allocation to infrastructure from 1.5% to 2% (still within a range of up to 3%), and move the infrastructure allocation from its inflation-linked (ILAC) portfolio to a 13% real assets bucket. The new real assets allocation would include exposure to real estate, infrastructure and forestry, leaving the ILAC portfolio with a 4% target allocation to commodities and inflation-linked bonds. CalPERS is a significant investor in infrastructure and announced a plan in March 2010 to invest approximately USD 1.3 billion in the asset class over the following 12 months.

Data Source:

Preqin Infrastructure Online

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

This month, 73 new investors have been added and 223 investor profiles updated. More news and updates are available online for Infrastructure Online subscribers.

www.preqin.com/infrastructure