

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

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Infrastructure Spotlight

November 2011

Feature Article

Infrastructure Investment in North America

North America is one of the most important geographical regions for the infrastructure industry. With demand for development and re-development in the area increasing over recent years, this month we look at North America-focused infrastructure fund investment, the key historical/current statistics and the outlook for investment in the region.

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Industry News

The latest news from the energy sector, looking at the latest deal activity and the firms that have recently announced plans to invest in the sector. Includes Development Bank of Japan, an energy deal made by Alinda Infrastructure Fund II and investment into Walney I Wind Farms Transmission Links.

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The Facts

The latest news from the fundraising market. [Page 7.](#)

A look at the family offices and foundations investing in infrastructure. [Page 8.](#)

Details of the latest infrastructure deals to have been completed. [Page 10.](#)

Insight into infrastructure fund managers in the Asia and Rest of World region. [Page 11.](#)

Details of upcoming infrastructure conferences from around the world. [Page 12.](#)



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. You are welcome to use the data in any presentations you are preparing, please cite Preqin as the source.



Infrastructure Investment in North America

Despite the absence of PPP/PFI incentives, North America remains an important centre of activity for the infrastructure sector. [Elliot Bradbrook](#) takes a look at the current market, and historical activity in the region, and considers the outlook for the future.

The North American infrastructure market is a leading area of institutional investor activity. Demand for infrastructure development and re-development in both the US and Canada has grown significantly over the past decade, leading to a growing number of North America-focused funds coming to market and an increasing number of investors carving out infrastructure-specific allocations.

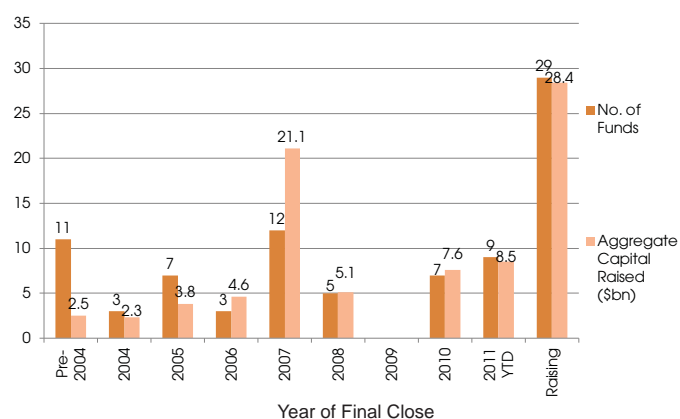
Despite this, state governments in the US have traditionally been restrictive in encouraging private investment in public infrastructure assets. As such, there is an underdeveloped PPP/P3 market in the US, which has limited the number of deals being made compared to other developed markets such as Europe. Despite this, it is likely that this market will grow in the future as regulations are relaxed to allow for greater private sector investment to address the ever-widening US infrastructure funding deficit.

The following article analyzes both the current and historical North American infrastructure market, but does not include those globally focused infrastructure funds that include North America within their investment remit.

North American Fundraising

According to Preqin data, 86 infrastructure funds primarily focused on North America have entered the market since the mid-1990s, the earliest being the 1996 vintage Energy Spectrum Partners. As shown in Fig. 1, 57 of these funds have reached a final close raising an aggregate \$55.5bn, while a further 29 funds are currently on the road seeking an additional \$28.4bn. In 2011 to date, nine North America-focused funds have closed raising a combined \$8.5bn,

Fig. 1: North American Fundraising, Pre-2004 - 2011 (as at 22nd November)



Source: Preqin

equating to 56% of the total capital raised by infrastructure funds globally so far this year.

The 10 largest North America-specific infrastructure funds are listed in Fig. 2. Energy Capital Partners II, which closed on \$4.3bn in August 2010, is the largest such vehicle. The fund invests in a range of brownfield and secondary stage infrastructure assets in the energy sector, with a focus on power generation, renewable energy, electricity transmission and midstream gas. In August 2011, it acquired a 100% stake in Liberty Electric Generation Holdings, an SPV that owns a 575MW natural gas-fired combined-cycle power generation facility in Pennsylvania. It also holds an interest in several other power facilities in the US, including the Milford and Lake Road power plants in Connecticut.

Fig. 2: 10 Largest Unlisted Infrastructure Funds Primarily Focused on North America

Fund	Firm	Firm Location	Size (mn)	Status
Energy Capital Partners II	Energy Capital Partners	US	4,335 USD	Closed
Macquarie Infrastructure Partners	Macquarie Infrastructure and Real Assets (MIRA)	Australia	4,000 USD	Closed
Highstar Capital Fund III	Highstar Capital	US	3,500 USD	Closed
Highstar Capital Fund IV	Highstar Capital	US	3,500 USD*	First Close
ArcLight Energy Partners Fund V	ArcLight Capital Partners	US	3,310 USD	Closed
LS Power Equity Partners II	LS Power Group	US	3,085 USD	Closed
Alinda US Core Infrastructure Fund	Alinda Capital Partners	US	3,000 USD*	Raising
Transurban DRIVE	Transurban Group	Australia	2,860 USD	Closed
Tenaska Power Fund II	Tenaska Capital Management	US	2,445 USD	Closed
Energy Capital Partners	Energy Capital Partners	US	2,250 USD	Closed

*Denotes target size

Source: Preqin

Highstar Capital Fund IV is the largest North America-focused fund currently on the road, targeting \$3.5bn in institutional capital. Like its predecessors, the fund targets high value-added investment opportunities in the energy, transportation, waste management and water sectors. It mainly invests in the US, but has a global investment mandate and held a \$750mn first close in November 2010. The second largest North America-focused fund currently on the road is Alinda US Core Infrastructure Fund, which is currently seeking \$3bn.

Aside from these North America-specific infrastructure funds, there are a number of sizeable global vehicles that include North America within their investment remit. Funds such as the \$6.5bn GS Infrastructure Partners I, the \$5.6bn Global Infrastructure Partners and the \$4bn Morgan Stanley Infrastructure Partners have each invested in North American infrastructure assets, as well as in other regions such as Europe and Asia. These funds contribute significantly to the amount of capital available for investment in North America, but with a more geographically diversified strategy.

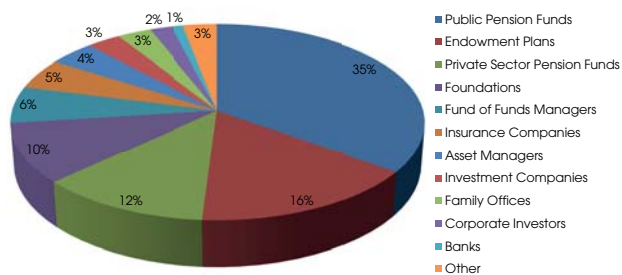
Fig. 3 shows a breakdown of the current unlisted infrastructure funds in market by primary geographic focus. North American funds are significant both in terms of number and aggregate target, with 29 funds currently on the road seeking \$28.4bn. The average North American vehicle has a target size of \$980mn, considerably higher than the \$688mn average for European funds and the \$465mn average for funds investing in Asia. Therefore, despite being a less prominent market than Europe, North American infrastructure funds continue to seek and attract significant levels of investor capital.

In terms of manager location, 91% of funds focused primarily on North American infrastructure assets are managed by firms based domestically, with the remainder managed by firms headquartered in Australia, France or Switzerland. Of these North American firms, the vast majority (93%) are headquartered in the US and 7% are based in Canada.

North American Investors

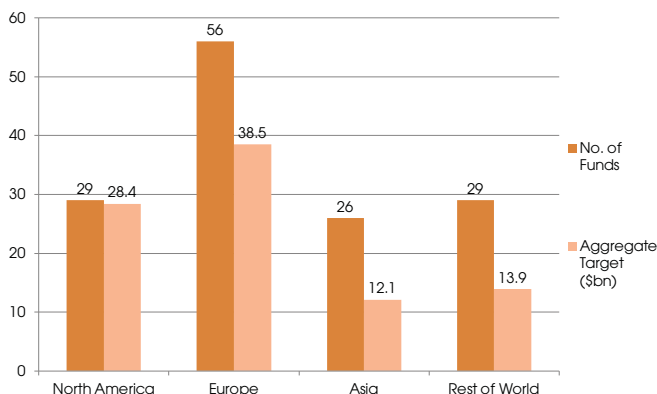
Preqin currently tracks 407 institutional investors based in North America that actively invest in infrastructure. As shown in Fig. 4,

Fig. 4: North American Infrastructure Investor Universe by Type



Source: Preqin

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



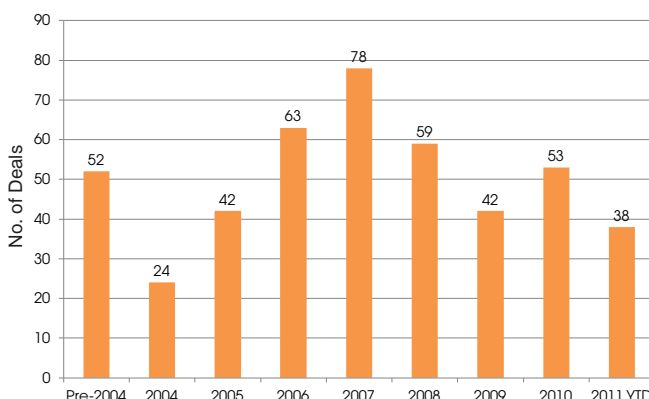
Source: Preqin

infrastructure investment is a strategy pursued by a number of investor types in the region. Public pension funds are the most prominent type of investor, representing 35% of the total, followed by endowment plans (16%), private sector pension plans (12%) and foundations (10%).

Eighty-three percent of active North American infrastructure investors are based in the US. The vast majority of these investors (88%) invest in third-party unlisted funds in order to gain exposure to infrastructure assets, while just 15% invest directly. In terms of geographic preference, 78% of US-based investors look to invest in domestic US infrastructure projects and 56% seek international exposure. This shows that US institutions tend to be relatively inexperienced infrastructure investors that are likely to target projects close to home, rather than looking abroad for less familiar investment opportunities.

The remaining 17% of North American infrastructure investors are based in Canada; however, in contrast to the US, the Canadian infrastructure investor universe is more experienced. Although 76% of Canadian investors still look to make unlisted fund commitments, a significant 47% will consider direct investment in infrastructure assets. In terms of regional focus, 81% of Canadian investors target North American assets, while 65% invest internationally.

Fig. 5: Annual Number of Deals Made by Unlisted Infrastructure Fund Managers in North American Assets



Source: Preqin



This suggests that Canadian institutions are more established in the sector, and tend to seek a more diversified portfolio.

North American Deal Flow

Fig. 5 shows the annual number of deals made by unlisted infrastructure fund managers in North American infrastructure assets, with 451 deals made in total since 1997. The figure increased steadily from 24 completed transactions in 2004 to 78 completed deals in 2007, emulating the growth in the fundraising market during the same period. This growth fell away from 2008 due to the impact of the financial crisis, although the number of deals made by fund managers improved slightly in 2010 as the debt markets began to recover. In 2011 to date, 38 deals have been completed by unlisted infrastructure fund managers in North American assets.

In terms of industry, 98% of North American deals have been completed in the core infrastructure sectors of energy, telecommunication, utilities and transportation, with 47% made in the energy sector alone. In terms of project stage, 29% of deals have been made in greenfield assets, 21% in brownfield projects and 50% in more established secondary stage assets.

Notable deals made in North American assets in 2011 include the \$1.6bn investment in the Midtown Tunnel concession in Virginia, by a consortium including Macquarie Infrastructure and Real Assets (MIRA) and Skanska. The project includes the upgrade of the existing Midtown Tunnel under the Elizabeth River and the construction of a new two-lane tunnel, as well as an upgrade to the existing Downtown Tunnel and the extension to the MLK highway. The investing consortium provided \$318mn in equity and a further \$495mn in debt financing. The remaining capital was provided in the form of public funding and a pending TIFIA loan.

Outlook

The growing demand for infrastructure development and re-development in North America over the coming years will require a huge amount of investment from both public and private sources. As such, North American infrastructure fund managers and institutional investors will have a key role in financing future infrastructure projects, particularly in the US where private investment in public infrastructure has traditionally been restricted.

There are currently 29 North America-focused unlisted infrastructure funds in market targeting \$28.4bn, and with a growing number of domestic and international investors beginning to turn to infrastructure to provide portfolio diversification, there looks set to be an abundance of opportunities on which to capitalize as North America attempts to bridge its widening infrastructure funding gap.

Subscriber Quicklink:

Subscribers to Preqin's Infrastructure Online – the industry's leading source of infrastructure fundraising information – can click [here](#) to access a list of the infrastructure funds primarily focused on North America to close so far in 2011.

Preqin Industry News

Claire Wilson delivers a round-up of the latest infrastructure news, featuring exclusive intelligence uncovered by Preqin's analysts. Preqin Online subscribers can click on the investor/firm/asset names to view the full profiles.

Almost half of infrastructure deals completed in 2011 to date have been in the energy industry.

Eighty energy-based deals have been finalized so far this year, more than double the number completed in the next most active industry, transport. Three of the 20 deals that have been completed in the natural resources sector have been agreed in recent weeks, including the acquisition of [Houston Fuel Oil Terminal Company](#) by [Alinda Infrastructure Fund II](#). The deal saw the \$4bn, 2008 vintage fund take a 100% stake in the asset, which was formerly owned by AL Gulf Coast Terminals.

Wind power assets have proved popular this year and 37% of all energy deals have involved such assets, including one that reached a financial close in October. A consortium led by [Macquarie Infrastructure and Real Assets](#) and including [Barclays Integrated Infrastructure Fund](#) and [NIBC European Infrastructure Fund](#) has been chosen to own and operate the [Walney 1 Wind Farm Transmission Links](#). The links are high voltage cables transmitting the 178MW of renewable electricity generated by the wind farm located off Walney Island in the East Irish Sea. £52mn in debt financing for the project was provided by the European Investment Bank.

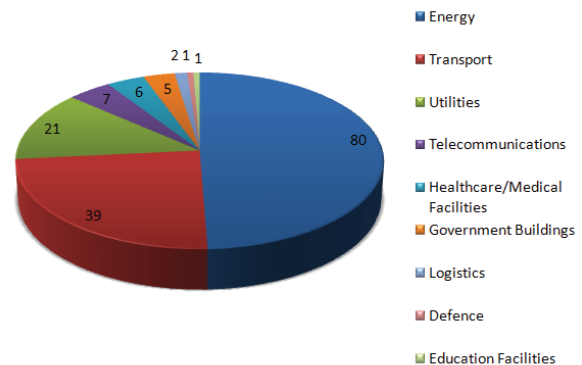
Energy-focused funds remain popular amongst investors from around the world, and 733 investors on the Preqin Infrastructure Online database include such funds in their investment preferences. A number of investors have recently joined the ranks announcing plans to invest in energy funds in the next 12 months.

[Development Bank of Japan](#), the JPY 14.8tn investment bank, is looking to make one or two investments in unlisted infrastructure funds over the next year, and will consider renewable energy-focused funds alongside a range of other industries. The bank will commit to funds investing in developed markets and invests in infrastructure on an opportunistic basis.

[Museum of Fine Arts, Houston](#), meanwhile has more specific requirements for its forthcoming infrastructure investments. The \$1bn endowment plan is looking to make further commitments to natural resources-focused funds and is seeking opportunities to invest in those focused on midstream oil and pipeline assets in North America.

Over in Europe, [UNIQA Alternative Investments](#) is considering investing in renewable energy infrastructure funds. The €15bn Austrian asset manager, which is currently establishing an allocation to infrastructure, is particularly keen to invest in the wind and photovoltaic solar power sectors.

Chart of the Month: Number of Infrastructure Deals by Sector, 2011 (as at 22nd November)



Source: Preqin

Data Source:

Preqin Infrastructure Online

Preqin's Infrastructure Online is the industry's leading source of intelligence on the unlisted infrastructure fund industry. This constantly updated resource includes details for all aspects of the asset class, including fund performance, fundraising data, institutional investor profiles, fund manager profiles and more.

All of Preqin's exclusive intelligence is available on Infrastructure Online.

Subscribers can click on the firm and fund names to view the full profile.

For more information please visit

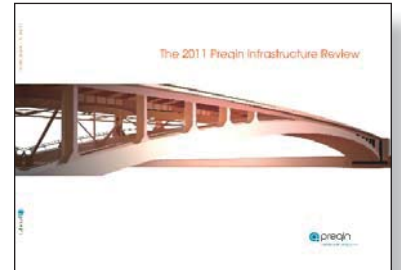
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2011 Preqin Infrastructure Review

Now in its fourth year, the [2011 Preqin Infrastructure Review](#) represents the most comprehensive examination of the unlisted infrastructure asset class ever produced.

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- Detailed analysis sections showing the latest trends in all areas of the industry: deals, fundraising, investors, terms and conditions, history and development and more...
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- Profiles for over 170 institutional investors in the sector including investment plans, strategic preferences and key contact details, plus the results of our investor survey.
- Detailed listings of all funds ever closed, plus funds currently raising capital.
- Information gathered by our dedicated team of analysts from numerous data sources, including via direct interaction with fund managers and investors to ensure the information in the Review is as accurate, comprehensive and exclusive as possible.



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Fundraising Spotlight

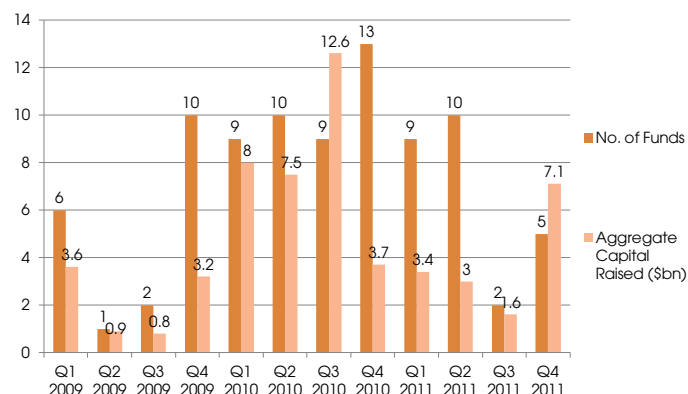
Iain Jones takes a look at the latest infrastructure fundraising statistics

Fig. 1: Key Facts: Unlisted Infrastructure Funds on the Road (as at 22nd November 2011)

Funds on the Road	North America	Europe	Asia	Rest of World	Total
Number	29	56	26	29	140
Total Target Value (\$bn)	28.4	38.5	12.1	13.9	92.9
Average Target Size (\$bn)	0.98	0.69	0.47	0.48	0.66

Source: Preqin

Fig. 2: Unlisted Infrastructure Fundraising, Q1 2009 - Q4 2011 (as at 22nd November 2011)



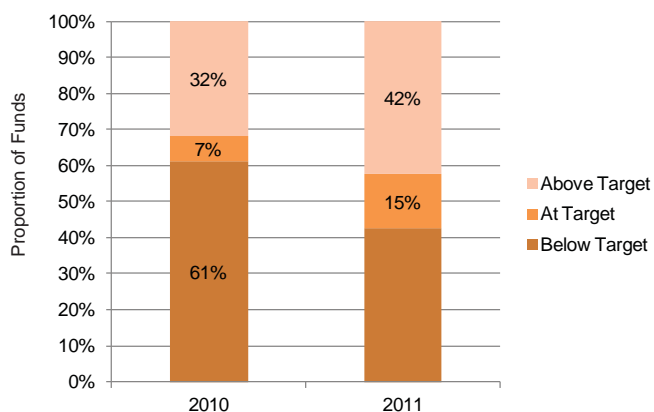
Source: Preqin

Fig. 3: Recently Closed Fund - ArcLight Energy Partners Fund V

Manager:	ArcLight Capital Partners
Vintage:	2011
Target Size (mn):	2,000 USD
Final Close (mn):	3,310 USD
Placement Agent:	Madison Williams Private Capital Solutions
Geographic Focus:	North America, West Europe, Australasia
Industry Focus:	Distribution/Storage Facilities, Energy, Natural Resources, Renewable Energy, Waste Management, Water
Sample Investors:	Barclays Wealth, Montana Board of Investments
Portfolio Assets:	Brown Bear Power, Plymouth Petroleum

Source: Preqin

Fig. 4: Final Close Size as a Percentage of Initial Target Amount, 2010 and 2011 (as at 22nd November 2011)



Source: Preqin

Fig. 5: Top 5 Infrastructure Funds in Market to Have Held an Interim Close by Target Size

Fund	Manager	Target Size (mn)	Fund Status	Fund Focus
Highstar Capital Fund IV	Highstar Capital	USD 3,500	First Close	US
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	EUR 2,000	First Close	Europe
KKR Infrastructure Fund	Kohlberg Kravis Roberts	USD 2,500	Second Close	US
Macquarie European Infrastructure Fund IV	Macquarie Infrastructure and Real Assets (MIRA)	EUR 1,500	First Close	Europe
First State European Diversified Infrastructure Fund	Colonial First State Global Asset Management/ First State Investments	EUR 1,500	Third Close	Europe

Source: Preqin

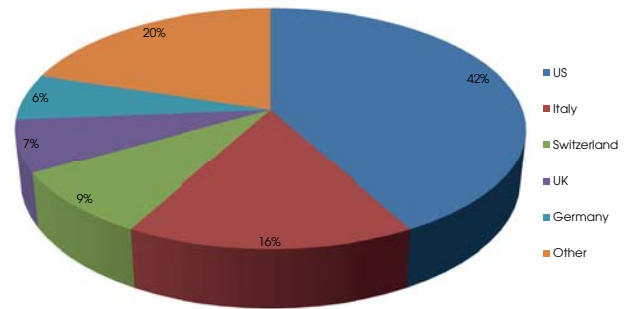
Investors Spotlight

Iain Jones analyzes the foundations and family offices that are investing in infrastructure around the world.

Fig. 1: Key Facts: Foundations and Family Offices Investing in Infrastructure

Number of Investors:	114
Mean AUM (USD mn):	2,353
Median AUM (USD mn):	814

Fig. 2: Breakdown of Foundations and Family Offices Investing in Infrastructure by Location



Source: Preqin

Source: Preqin

Fig. 3: Proportion of Foundations and Family Offices Investing in Infrastructure via the Various Routes to Market

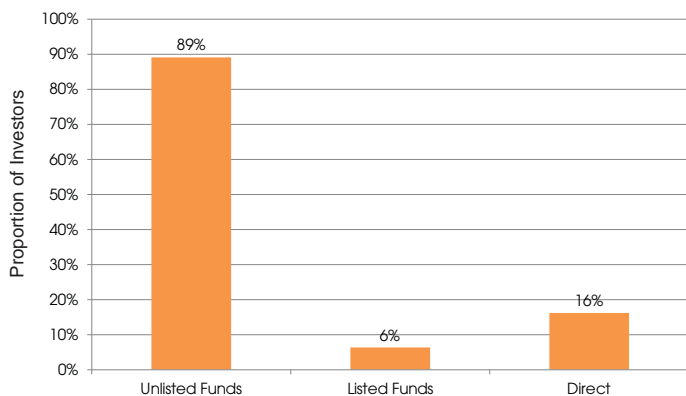
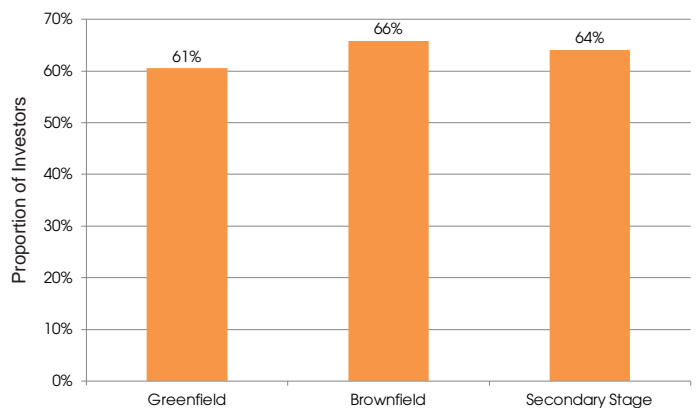


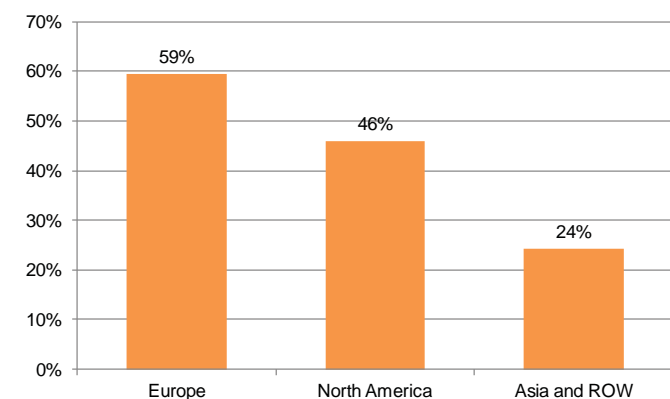
Fig. 4: Proportion of Foundations and Family Offices Investing in Each Infrastructure Project Stage



Source: Preqin

Source: Preqin

Fig. 5: Geographic Preferences of Foundations and Family Offices Investing in Infrastructure



Source: Preqin

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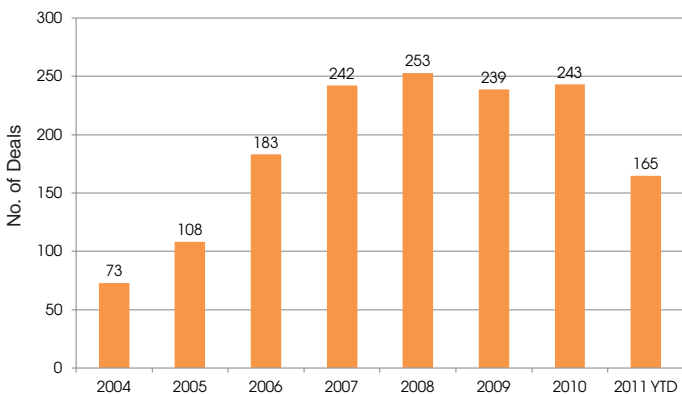
Infrastructure

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Deals Spotlight

Iain Jones provides a round-up of the latest infrastructure deals.

Fig. 1: Annual Number of Deals Made by Unlisted Infrastructure Fund Managers, 2004 - 2011 (as at 22nd November 2011)



Source: Preqin

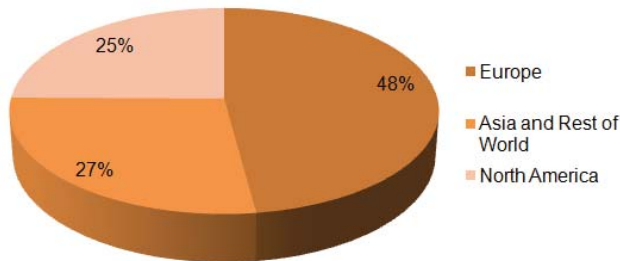
Data Source:

Preqin Infrastructure Online

There are 1,784 deals logged on Infrastructure Online. The product contains financial information for 679 deals worth a combined \$406,846 million.

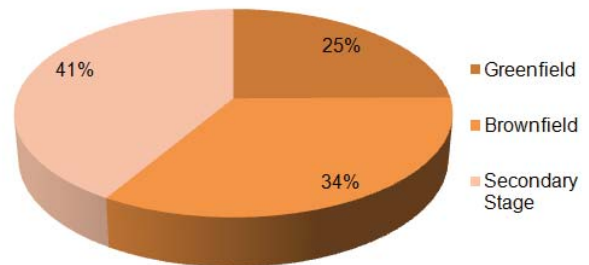
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Fig. 2: Regional Breakdown of Infrastructure Deals, 2011 (as at 22nd November 2011)



Source: Preqin

Fig. 3: Breakdown of Infrastructure Deals by Project Stage, 2011 (as at 22nd November 2011)



Source: Preqin

Fig. 4: Five Notable Deals, Q4 2011 (as at 22nd November 2011)

Asset	Location	Industry	Investors	Deal Size (mn)	Date
Jädraås Wind Farm	Sweden	Wind Power	Arise Windpower, European Renewable Energy Fund	EUR 335	Oct '11
BAA	UK	Airports	Alinda Infrastructure Fund I, Alinda Infrastructure Fund II	EUR 325	Oct '11
ACS Chilean Toll Roads	Chile	Toll Roads	Brookfield Americas Infrastructure Fund	USD 340	Oct '11
Chinese Highway Project	China	Roads	Macquarie Everbright Greater China Infrastructure Fund	CNY 1,000	Nov '11
First Reserve/ECA Joint Venture	US	Natural Resources Pipelines	First Reserve Energy Infrastructure Fund	USD 100	Oct '11

Source: Preqin

GPs: Asia and Rest of World

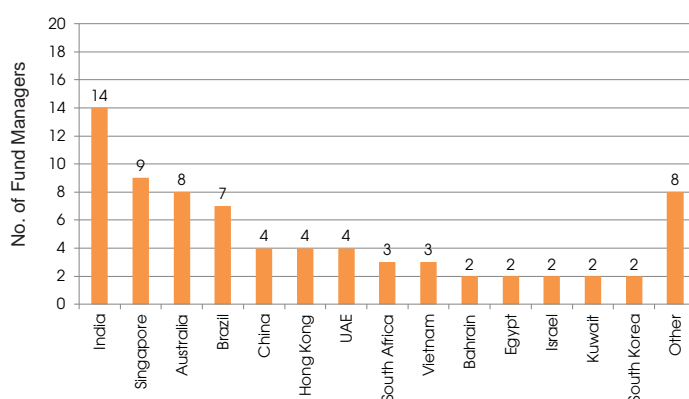
Iain Jones takes a look at the fund managers based in Asia and Rest of World.

Fig. 1: Key Facts: Asia and Rest of World-Based Infrastructure Fund Managers

Number of Asia and Rest of World Fund Managers	74
Total Number of Unlisted Infrastructure Funds Raised	81
Aggregate Capital Raised (\$bn)	44.7
Number of Funds on the Road	43
Aggregate Capital Sought (\$bn)	27.5

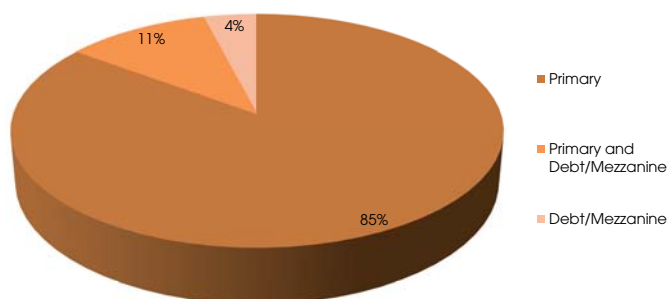
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Fig. 2: Breakdown of Asia and Rest of World-Based Infrastructure Fund Managers by Location



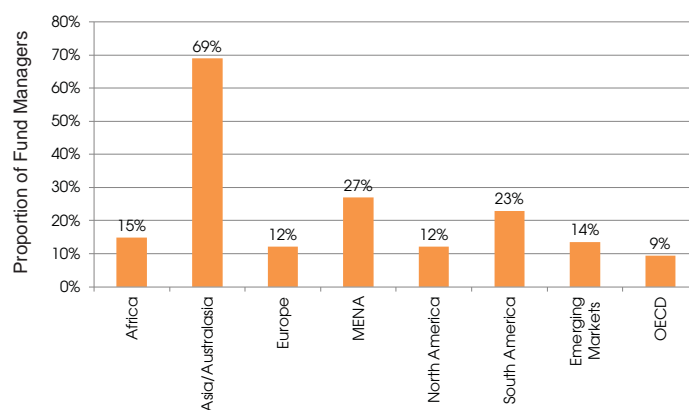
Source: Preqin

Fig. 3: Breakdown of Asia and Rest of World-Based Infrastructure Fund Managers by Preferred Fund Strategy



Source: Preqin

Fig. 4: Geographic Preferences of Asia and Rest of World-Based Infrastructure Fund Managers



Source: Preqin

Fig. 5: Key Asia and Rest of World-Based Infrastructure Fund Managers Currently Raising Capital

Fund Manager	No. of Funds Raising	Total Capital Sought (\$mn)
Macquarie Infrastructure and Real Assets (MIRA)	5	5,665
Colonial First State Global Asset Management/First State Investments	1	2,102
AMP Capital Investors	2	2,041
Astra Investimentos	2	2,000
BTG Pactual	1	1,500

Source: Preqin

Conferences Spotlight

Conference Name	Date	Location	Organizer
Infrastructure Investment World Deutschland 2011	6 - 8 December 2011	Germany	Terrapinn
Energy Investment Forum	25 - 26 January 2012	Austin, TX	Opal Group

World Infrastructure Summit

Date: 29th November - 1st December

Location: Pullman Tour Eiffel, Paris

Organiser: Infrastructure Journal, New Civil Engineer, MEED

World Infrastructure Summit - Showcasing leading infrastructure projects that tackle climate change, urbanisation and support and promote economic trade, this year's event will provide lessons learned from successful initiatives and a glimpse towards upcoming projects. Preqin members are entitled to a 25% discount to attend.