Press Release

29th September 2016

Unlisted Infrastructure Debt Market Grows in Prominence

Strong fundraising reflects growing investor appetite and spurs record number of funds in market

Preqin data finds that debt is becoming a more significant part of the unlisted infrastructure fund industry, following strong fundraising activity in recent years. 2012 marked the highest level of aggregate capital raised, as 21 funds secured $12bn in investor commitments, but the 14 funds closed in 2015 approached that level, raising a combined $11.6bn. Additionally, there are currently a record 43 infrastructure debt funds in market, seeking a combined $25bn in investor commitments. Of these, 21 have already held an interim close and secured $15bn of their targets, further indicating the growing investor appetite for infrastructure debt.

However, the sector does remain a relatively recent development in the infrastructure fund industry, and newcomers constitute the largest part of the fundraising market. Nearly three-quarters (74%) of unlisted infrastructure debt vehicles are managed by firms with no prior vehicles in the sector, while a further 17% of firms have raised only one or two debt funds previously. Due to the lack of established track records, managers will often seek to raise smaller funds; correspondingly, two-thirds (67%) of infrastructure debt firms have secured less than $500mn for unlisted funds over the last 10 years. However, just as in the wider infrastructure industry, there are still large managers in the debt space: a fifth have secured $1bn or more in institutional capital commitments over the past decade.

Other Key Infrastructure Debt Facts:

- Fundraising by Region: North America-focused infrastructure debt funds have raised the most capital since 2009 ($14bn), while **Asia has seen the greatest number of funds (37) reach a final close**, securing a combined $11bn in investor commitments.
- Average Fund Size: The average size of infrastructure debt funds has grown over time. **Funds closed in 2015 raised a record $826mn on average,** while funds closed in 2016 YTD are an average $729mn. Moreover, five of the largest 10 infrastructure debt funds ever to close did so either in 2015 or 2016 YTD.
- Large Investors: Typically, larger institutional investors make up the majority of the infrastructure debt investor universe. **Over half of investors (56%) hold $10bn or more in assets under management** (AUM), while a significant 18% hold $100bn or more in assets; only 13% of investors hold less than $1bn in AUM.
- Asian Growth: **Over a third of investors (34%) with a preference for infrastructure debt are based in Asia**, the highest proportion of any region, indicating potential for growth in the Asian market. Twenty-four percent of infrastructure debt investors are located in Europe and North America.

To access further information and analysis, please see the full report below:
https://www.preqin.com/docs/reports/Preqin-Special-Report-Infrastructure-Debt-September-2016.pdf

Comment:

"Infrastructure debt is becoming an increasingly prominent component of the infrastructure industry. Regulation has affected the levels of capital traditional lenders have been able to allocate, and this has created a significant niche for unlisted managers to provide debt financing for infrastructure projects. The emergence of the strategy is apparent in the record number of funds coming to market, which are targeting increasing amounts of investor capital.

However, although it has seen growth in recent years, this part of the infrastructure asset class remains fairly new, and as a result it has a high concentration of first-time and emerging fund managers. This may help to explain why infrastructure debt funds tend to be smaller than in the asset class as a whole, as managers seek to establish themselves with a positive performance track record before targeting larger levels of capital commitment from investors. This puts those managers with an established track record at something of an advantage, and means that first-time managers are likely to have to work hard to attract investor inflows."

Tom Carr – Head of Real Assets Products, Preqin

Note to Editors:

- Preqin is spelled without the letter ‘U’ after the ‘Q’, the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:
Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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