Q2 2012 JULY 2012

The Preqin Quarterly Infrastructure

Insight on the quarter from the leading provider of alternative assets data

Content Includes....

Top 100 Investors

Who are the largest investors in infrastructure and how do they access the asset class? We explore the strategies and preferences of these important LPs.

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Editor's Note

The challenging conditions faced by infrastructure fund managers over the past 18 months continued in Q2 2012 and look set to remain for the foreseeable future. Just six unlisted infrastructure funds reached a final close in Q2 2012, raising an aggregate $2.7bn, the lowest quarterly total since Q3 2011. However, a further 17 funds reached an interim close during Q2 raising an additional $10.5bn towards their overall targets, which is encouraging and shows good momentum within the current market.

Although fund managers continue to attract fresh investor commitments, it remains unlikely that 2012 fundraising will outperform the levels seen in 2011, when 38 funds closed raising an aggregate $21.5bn. The current fundraising market is heavily congested, with 147 unlisted infrastructure funds on the road targeting $97bn in fresh investor capital, and many of these vehicles are likely to be raising capital for upwards of two years before holding a final close. Over 51% of infrastructure funds in market have yet to hold any form of interim close which again illustrates the tough conditions faced by infrastructure fund managers.

The demand for private investment in infrastructure is certainly on the rise, although ongoing economic and political uncertainly continues to restrict the flow of capital from LPs to GPs. Investors are now much more cautious when committing capital to illiquid investment vehicles and the debate over the most appropriate way to access infrastructure opportunities remains open. However, infrastructure is clearly growing in popularity among the institutional investor community as a source of portfolio diversification and steady revenue streams. Fund managers must therefore continue to pay close attention to investor demands in order to be successful in such a competitive market.

We give details of the latest events in the fundraising market on pages 6-8. We look at funds currently on the road on page 9, and provide predictions on future fundraising on page 10. Deals information can be found on pages 13-14, while we also take a look at the largest institutional investors and leading fund managers on page 17. Please see pages 11 and 12 for more detailed analysis on the infrastructure fund of funds and debt fund markets.

The Preqin Infrastructure Quarterly utilizes data from a variety of Preqin's products and publications in order to give a detailed overview of the latest market conditions. We also include an overview of the 100 largest and most active infrastructure investors on pages 4-5.

We hope you find the publication to be informative and interesting, and as ever we welcome any feedback and suggestions that you may have for future editions.

Elliot Bradbrook

The Top 100 Infrastructure Investors

The 100 largest institutional investors in infrastructure (by committed capital) have an aggregate $204bn committed to the asset class to date through a combination of unlisted funds, listed funds, and direct investments. The majority of these LPs gain exposure to infrastructure alongside other alternative asset classes, with 86% committing capital to private equity, 77% investing in real estate opportunities, and 55% investing in hedge fund strategies.

Characteristics

Investors from 27 countries feature in the list of the top 100 infrastructure LPs. Fig. 1 provides a breakdown of these institutions by location, with the US (18%), Australia (15%), Canada (13%) and the UK (10%) accounting for the majority of LPs in the list. Europe is the most prominent region, home to 39 of the top 100 institutions.

Fifteen different investor types are represented. As shown in Fig. 2, public pension plans are the most prominent investor type, making up 23% of the total. In terms of total assets, 23% of investors have less than $10bn, while 36% have $10-50bn. Eighteen percent have $50-100bn, and 23% have more than $100bn.

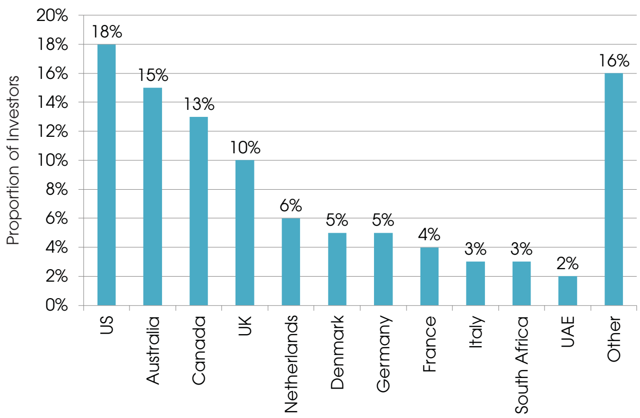
Seventy-two percent of the top 100 infrastructure investors operate a separate infrastructure allocation, showing that these investors regard infrastructure as an integral part of their investment portfolio. The remaining 28% of investors allocate capital to the asset class through a private equity allocation (10%), a real assets allocation (7%), a general alternatives pot (3%), or from a different source (8%).

Investment Preferences

Given the size and investment experience of these institutions, their investment preferences provide an insight into the most advanced and desirable areas of the infrastructure space. The majority of LPs invest in infrastructure to increase diversification, and while many invest opportunistically, the most active investors typically have a well-defined focus and target specific regions, risk/return profiles and sectors.

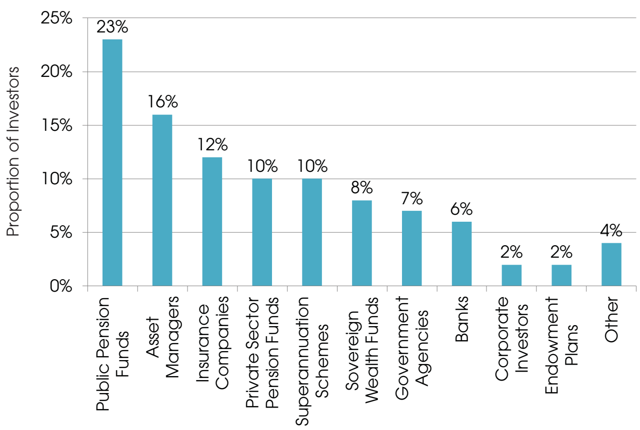
As shown in Fig. 3, the top 100 investors in infrastructure hold a strong preference for investment in Europe (78%) and North America (61%). This is a reflection of the risk/return profile of these LPs and they typically seek steady, inflation-linked cash flows from their infrastructure investments which stem from the strong GP offerings in developed markets, healthy asset pipelines, lower regulatory risk, and the greater availability of debt financing. Asia (34%) is the most popular emerging market region for infrastructure investment.

Fig. 1: Breakdown of Top 100 Institutional Investors in Infrastructure by Location



Source: Preqin Infrastructure Online

Fig. 2: Breakdown of Top 100 Institutional Investors in Infrastructure by Type



Source: Preqin Infrastructure Online

In terms of project stage preference, 70% of the top 100 infrastructure investors have made or will make investments across a mix of greenfield, brownfield and secondary stage projects. In total, 87% hold a preference for brownfield assets, with 81% considering either greenfield or secondary stage opportunities.

Fig. 4 shows the industry preferences of the top 100 infrastructure investors, demonstrating the popularity of core economic sectors such as utilities and waste management (82%), energy (80%) and transportation (80%). Forty-four percent of sampled investors invest in social infrastructure sectors such as healthcare and education, often through PFI/PPP/P3 schemes.

Route to Market

There is a growing trend among the larger, more sophisticated infrastructure investors to gain exposure to the asset class through direct investment. These LPs want to avoid paying the fees charged by fund managers, which have traditionally followed the 2/20 private equity model, but also want more control over the assets in their portfolio and to maximize returns. Institutions that have the resources capable of sourcing, executing and managing direct investments internally will continue to grow these portfolios but the unlisted fund model is expected to remain the primary route to market for the majority of investors.

Eighty-nine percent of the top 100 investors in infrastructure gain exposure to the asset class through commitments to unlisted funds, which is broadly consistent with the other 1,500 institutional investors on Preqin's Infrastructure Online database. However, 64% of these larger investors gain exposure to infrastructure through direct investments, more than double the proportion of LPs outside the top 100.

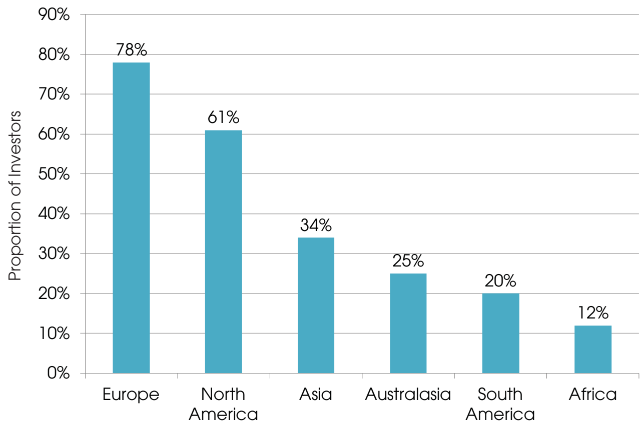
Fig. 5 shows the preferred route to market for the top 100 institutional investors in infrastructure, split into thirds. The 33 investors with the largest current allocation to infrastructure are classified in the top group, followed by the next 34 investors in the mid group, and the remaining 33 LPs forming the final group. As expected, the preference for direct investment is much stronger for the top 33 investors in the sample (94%) than for those in the other two groups. In addition, the preference for unlisted fund commitments remains strong across the board, but is higher (97%) for the smaller group of investors in the sample.

Outlook

The top 100 investors in infrastructure are a globally diverse group of institutions, with considerable experience in allocating capital to infrastructure opportunities. These institutions therefore provide a valuable insight into overall investor sentiment towards the asset class, as well as giving a useful approximation as to the future shape of the private infrastructure investment landscape.

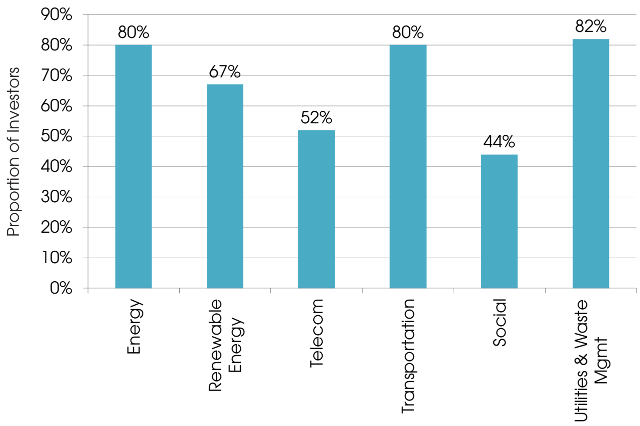
The larger institutions are trending towards direct infrastructure investment, but the likelihood is that the majority will continue to use various routes to market going forward. In order to remain competitive, infrastructure fund managers need to demonstrate flexibility in response to LP demands and continue to offer attractive and cost-effective opportunities. This will ensure that larger investors consider direct investment in addition to, rather than as opposed to, unlisted fund commitments.

Fig. 3: Geographic Preferences of Top 100 Institutional Investors in Infrastructure



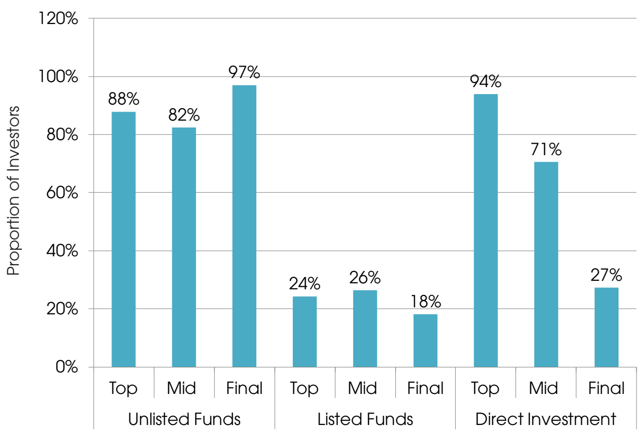
Source: Preqin Infrastructure Online

Fig. 4: Industry Preferences of Top 100 Institutional Investors in Infrastructure



Source: Preqin Infrastructure Online

Fig. 5: Size and Route to Market of Top 100 Institutional Investors in Infrastructure*



Source: Preqin Infrastructure Online

** Top – the 33 investors with largest current infrastructure allocations;*
Mid – the next 34 investors ranked by current infrastructure allocation;
Final – the remaining 33 investors in the top 100 ranked by current infrastructure allocation.

Fundraising Overview

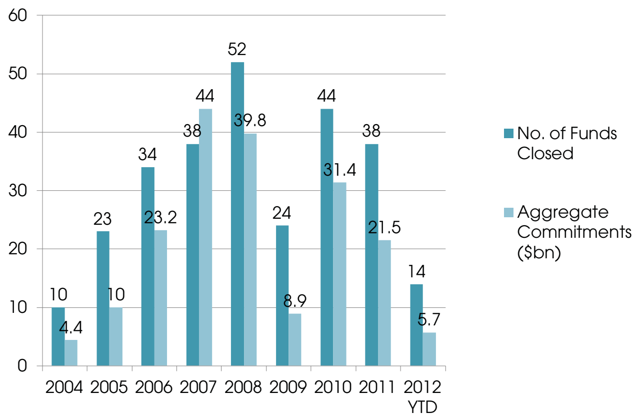
In Q2 2012, six unlisted infrastructure funds reached a final close having raised an aggregate $2.7bn (Fig. 7). This represented a 10% decrease from the amount raised by funds closed during Q1 2012, when eight funds closed having raised an aggregate $3bn. Despite this, 17 funds held an interim close during Q2 2012, raising $10.5bn towards their overall fundraising targets, a considerable increase on the $3.1bn raised by funds holding an interim close in Q1. The fundraising environment remains challenging, meaning we expect more funds to hold interim rather than final closes in the coming months.

The largest infrastructure fund to close in Q2 2012 was KKR Infrastructure Fund, which held a final close in May on $1.04bn. The fund is KKR's maiden infrastructure vehicle and has a global focus with a particular interest in the US and Europe. It seeks equity positions in brownfield economic and social assets with the scope to examine greenfield opportunities. Other significant funds to close include the $214mn India Infrastructure Development Fund and the $206mn Cleantech Alliance Fund. The most significant interim close to take place during the quarter was the $5.5bn second close held by Global Infrastructure Partners II in May.

The length of time spent on the road by funds that closed over the past 12 months is indicative of the difficult fundraising conditions faced by fund managers in the current market. As shown in Fig. 8, just 24% of funds spent 12 months or less on the fundraising trail. The largest proportion of funds (39%) had been on the road for between 12 and 24 months, while a significant 37% had been fundraising for over two years.

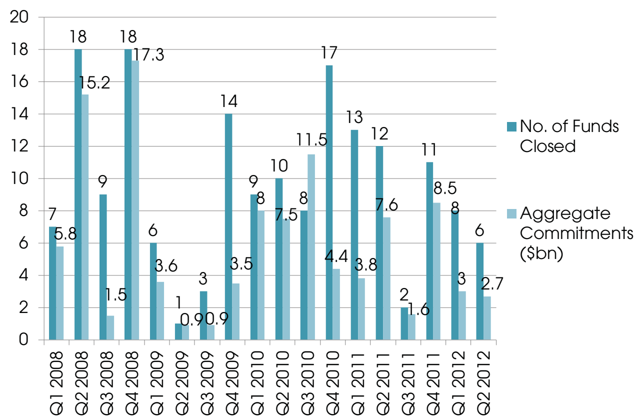
Fig. 9 (opposite) shows the 10 largest unlisted infrastructure funds to close over the past 12 months. These funds accounted for 70% of the total capital raised by funds closed during the period. The largest three funds, the $3.3bn ArcLight Energy Partners Fund V, the $1.7bn United States Power Fund IV, and the $1.2bn InfraRed Infrastructure Fund III, make up 31% of the total between them. In terms of geography, five of the 10 largest funds primarily target investments in Europe, three are primarily focused on North America and two predominantly invest in Asia and Rest of World.

Fig. 6: Annual Unlisted Infrastructure Fundraising, 2004 - Q2 2012



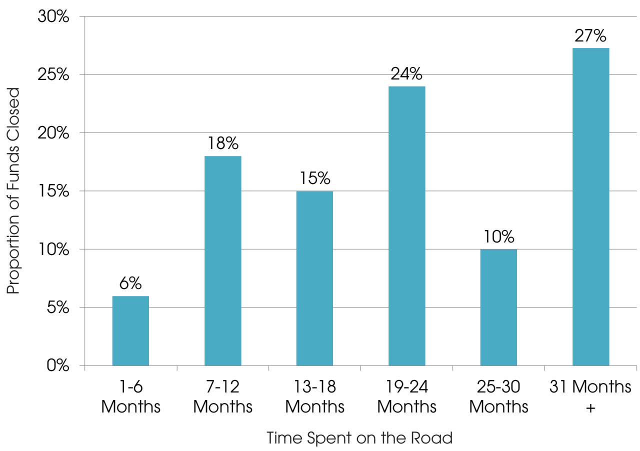
Source: Preqin Infrastructure Online

Fig. 7: Quarterly Unlisted Infrastructure Fundraising, Q1 2008 - Q2 2012



Source: Preqin Infrastructure Online

Fig. 8: Breakdown of Time Spent on the Road by Funds Closed in the Last 12 Months



Source: Preqin Infrastructure Online

Fig. 9: Top 10 Unlisted Infrastructure Funds Closed over the Past 12 Months by Final Close Size

Fund	Firm	Size (mn)	Firm Location	Fund Focus	Date Closed
ArcLight Energy Partners Fund V	ArcLight Capital Partners	3,310 USD	US	US	Nov-11
United States Power Fund IV	Energy Investors Funds	1,713 USD	US	US	Oct-11
InfraRed Infrastructure Fund III	InfraRed Capital Partners	1,200 USD	UK	Europe	Oct-11
Meridiam Infrastructure Europe II	Meridiam Infrastructure	950 EUR	France	Europe	Mar-12
P2Brasil	Pátria Investimentos	1,155 USD	Brazil	ROW	Aug-11
KKR Infrastructure Fund	Kohlberg Kravis Roberts	1,044 USD	US	US	May-12
Hg Renewable Power Partners Fund II	HgCapital	542 EUR	UK	Europe	Dec-11
Saratoga Asia Fund III	Saratoga Capital Group	600 USD	Singapore	ROW	Mar-12
Equitix Fund II	Equitix	333 GBP	UK	Europe	May-12
AMP Capital Infrastructure Debt Fund	AMP Capital Investors	400 EUR	Australia	Europe	Jun-12

Source: Preqin Infrastructure Online

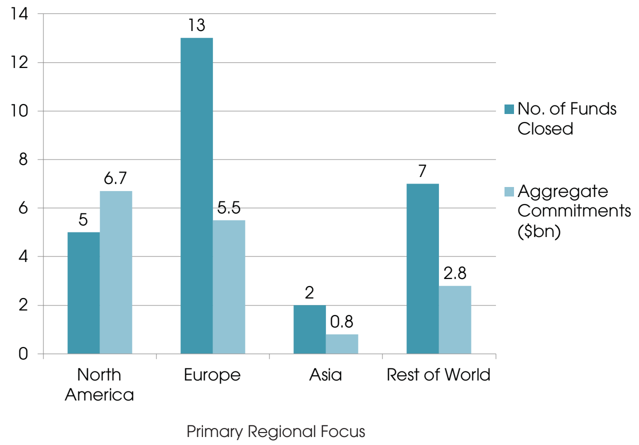
Regional Fundraising

Due to the multi-continental and global nature of the infrastructure market, it can be difficult to assign unlisted infrastructure funds with a specific regional focus. This creates challenges when attempting to analyze regional fundraising. Despite these complications, of the six funds that reached a final close in Q2 2012, two primarily target investments in North America (KKR Infrastructure Fund and the Cleantech Alliance Fund) and two focus primarily on Europe (AMP Capital Infrastructure Debt Fund and Equitix Fund II). A further two funds target opportunities outside these developed regions; India Infrastructure Development Fund is an India-specific vehicle, while Rio Bravo Energia I makes investments in Brazil.

As shown in Fig. 10, 27 unlisted infrastructure funds have reached a final close over the past 12 months, having raised an aggregate $15.8bn. Europe was home to the greatest number of funds closed, with 13 vehicles closing on a total of $5.5bn. However, North America-focused funds were the most significant in terms of aggregate capital raised, with five funds reaching a final close raising $6.7bn, representing 42% of total capital raised during the period. Infrastructure funds primarily focused on Asia raised $0.8bn, while $2.8bn was raised by seven funds targeting opportunities outside these core regions.

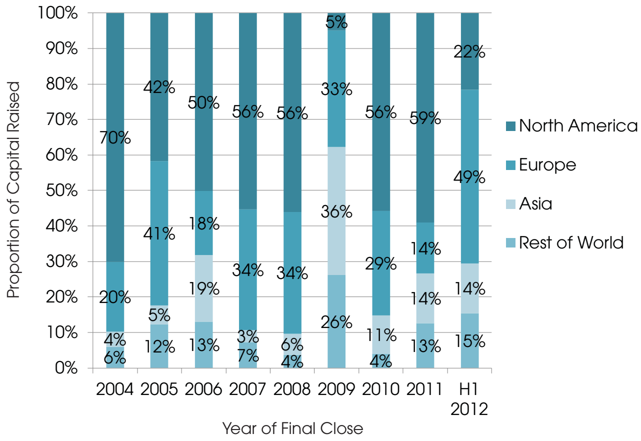
Fig. 11 provides an annual breakdown by region of the aggregate capital raised by unlisted infrastructure funds since 2004. The developed markets of Europe and North America dominate, with North America-focused vehicles representing 46% of the aggregate capital raised on average per year. Europe-focused funds account for an average of 30% of the aggregate capital commitments per year, while Asian and Rest of World-focused funds represent an average of 13% and 11% respectively. H1 2012 is the first time since 2009 that Europe-focused infrastructure vehicles have accounted for a greater proportion of aggregate capital commitments than North American funds.

Fig. 10: Unlisted Infrastructure Fundraising over the Past 12 Months by Primary Regional Focus



Source: Preqin Infrastructure Online

Fig. 11: Breakdown of Aggregate Capital Raised by Primary Regional Focus, 2004 - H1 2012



Source: Preqin Infrastructure Online

Funds on the Road

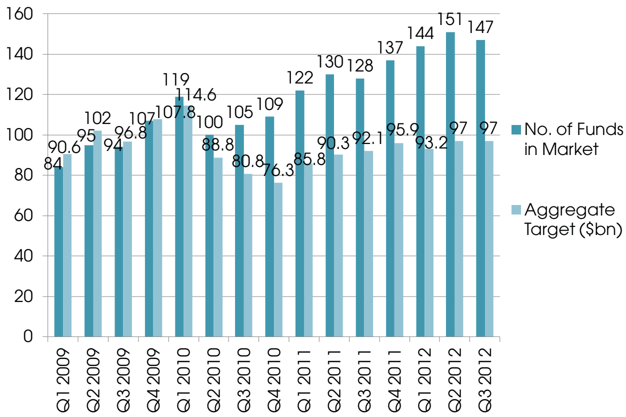
Going into Q3 2012 there are 147 unlisted infrastructure funds on the road, targeting an aggregate $97bn from institutional investors. This represents a slight decrease on the number of funds that were in market at the start of Q2 2012; however, the aggregate amount of capital being sought by these funds remains the same. The $97bn currently being targeted by infrastructure fund managers is 3.9% higher than was being sought at the beginning of the year.

As shown in Fig. 12, the number of unlisted infrastructure funds on the road has steadily increased since Q2 2010, with the current market featuring slightly fewer funds than the record 151 that were on the road at the start of Q1 2012. This shows that an increasing number of fund managers are marketing new funds to investors, and are optimistic about the opportunities available within the infrastructure space. Despite this, fund managers are now typically setting lower and perhaps more realistic fundraising targets in light of the current economic climate. In Q1 2009, the average target size of an infrastructure fund in market stood at almost $1.1bn; as of Q3 2012 it stands at $660mn. This illustrates that the prevailing mood from investors is one of caution and consequently the fundraising market is now more congested and challenging than ever.

In terms of primary geographical focus, more funds currently on the road are focused on investment in Europe than any other region. As shown in Fig. 13, a total of 56 funds in market primarily focus on European opportunities, showing that the region remains the centre of activity in the infrastructure space. Thirty-four funds are focused on North America, 27 on Asia, and 30 on geographies outside these core regions.

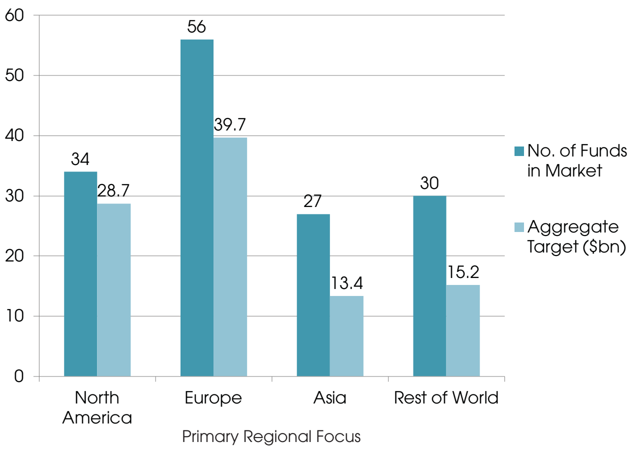
In terms of aggregate capital sought, European funds are again the most significant, targeting $39.7bn in investor capital. Funds primarily targeting North American infrastructure assets are seeking $28.7bn, while Asia-focused funds are looking to raise $13.4bn from investors. Infrastructure funds targeting assets outside these three regions are seeking to raise $15.2bn. In total, North American and European infrastructure funds account for 61% of the funds currently in market and 71% of the aggregate target capital being sought. The average size of a North America-focused fund is $844mn, significantly higher than the $709mn for European funds, the $496mn for Asian funds and the $507mn for Rest of World-focused funds.

Fig. 12: Unlisted Infrastructure Funds on the Road by Quarter, Q1 2009 - Q3 2012



Source: Preqin Infrastructure Online

Fig. 13: Composition of Unlisted Infrastructure Funds on the Road by Primary Geographic Focus



Source: Preqin Infrastructure Online

Fig. 14: Top Five Unlisted Infrastructure Funds on the Road by Target Size

Fund	Firm	Target Size (mn)	Manager Location
Global Infrastructure Partners II	Global Infrastructure Partners	5,000 USD	US
Highstar Capital Fund IV	Highstar Capital	3,500 USD	US
Alinda Global Core Infrastructure Fund	Alinda Capital Partners	3,000 USD	US
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	2,000 EUR	UK

Source: Preqin Infrastructure Online

Fundraising Future Predictions

Current market conditions mean infrastructure fund managers face spending an increasing amount of time on the fundraising trail in comparison to prior to the global financial crisis. Institutional investors are more cautious than ever when committing capital to unlisted infrastructure funds which has resulted in a highly saturated fundraising market, with a significant 147 infrastructure funds on the road looking to raise $97bn in investor capital. Many of these funds are new to the market and are managed by relatively inexperienced first-time fund managers, a factor that only adds to existing investor concern.

Few infrastructure funds managed to reach a final close in Q2 2012, although the number of funds holding an interim close is promising. Six funds held a final close and 17 funds held an interim close in Q2, raising $2.7bn and $10.5bn respectively. Much of this was fresh capital committed by institutional investors over the past 6-12 months and adds to the $6.1bn raised by vehicles holding a final and/or interim close in Q1 2012. Clearly investors are still attracted to the prospect of investing in unlisted infrastructure funds and capital will be made available to fund managers that can offer the most attractive opportunities in line with investor demand.

However, the fundraising environment undoubtedly remains tough and it is unlikely that 2012 fundraising figures will significantly exceed those of 2011. Fewer funds are reaching a final close, which is adding to the competitive nature of the fundraising market as new funds continue to launch. Those infrastructure funds that are successfully closing are doing so on reduced levels of investor commitments as fund managers take a more realistic approach to fundraising in the post-crisis marketplace. We can therefore expect more funds to hold interim closes going forwards in order to begin putting capital to work sooner, while continuing the search for further commitments in order to hit final close.

Despite these challenging conditions, we expect the unlisted infrastructure market to continue to grow going forward. Based on Preqin's conversations with institutional investors, placement agents and infrastructure fund managers worldwide, it seems inevitable that the private sector will remain the primary source of infrastructure investment capital in the future. Eighty-seven percent of the global institutional investor universe primarily gains exposure to infrastructure assets through commitments to unlisted infrastructure funds, which is a positive sign for fund managers and suggests that the unlisted market will continue to grow.

Fig. 15: Sample of Infrastructure Funds Closing On or Above Target in the Last 12 Months

Fund	Firm	Target Size (mn)	Final Close Size (mn)
Akuo Investment Management Fund	Akuo Investment Management	150 EUR	150 EUR
Aravis Energy II	Aravis	100 EUR	101 EUR
ArcLight Energy Partners Fund V	ArcLight Capital Partners	2,000 USD	3,310 USD
Equitix Fund II	Equitix	150 GBP	333 GBP
Hg Renewable Power Partners Fund II	HgCapital	500 EUR	542 EUR
Impax New Energy Investors II	Impax	300 EUR	330 EUR
InfraRed Infrastructure Fund III	InfraRed Capital Partners	1,000 USD	1,200 USD
Lloyds Bank European Infrastructure Partners	Lloyds Bank Project Finance Funds	200 EUR	200 EUR
P2Brasil	Pátria Investimentos	1,000 USD	1,155 USD
Saratoga Asia Fund III	Saratoga Capital Group	450 USD	600 USD

Source: Preqin Infrastructure Online

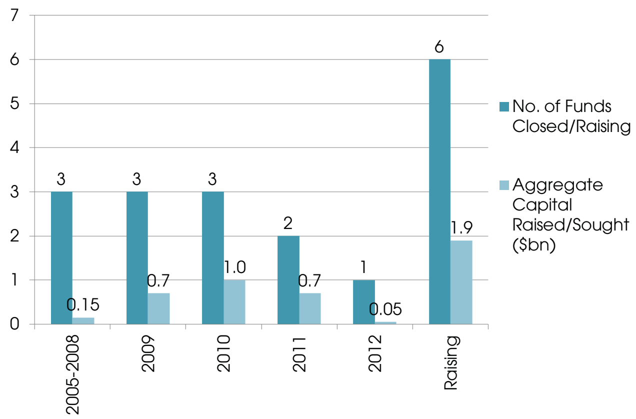
Infrastructure Fund of Funds Market

The infrastructure fund of funds market represents a small and niche sector within the wider unlisted infrastructure space. In Q2 2012, one infrastructure fund of funds vehicle reached a final close; König & Cie Infrastruktur International I closed in June having raised €38mn in investor capital. This vehicle is the only infrastructure fund of funds to hold a final close in 2012 to date, and took the total amount of capital raised by such vehicles to $2.6bn.

By the end of Q2 2012, 18 infrastructure funds of funds had entered the marketplace, 12 of which have held a final close. The remaining six vehicles are on the road seeking to raise an aggregate $1.9bn. Of these, four have held an interim close in order to begin investing capital, raising a combined $703mn towards their overall fundraising targets.

The majority of infrastructure fund of funds vehicles target a diverse portfolio in terms of geography, industry and project stage. Of the six currently on the road, five pursue investments on a global basis and only Altius Real Assets Fund – Infrastructure Sub-Fund follows a more narrowed focus (focusing on European and North American investments). Five of the vehicles will invest in a range of project stages, although Global Energy Efficiency and Renewable Energy Fund (GEEREF), managed by European Investment Bank – Renewables, remains the only vehicle with a more narrowed focus towards greenfield projects in emerging markets.

Fig. 16: Annual Infrastructure Fund of Funds Fundraising, All-Time



Source: Preqin Infrastructure Online

Fig. 17 shows the five largest infrastructure funds of funds currently on the road by target capital. Pantheon Global Infrastructure Fund II is the largest such vehicle, seeking €350mn in investor capital. All five funds are managed by firms located in Europe.

Fig. 17: Five Largest Infrastructure Fund of Funds on the Road

Fund	Firm	Target Size (mn)	Manager Location	Fund Status
Pantheon Global Infrastructure Fund II	Pantheon	350 EUR	UK	Raising
SR Infrastructure II	Swiss Re Private Equity Partners	350 USD	Switzerland	Second Close
OFI Infra Multi-Select	OFI Private Equity Multi Managers	250 EUR	France	First Close
DB Global Infrastructure Fund	DB Private Equity	250 EUR	Germany	First Close
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	European Investment Bank - Renewables	200 EUR	Luxembourg	First Close

Source: Preqin Infrastructure Online

Infrastructure Debt Fund Market

A growing number of infrastructure fund managers are launching debt/mezzanine funds in the current market in order to compensate for the shortfall in available long-term debt financing from traditional sources. Preqin currently tracks 50 infrastructure debt funds, of which 46 are traditional closed-end unlisted vehicles, one is an evergreen fund, and three are listed funds.

One infrastructure debt fund reached a final close in Q2 2012 – the €400mn AMP Capital Infrastructure Debt Fund, managed by AMP Capital Investors. The vehicle makes mezzanine and structured debt investments, as well as equity investments, in a diverse range of industries including aviation, energy, healthcare facilities and water. Its geographical focus is equally diverse, targeting investments on a global basis but with a particular focus on North America, Europe and Australia.

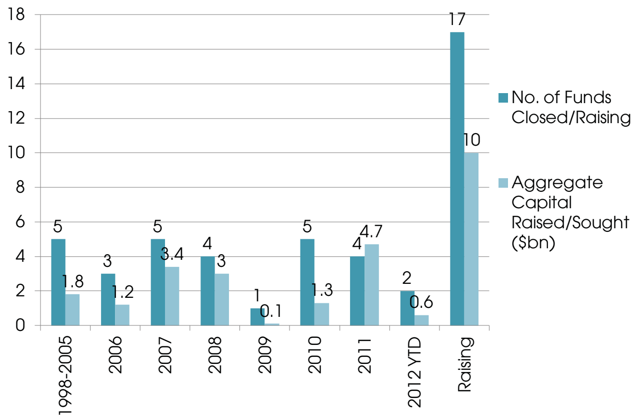
Aviva Investors Hadrian Capital Fund I was the only infrastructure debt fund to reach an interim close in Q2 2012, with a £150mn first close in May. The vehicle looks to provide structured debt and mezzanine financing to assets in the UK and continental Europe.

As shown in Fig. 18, 29 of the 46 closed-end infrastructure debt funds have already reached a final close, having raised an aggregate $16.1bn. The remaining 17 funds are currently raising capital, seeking a further $10bn in investor commitments. These debt funds represent 12% of all infrastructure funds currently on the road, and 10% of the total capital being sought by infrastructure fund managers globally.

In terms of investment strategy, the infrastructure debt fund market consists of both pure debt/mezzanine funds, and funds that plan to make both debt and equity investments. As shown in Fig. 19, 43% of funds providing debt financing are solely debt-focused vehicles and 57% will invest in both debt and equity.

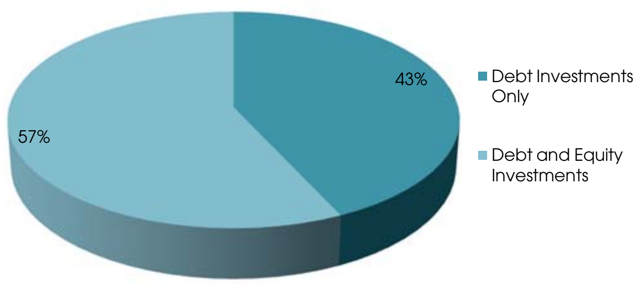
Fig. 20 provides a breakdown of the infrastructure debt fund fundraising market by primary geographic focus. There are 10 debt funds targeting opportunities in North America, Europe and Asia respectively, plus a further 16 vehicles focused on infrastructure assets based outside these core regions. In terms of aggregate capital raised/sought, debt funds focused on North America are most significant, with $9.4bn raised or targeted by those funds primarily focused on the region. Europe-focused funds are also significant, with $7.8bn raised, or targeted, by funds targeting European assets.

Fig. 18 : Annual Unlisted Infrastructure Debt Fund Fundraising, All-Time



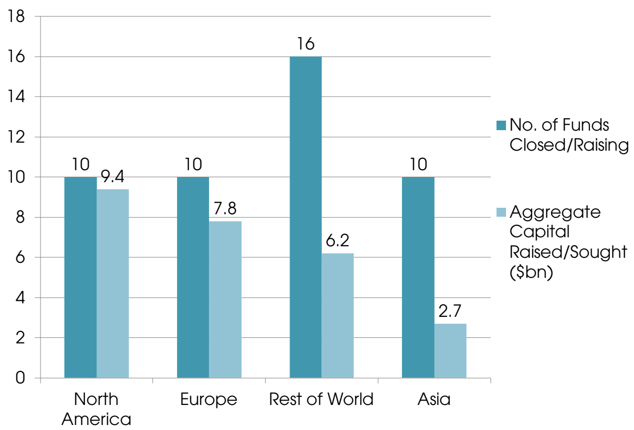
Source: Preqin Infrastructure Online

Fig. 19: Proportion of Unlisted Infrastructure Debt Funds Making Only Debt Investments



Source: Preqin Infrastructure Online

Fig. 20: Unlisted Infrastructure Debt Fund Fundraising by Primary Geographic Focus



Source: Preqin Infrastructure Online

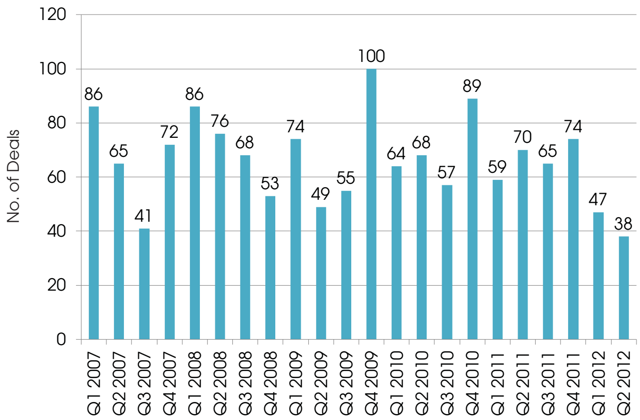
Deals Overview

A total of 38 deals were reported by unlisted infrastructure fund managers in Q2 2012. As shown in Fig. 21, this represents a decrease of 19% from the 47 transactions that were finalized in Q1 2012, and a more considerable drop from the 74 deals completed in Q4 2011. Although the total number of deals completed in the quarter is expected to rise as more information becomes available, the general plateau in deal activity since the global financial crisis reflects the ongoing uncertain economic climate and the scarcity of affordable long-term debt financing.

Despite these constraints, the average infrastructure deal size for transactions completed in H1 2012 improved slightly compared to previous years. As shown in Fig. 22, the average infrastructure deal made between January and June 2012 amounted to $531mn, higher than the averages achieved in 2009, 2010 and 2011. Several notable transactions of over $1bn completed in Q2 2012, showing that infrastructure fund managers are still successfully closing sizeable deals.

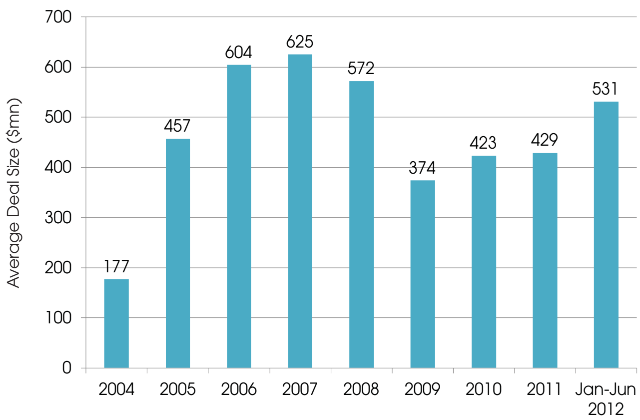
Fig. 23 provides a regional breakdown of deals completed by infrastructure fund managers since 2011. Europe is the dominant region, accounting for 44% of all transactions completed during the period. Thirty-eight deals involving European infrastructure assets were finalized in H1 2012, compared to 26 in Asia and Rest of World and 21 in North America. In terms of industry, deals in core economic sectors were the most prominent during the period, with deals in renewable energy assets particularly prevalent, accounting for 37% of total deals made in Q2 2012.

Fig. 21 : Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers, Q1 2007 - Q2 2012



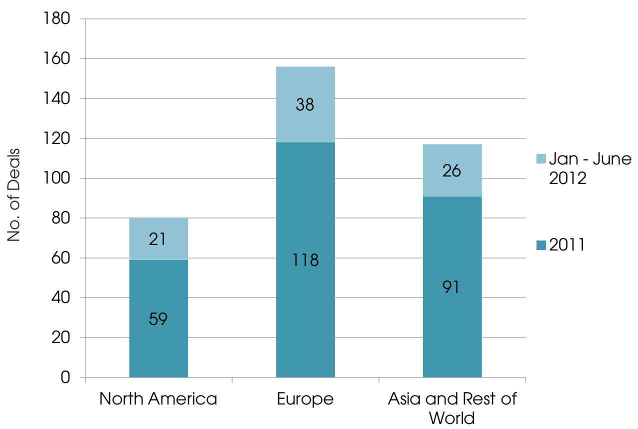
Source: Preqin Infrastructure Online

Fig. 22: Annual Average Infrastructure Deal Size, 2004 - June 2012



Source: Preqin Infrastructure Online

Fig. 23: Number of Infrastructure Deals by Region, 2011 - June 2012



Source: Preqin Infrastructure Online

Notable Deals and Fund Managers

Unlisted infrastructure fund managers made a number of notable deals in Q2 2012, as illustrated in the table in Fig. 24. These deals occurred across a range of infrastructure sectors, and on a global scale.

Macquarie Infrastructure and Real Assets (MIRA) remained the most active infrastructure fund manager over the past 12 months (Fig. 25). MIRA has made 11 deals through its various infrastructure vehicles since Q2 2011, followed by UK-based Equitix which has made eight. Equitix closed its second infrastructure fund in Q2 2012 on £333mn and targets PPP/PFI opportunities in UK infrastructure. Other active fund managers include LUXCARA Advisory and Dutch firm DIF.

In May 2012, a consortium comprising MIRA, Abu Dhabi Investment Authority, British Columbia Investment Management Corporation and Munich Ergo Asset Management (MEAG) was selected by E.ON as the preferred bidder for Open Grid Europe for a total purchase price of €3.1bn. Open Grid Europe is a portfolio of European gas distribution networks including Nord Stream, an offshore gas pipeline running from Russia to Germany. Other significant deals include Global Infrastructure Partners' purchase of Edinburgh Airport for £807mn, and the sale of a 90% stake in Veolia Water UK to Infracapital and Morgan Stanley Infrastructure for £1.2bn.

Fig. 24: 10 Notable Infrastructure Deals, Q2 2012

Asset	Location	Industry	Investor(s)	Deal Size (mn)	Stake (%)	Date
Open Grid Europe	Germany	Natural Resources Pipelines	Abu Dhabi Investment Authority, British Columbia Investment Management Corporation, Macquarie Infrastructure and Real Assets (MIRA), Munich Ergo Asset Management (MEAG)	3,100 EUR	100	May-12
Veolia Water UK	UK	Water Distribution	Infracapital, Morgan Stanley Infrastructure	1,240 GBP	90	Jun-12
Edinburgh Airport	UK	Airports	Global Infrastructure Partners	807 GBP	100	Apr-12
TKT Midstream Partners	US	Natural Resources Pipelines	Kiewit Corporation, Tiger Infrastructure Partners	500 USD	100	Jun-12
Jädraås Wind Farm	Sweden	Wind Power	Natixis Environnement & Infrastructures	350 EUR	20	May-12
Enovos	Luxembourg	Power Distribution	AXA Private Equity	330 EUR	23.48	May-12
N-636 Highway Project	Spain	Roads	Acciona, Transport Infrastructure Investment Company	309 EUR	100	May-12
Vents Du Kempt Wind Farm	Canada	Wind Power	Fiera Axium Infrastructure	340 CAD	100	May-12
South Australian Schools PPP	Australia	Educational Buildings	AMP Capital Investors	232 AUD	100	May-12
Birmingham New Hospitals PFI	UK	Hospitals	InfraRed Capital Partners	35 GBP	30	May-12

Source: Preqin Infrastructure Online

Fig. 25: Most Active Infrastructure Fund Managers in the Last 12 Months

Firm Name	No. of Investments in Last 12 Months	Total Raised through Unlisted Infrastructure Funds (bn)
Macquarie Infrastructure and Real Assets (MIRA)	11	23.3 USD
Equitix	8	0.4 GBP
LUXCARA Advisory	7	0.1 EUR
DIF	5	1.4 EUR
First Reserve Corporation	5	1.2 USD
HgCapital	5	0.8 EUR
Meridiam Infrastructure	4	1.7 EUR
InfraRed Capital Partners	4	1.3 GBP
Inframan	4	0.3 EUR
Capital Dynamics	4	0.3 USD
EQT Funds Management	5	1.2 EUR
Hg Capital	5	0.8 EUR

Source: Preqin Infrastructure Online

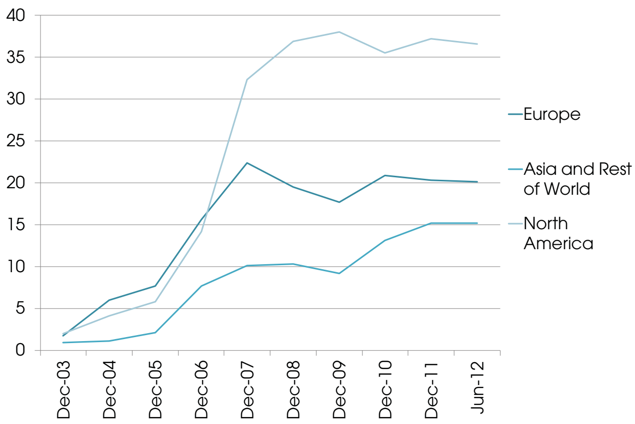
Dry Powder

The total amount of dry powder available to unlisted infrastructure fund managers stands at $71.9bn as of the end of Q2 2012. This represents an 8.5% increase on the $65.8bn that was available at the end of Q1 2012, but a 1.1% decrease on the $72.7bn available at the end of December 2011.

Fig. 26 shows infrastructure dry powder levels over time by primary geographic focus. Dry powder levels fell slightly in 2009 before rising to $68.5bn by December 2010. Levels peaked in December 2011 at $72.7bn, with capital held in reserve by both Asia and Rest of World- and North America-focused funds increasing by 14% and 5% respectively. However, dry powder for Europe-focused funds decreased slightly in the same period from $20.9bn to $20.3bn. From January to June 2012, levels of held capital available to fund managers in Europe and North America fell slightly as a result of difficult fundraising conditions, while dry powder available to fund managers in Asia and Rest of World remained constant.

Fig. 27 shows the top 10 unlisted infrastructure fund managers by the estimated amount of dry powder they have at their disposal. Global Infrastructure Partners and Macquarie Infrastructure and Real Assets (MIRA) top the list, followed by ArcLight Capital Partners. In total, seven managers have in excess of an estimated $2bn available in uncalled commitments. The top 10 firms account for 37% of the total dry powder available to infrastructure fund managers worldwide.

Fig. 26: Infrastructure Dry Powder by Primary Regional Focus, December 2003 - June 2012



Source: Preqin Infrastructure Online

Preqin's Infrastructure Online product features details of current and historic levels of capital held in reserve by the infrastructure industry. For more information on how Infrastructure Online can help you, or to register for a demo, please visit:

www.preqin.com/infra

Fig. 27: Top 10 Infrastructure Fund Managers by Estimated Dry Powder

Firm	Estimated Dry Powder ($bn)	Firm Headquarters
Global Infrastructure Partners	5.4	US
Macquarie Infrastructure and Real Assets (MIRA)	3.8	Australia
ArcLight Capital Partners	3.4	US
GS Infrastructure Investment Group	2.5	US
EIG Global Energy Partners	2.4	US
Energy Capital Partners	2.3	US
Brookfield Asset Management	2.1	US
Innisfree	1.6	UK
Alinda Capital Partners	1.6	US
AXA Private Equity	1.6	France

Source: Preqin Infrastructure Online

Performance Update

Infrastructure funds are widely expected to produce stable and predictable returns for investors. As the majority of infrastructure funds were launched post-2004, however, there is still only limited data available to create meaningful performance benchmarks for the infrastructure industry. Many of these vehicles still have dry powder available to invest, or are invested in relatively immature assets, making it difficult to measure performance. Preqin currently holds performance data for 120 unlisted infrastructure funds, the majority of which have been raised in recent years.

Despite this, we can examine the performance of older vintage infrastructure funds for an indication of what to expect when these younger funds mature, and to make comparisons with other private equity-style strategies.

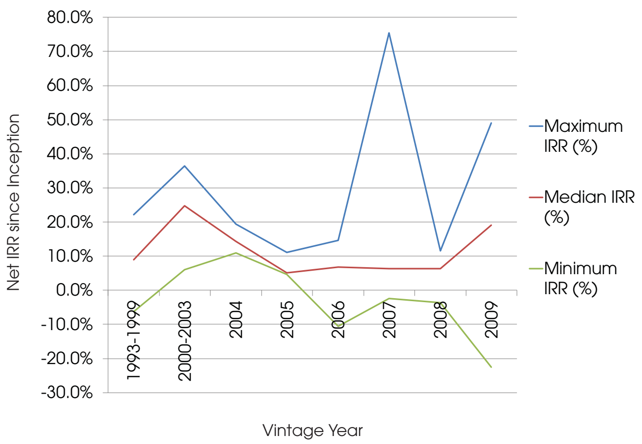
As expected, median net IRRs for funds of vintages 2005-2008 remain within the 0% to 10% range. It is still too early to make any solid predictions regarding future long-term returns for these vehicles, but there is evidence that older infrastructure funds have performed well and delivered a reasonable yield to investors.

Fig. 28 shows the median net IRRs since inception for infrastructure funds of vintages 1993-2009, as well as the minimum and maximum net IRRs for each vintage year. Infrastructure funds of vintages 1993-1999 are the most mature group in the sample, and many of these funds have already been liquidated. These funds have produced a 9% median net IRR, while funds of vintages 2000-2003 have produced 24.8%. Infrastructure funds with a 2004 vintage have produced a 14.3% median net IRR.

Fig. 29 shows the median net IRRs achieved by infrastructure, buyout, venture (excluding early stage) and real estate funds of vintages 1993-2009. In comparison to these other strategies, infrastructure funds have performed well, with the median net IRR for funds of vintages 1993-1999 at a slightly lower but similar level to the other strategies shown. This suggests that even when compared to asset classes traditionally aiming for higher returns, unlisted infrastructure funds are able to provide strong performance.

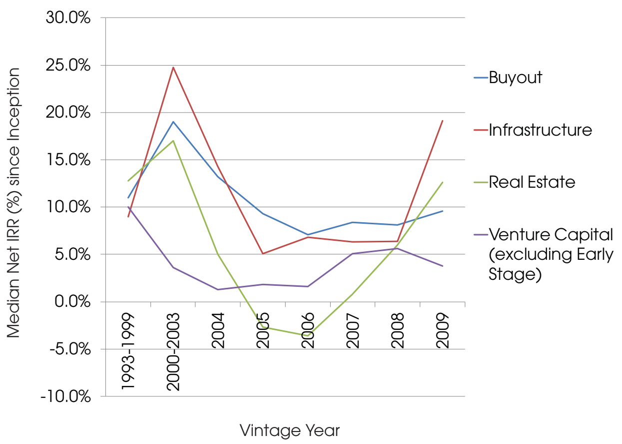
The standard deviation of unlisted infrastructure fund returns also demonstrates the lower-risk nature of the asset class when compared to other strategies. The standard deviation of net returns for infrastructure funds of vintages 1993-2009 is 13.7%, less than the 20% for buyout, 37% for venture (excluding early stage) and 18.4% for real estate. This suggests that infrastructure funds carry less risk than other private equity-like strategies, albeit with less potential for significant levels of return.

Fig. 28: Median, Maximum and Minimum Net IRRs for Infrastructure Funds by Vintage Year



Source: Preqin Infrastructure Online

Fig. 29: Infrastructure vs. Other Private Equity Strategies - Median Net IRRs by Vintage Year



Source: Preqin Infrastructure Online

Largest Investors and Leading Managers

Preqin's Infrastructure Online database currently tracks over 1,550 investors actively investing in the infrastructure asset class, and a further 177 investors considering making infrastructure investments in the future. Public pension plans are the most significant type of investor, representing 17% of the total universe. Private pension plans and superannuation schemes represent 16% and 5% of the total respectively, meaning the various types of pension plan account for 38% of all investors in the asset class.

Fig. 30 provides a breakdown of the infrastructure fund managers with the most extensive known investor bases. One hundred and twenty-nine different institutions are known to have invested in an unlisted infrastructure fund managed by Macquarie Infrastructure and Real Assets (MIRA), making it the infrastructure fund manager with the highest number of known limited partners. By the start of Q3 2012, MIRA had closed 15 unlisted infrastructure funds, raising an aggregate $20.8bn in capital, and had another five funds in market targeting a further $5.4bn.

As shown in Fig. 31, OMERS is the largest active infrastructure investor, with $14.3bn invested in the asset class through direct investments made by its subsidiaries Borealis Infrastructure and OMERS Strategic Investments. Other prominent infrastructure investors include CPP Investment Board and Corporación Andina de Fomento (CAF), with $9.1bn and $8.4bn invested in infrastructure respectively.

Fig. 30: Leading Infrastructure Fund Managers by Number of Known Investors

Fund Manager	No. of Known Investors
Macquarie Infrastructure and Real Assets (MIRA)	129
EIG Global Energy Partners	57
Energy Investors Funds	54
Global Infrastructure Partners	49
Alinda Capital Partners	49

Source: Preqin Infrastructure Online

Fig. 31: Largest Infrastructure Investors by Current Commitment to Infrastructure

Rank	Investor	Currently Committed to Infrastructure ($bn)	Investor Type	Investor Location
1	OMERS	14.3	Public Pension Fund	Canada
2	CPP Investment Board	9.1	Public Pension Fund	Canada
3	Corporación Andina de Fomento (CAF)	8.4	Government Agency	Venezuela
4	Ontario Teachers' Pension Plan	7.8	Public Pension Fund	Canada
5	APG - All Pensions Group	7.5	Asset Manager	Netherlands
6	TIAA-CREF	6.5	Private Sector Pension Fund	US
7	QIC	6.2	Asset Manager	Australia
8	CDP Capital - Private Equity Group	5.7	Asset Manager	Canada
9	Ping An Trust	5.5	Investment Company	China
10	AustralianSuper	5	Superannuation Scheme	Australia

Source: Preqin Infrastructure Online

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- Fund Performance
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