

This report is an excerpt from: **Preqin Quarterly: Infrastructure, Q3 2012**. To download the full report please visit: https://www.preqin.com/docs/quarterly/INF/Infrastructure_Quarterly_Q3_2012.pdf

Infrastructure Debt Fund Market

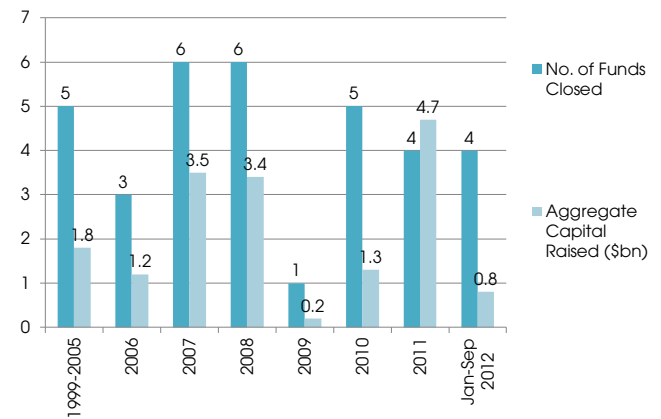
The contraction of the credit markets since 2009 has limited the flow of long-term debt to infrastructure projects from traditional sources. Furthermore, impending banking regulations on liquidity and capital adequacy will continue to limit the ability of banks to provide financing to infrastructure assets in future. As a result, a growing number of unlisted infrastructure fund managers are launching debt funds in order to capitalize on the shortfall in supply and increase in demand for infrastructure debt financing.

Preqin currently tracks 61 infrastructure debt funds, including those providing mezzanine financing, 51 of which are traditional closed-end unlisted infrastructure vehicles. As illustrated in Fig. 18, 34 of these closed-end debt funds had already reached a final close by October 2012, raising an aggregate \$16.9bn. Four infrastructure debt funds held a final close between Q1 and Q2 2012 raising a combined \$800mn, although no such vehicles reached a final close in Q3. However, one infrastructure debt fund held an interim close in Q3 2012; Energy Capital Partners Mezzanine Opportunities Fund held a \$600mn third close in September. The vehicle makes mezzanine debt investments in North America-based energy infrastructure projects and businesses.

Fig. 19 displays the growth of the infrastructure debt fund market over time. As of October 2012, 17 unlisted infrastructure debt funds were in market, targeting an aggregate \$9.9bn. This represented 12% of all unlisted infrastructure funds on the road and 11% of total capital targeted by fund managers worldwide. In terms of investment strategy, 60% of infrastructure debt funds make both debt and equity investments, while 40% are focused solely on providing debt financing.

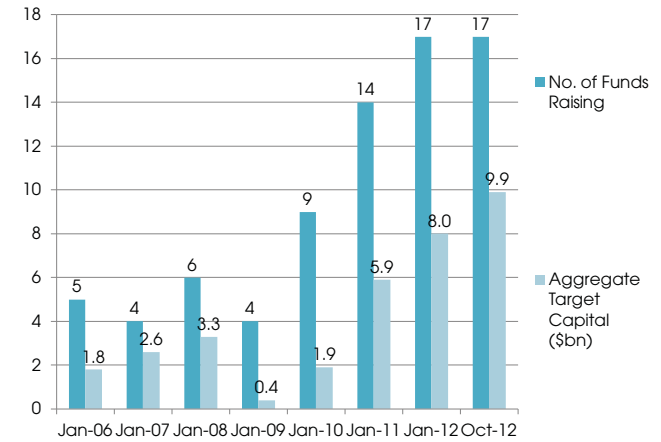
The breakdown of infrastructure debt funds by primary geographic focus is shown in Fig. 20. Asia remains the most targeted single region in term of number of funds, with 13 debt vehicles primarily focused on Asia. However, in terms of aggregate capital raised/sought, North America is the most prominent region of debt fund activity, with \$9.2bn raised or targeted by debt funds with a primary focus on the region. Europe is again significant, with 12 infrastructure debt funds having raised or seeking to raise \$8bn in investor capital. Seven of the 17 funds focused outside these three core regions are focused primarily on South and Central America, including four managed by Darby Overseas Investments.

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



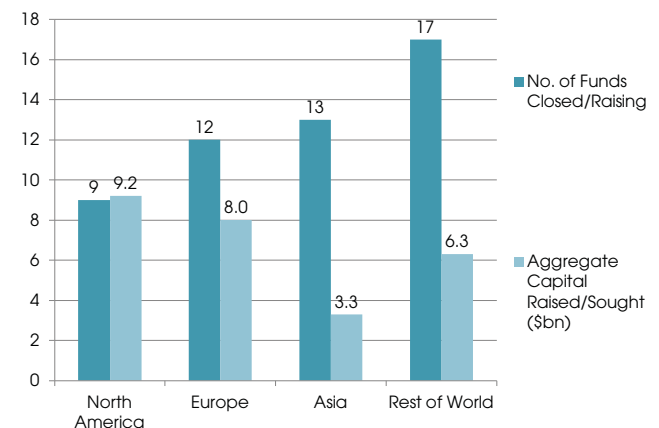
Source: Preqin Infrastructure Online

Fig. 19: Unlisted Infrastructure Debt Funds on the Road over Time, 2006 - October 2012



Source: Preqin Infrastructure Online

Fig. 20: Breakdown of Unlisted Infrastructure Debt Fund Fundraising by Primary Geographic Focus, All-Time



Source: Preqin Infrastructure Online