Q3 2011 OCTOBER 2011

The Preqin Quarterly

Infrastructure

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

Content Includes....

Investment Consultant Survey

Investment consultants active in infrastructure give their views on the asset class, including strategic preferences and plans for the future.

Latest Fundraising Figures and Future Predictions

Fundraising figures for Q3 2011, along with predictions for the near future and an insight into funds currently seeking capital.

Infrastructure Deals

A look at the latest figures regarding deals made by unlisted infrastructure fund managers.

Dry Powder

How much capital is available to unlisted infrastructure fund managers to make new deals?

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Contents

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Editor's Note

Despite another slow quarter in terms of the number of private infrastructure funds reaching a final close, our data hints at possible further improvements in the level of activity in the market. Although only two infrastructure funds closed in Q3 2011 having raised just $1.6bn, a further 11 funds reached an interim close during the quarter raising an additional $3.7bn towards their overall targets. This shows good momentum within the market and is evidence that fund managers are still attracting institutional investor capital.

While the data suggests cause for cautious optimism, 2011 fundraising is unlikely to match the levels of 2010, when 40 infrastructure funds closed having raised an aggregate $31.8bn. A number of sizeable funds closed in 2010 that had been fundraising for over two years, while the majority of the funds currently on the road were launched after the downturn struck and are targeting fresh institutional capital.

Future fundraising conditions will continue to be tough as investors look to maintain fewer GP relationships and invest capital more conservatively. While fund managers with strong past performance, an appropriate investment strategy and a pre-existing and supportive investor base will enjoy success, other firms will struggle in an increasingly congested and competitive market. As such, managers will need to prepare for a prolonged fundraising period and set more realistic fundraising targets. Although investor confidence is returning, there is not enough capital to go around, and firms that are struggling to raise capital may have tough decisions to make as we move into 2012.

Overlaying the infrastructure story there is, of course, the huge volatility and uncertainty in global financial markets. This creates a challenging dichotomy for the industry: over the medium to longer term it is quite clear that infrastructure offers investors an appealing risk-reward trade-off, and allocations will surely increase; conversely over the short term investors will be shying away from risk assets of all kinds. How these countervailing forces play out over the coming months remains to be seen.

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 for 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 popular 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. The results of our latest study into the investment preferences of infrastructure investment consultants are also available on pages 4-5.

We hope that 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, Editor

Infrastructure Investment Consultants

Private investment in unlisted infrastructure funds is a relatively new phenomenon. As such, the majority of LPs entering the infrastructure market tend to be inexperienced and lack expertise in the sector. This, combined with limited available resources, means investors are often unable to efficiently analyze potential infrastructure investments in-house. As a result, dedicated investment consultants have a key role in supporting and advising their institutional investor clients when structuring an infrastructure portfolio.

In June 2011, Preqin surveyed over 70 alternative investment consultants from around the world with over $1.5 trillion in alternative assets under advisement collectively. With the number of unlisted infrastructure funds seeking capital at a record level, fund managers must ensure they are in tune with the preferences and opinions of investors and their consultants in order to successfully raise new funds. As such, Preqin asked investment consultants about their strategic and geographical preferences, future investment plans and the key issues currently facing the infrastructure asset class.

Strategic Preferences

Ranking the level of attractiveness of various strategy types on a scale of one to five, with five being the most attractive and one being the least attractive, infrastructure investment consultants were asked which strategy types are presenting the best opportunities in the current market environment, as shown in Fig. 1.

With an average ranking of 3.7, primary unlisted (private equity) infrastructure fund investments are seen to present the best investment opportunity in the market. This is demonstrated by the growth in the number of such funds coming to market over recent years. Conversely, scoring an average ranking of 2.5, funds of funds are currently viewed by consultants as constituting the least attractive investment opportunity, mainly due to the additional layer of fees faced by investors when committing to such vehicles. Debt/ mezzanine funds received an average ranking of 3.1.

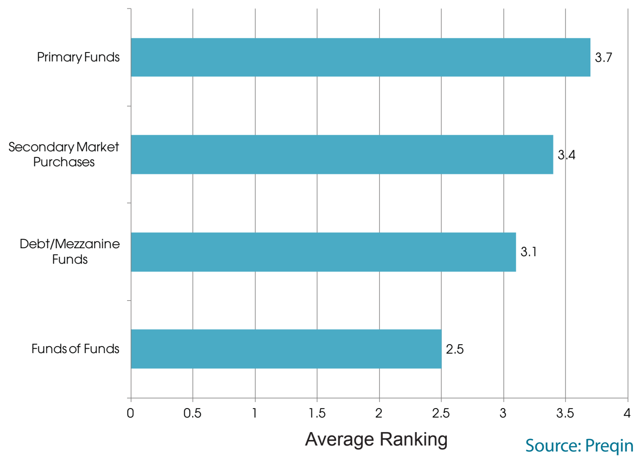
Investment consultants are also willing to recommend secondary market fund purchases to their clients, with this strategy getting an average ranking of 3.4.

Future Investment Plans and Preferences

In terms of future investment plans, the majority of investment consultants (58%) and their clients are looking to commit more capital to unlisted infrastructure funds in 2011/12 compared to 2010. This is encouraging for fund managers, with none of the investment consultants interviewed by Preqin planning to commit less capital to infrastructure over the next 12 months compared to the previous year. In fact, 22% of respondents said that they are planning to significantly increase their levels of commitment, as shown in Fig. 2.

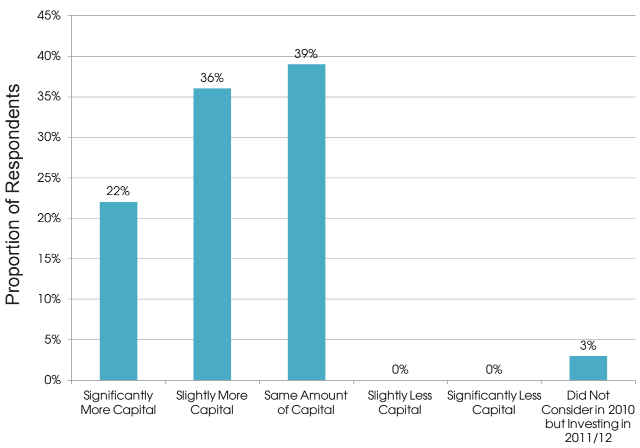
Geographically, Asia was cited by half of infrastructure investment consultants as presenting attractive investment opportunities over the next 12 months. This is unsurprising given the growing demand for infrastructure development in the emerging Asian economies. Europe is likely to remain the focus of the majority of infrastructure investment over the short-to-medium term with 47% of consultants stating that the region will offer attractive opportunities over the next 12 months, while the level of private investment in North America will continue to increase, with 37% stating that there will be good chances to invest there during the next year.

Fig. 1: Infrastructure Investment Consultant Attitudes to Different Strategies (1 - Least Attractive, 5 - Most Attractive)



Source: Preqin

Fig. 2: Amount of Capital Consultants and Their Clients Plan to Commit to Infrastructure in 2011/12 Compared to 2010



Source: Preqin

Emerging markets outside of Asia are also of growing importance to the infrastructure sector. A significant proportion of investment consultants (42%) involved in the infrastructure space stated that they view South America as an attractive region in which to invest in the coming 12 months, as shown in Fig. 3.

Key Issues

In terms of important issues facing the asset class, management fees and other terms and conditions are of greatest concern to investment consultants, with 18% viewing this as the key issue in the current market. As shown in Fig. 4, other key issues that could potentially discourage investment consultants from recommending investments in infrastructure funds include liquidity, industry regulations and asset valuations. 16% of consultants believe the illiquid nature of private fund investments is an issue, while 11% cited both regulations and asset valuations as a problem.

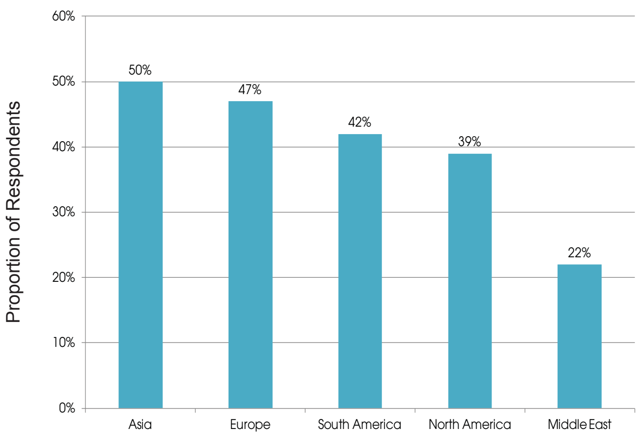
This sentiment towards fund terms and conditions closely resembles that of those investors surveyed in our recent Preqin Investor Outlook: Infrastructure, a study of the opinions of leading LPs in unlisted infrastructure funds. 62% of investors surveyed believed management fees to be an area of concern, while 53% highlighted carry structure levels as a problem and 42% had issues with fund manager hurdle rates. However, the proportion of investors that highlighted each area as an issue decreased from a survey conducted in 2010, suggesting that the alignment of LP and GP interests has improved in the infrastructure asset class over the past year.

Outlook

The study of investment consultants suggests that the outlook for the infrastructure asset class is positive. In total, 58% of surveyed consultants plan to invest more capital in infrastructure funds in 2011/12 than they did last year, while 39% expect to invest a similar amount of capital. The long-term future of the asset class also appears positive, with 62% of investors that responded to our recent LP study planning to continue investing in unlisted infrastructure funds in future. 36% of respondents plan to increase their target allocations to infrastructure over time, while 22% intend to make direct investments. Just 9% do not expect to make further commitments.

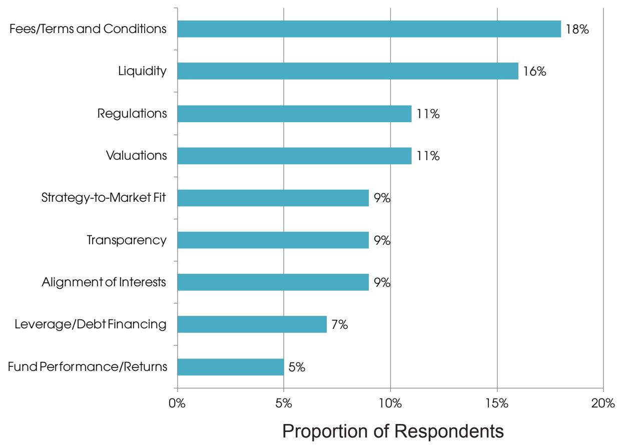
However, despite this positive feedback, the fact remains that the investor community is still recovering from the global economic downturn, and is generally more cautious when it comes to increasing exposure. Fund managers need to ensure fund terms and conditions are structured appropriately, and will also need to satisfy the growing demand for improved reporting and increased investor interaction.

Fig. 3: Regions Viewed as Presenting the Best Opportunities in Infrastructure



Source: Preqin

Fig. 4: Investment Consultants' Perception of the Most Important Issue in the Infrastructure Market



Source: Preqin

With the fundraising market in an extremely competitive state, it is vital that fund managers pay close attention to these factors in order to successfully achieve their targets.

Preqin's Infrastructure Online product contains detailed profiles for over 300 investment consultants that are active in providing advice to investors in infrastructure, including names of the institutions they advise, the nature of the services they provide, contact details, and more. For more information or to register for a demo please visit:
www.preqin.com/infrastructure

Fundraising Overview

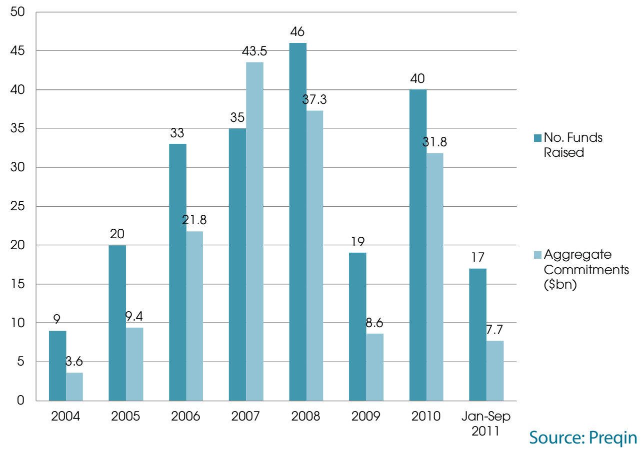
In Q3 2011, two unlisted infrastructure funds reached a final close having raised an aggregate $1.6bn in capital (Fig. 6). This represented a 45% decrease from the amount raised in Q2 2011, when seven funds closed on an aggregate $2.9bn. A further 11 funds held an interim close in Q3 2011, raising an aggregate $3.7bn. The fundraising market remains congested and challenging, although final close figures should improve in Q4.

The two direct infrastructure funds to close in Q3 2011 were the P2Brasil, managed by Pátria Investimentos, and the €330mn Impax New Energy Investors II. Those funds to hold interim closes in Q3 included ArcLight Energy Partners Fund V, which held a third close on $1.5bn in August, and Islamic Infrastructure Fund, which held a $287mn second close in July.

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 following the financial crisis. As shown in Fig. 7, only 17% of funds spent 12 months or less in market seeking capital. The largest proportion of funds (24%) had been on the road for between 13 and 18 months, while 38% had been fundraising for over two years.

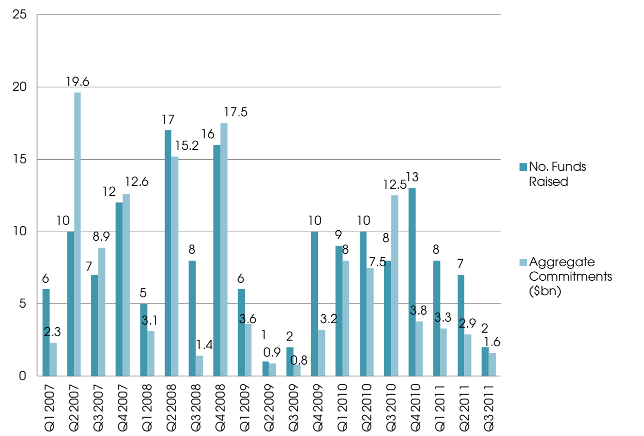
Fig. 8 shows the 10 largest unlisted infrastructure funds to close over the past 12 months. These vehicles accounted for 71% of the total capital raised during the period, with the three largest funds, the $1.22bn First Reserve Energy Infrastructure Fund, the $1.17bn Macquarie State Bank of India Infrastructure Fund, and the $1.15bn P2Brasil, making up 31% of the total between them. In terms of geography, six of the 10 largest funds primarily focus on the developed North American and European markets, although emerging market-focused vehicles are more significant in terms of aggregate capital raised.

Fig. 5: Annual Unlisted Infrastructure Fundraising, 2004 - Q3 2011



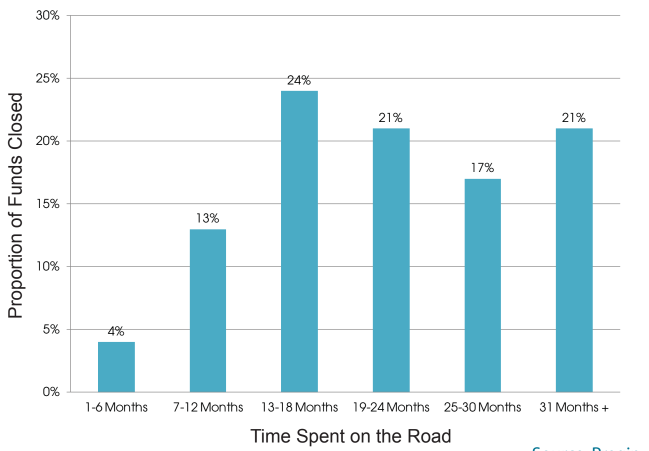
Source: Preqin

Fig. 6: Quarterly Unlisted Infrastructure Fundraising, Q1 2007 - Q3 2011



Source: Preqin

Fig. 7: Breakdown of Time Spent on the Road by Funds Closed in the Last 12 Months



Source: Preqin

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Fig. 8: Top 10 Unlisted Infrastructure Funds Closed over the Past 12 Months by Final Close Size

Fund	Firm	Final Close Size (mn)	Manager Location	Fund Focus	Date Closed
First Reserve Energy Infrastructure Fund	First Reserve Corporation	1,228 USD	US	US	Apr-11
Macquarie State Bank of India Infrastructure Fund	Macquarie Infrastructure and Real Assets (MIRA)	1,169 USD	Australia	ROW	Mar-11
P2Brasil	Pátria Investimentos	1,155 USD	Brazil	ROW	Aug-11
Guangdong Nuclear Power and New Energy Industrial Investment Fund I	China Guangdong Nuclear Power Fund Management	7,000 CNY	China	ROW	Nov-10
Energy Spectrum Partners VI	Energy Spectrum Capital	999 USD	US	US	Apr-11
Macquarie Renaissance Infrastructure Fund	Macquarie Infrastructure and Real Assets (MIRA)	630 USD	Australia	ROW	Mar-11
BNP Paribas Clean Energy Fund	BNP Paribas Clean Energy Partners	437 EUR	UK	Europe	Dec-10
Rabo Bouwfonds Communication Infrastructure Fund	Bouwfonds Real Estate Investment Management	350 EUR	Netherlands	Europe	Oct-10
Fiera Axium Infrastructure Canada	Fiera Axium Infrastructure	460 CAD	Canada	US	Feb-11
Impax New Energy Investors II	Impax	330 EUR	UK	Europe	Sep-11

Source: Preqin

Regional Fundraising

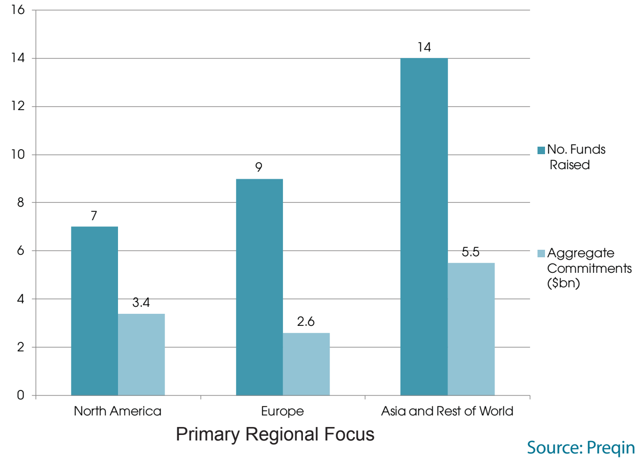
The global nature of the infrastructure market means that unlisted infrastructure funds typically target more than one geographic region, which makes it difficult to assign them a specific regional focus. Of the two funds that reached a final close in Q3 2011, Impax New Energy Investors Fund II primarily invests in Europe and P2Brasil primarily invests in Brazil. The two vehicles raised a combined $1.6bn, with the $1.15bn P2Brasil raising the majority of the capital.

Over the past 12 months, 30 unlisted infrastructure funds have reached a final close on an aggregate $11.5bn, as shown in Fig. 9. Asia and Rest of World was the most popular region in terms of the number of funds closed and aggregate capital raised, with 14 funds closing on a total of $5.5bn in investor capital. Infrastructure funds primarily focused on North America raised $3.4bn, while nine funds primarily focused on European assets closed on an aggregate $2.6bn.

Fig. 10 provides an annual breakdown by region of the aggregate capital raised by unlisted infrastructure funds since 2004. The developed European and North American markets dominate, with North America-focused vehicles representing 47% of aggregate capital raised on average per year. Europe-focused funds account for an average of 30% of aggregate capital committed each year, while Asia and Rest of World represents 23%. The only exception to this general pattern occurred in 2009, when Asia and Rest of World funds raised 61% of total capital, due to fund managers and investors looking outside the developed markets for profitable opportunities during the financial crisis. Asia and Rest of World funds account for a significant 48% of total capital raised in the period January to September 2011.

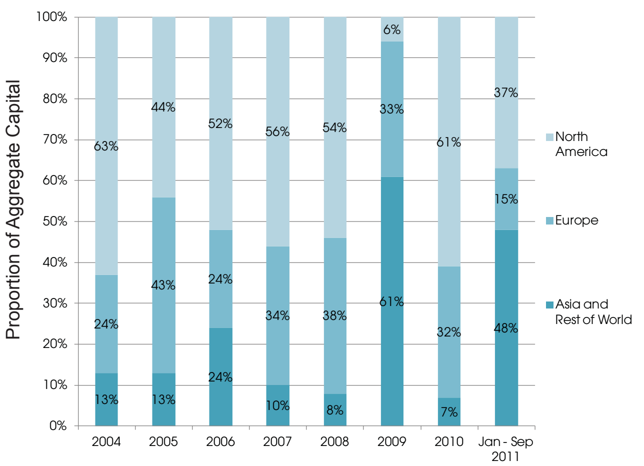
Thirty unlisted infrastructure funds closed in the last 12 months – Infrastructure Online allows you to see individual details for them all: initial target size; final close size; project stages, industries and geographies targeted; typical investment size; and much more. For more information on this product or to register for a demo, please visit:
www.preqin.com/infrastructure

Fig. 9: Unlisted Infrastructure Fundraising over the Past 12 Months by Primary Regional Focus



Source: Preqin

Fig. 10: Annual Breakdown of Aggregate Capital Raised by Region, 2004 - 2011



Source: Preqin

Funds on the Road

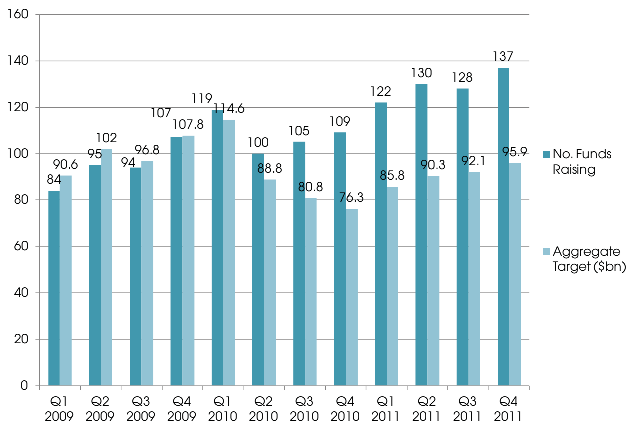
Q4 2011 marks the fourth successive quarter-on-quarter increase in the aggregate capital targeted by infrastructure funds on the road. Going into Q4 2011, there are 137 funds in market targeting $95.9bn, representing a 4% increase on the previous quarter and an 11% increase since the start of the year.

As shown in Fig. 11, the number of unlisted infrastructure funds on the road has markedly increased since Q2 2010, with a record number of funds currently in market, more than the previous record of 130 vehicles that were raising capital at the start of Q2 2011. This shows that an increasing number of fund managers are marketing new funds and/or resuming fundraising for funds that had been previously put on hold. However, fund managers are typically setting lower fundraising targets following the financial crisis. As such, in Q1 2009 the average target size of infrastructure funds in market stood at almost $1.1bn; as of Q4 2011 it stands at $700mn. This shows that despite greater fund manager and investor optimism, the fundraising market is now more competitive than ever before.

In terms of primary geographical focus, more funds currently on the road are focused on Europe than either North America or Asia and Rest of World. As shown in Fig. 12, a total of 55 funds will primarily focus on investing in Europe, showing that the region remains the centre of activity in the infrastructure space. 52 funds are focused on Asia and Rest of World and 30 on North America.

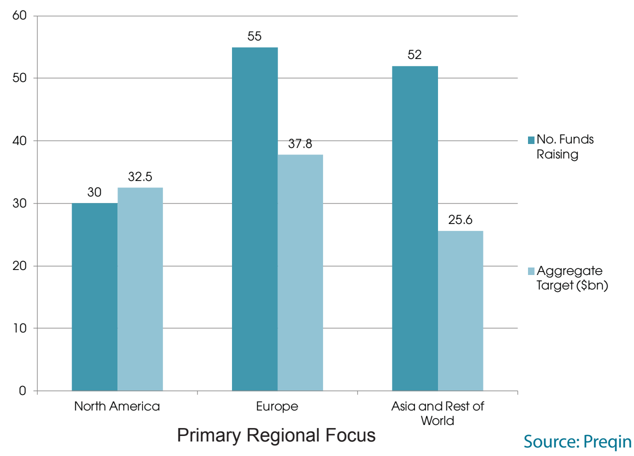
In terms of aggregate capital sought, European funds are again the most significant, targeting $37.8bn in investor capital. Funds primarily targeting North American infrastructure assets are seeking to raise $32.5bn, while Asia and Rest of World-focused vehicles are seeking $25.6bn. North American and European infrastructure funds account for 62% of the total number of funds in market and 73% of the aggregate target capital. The average size of a North America-focused fund is $1.1bn, significantly higher than the $687mn for European vehicles and $492mn for Asia and Rest of World-focused funds.

Fig. 11: Unlisted Infrastructure Funds in Market by Quarter, Q1 2009 - Q4 2011



Source: Preqin

Fig. 12: Composition of Funds in Market by Primary Regional Focus



Source: Preqin

The table in Fig. 13 shows the five largest infrastructure funds currently in market. The largest of these funds is Global Infrastructure Partners II, which is targeting between $5bn and $6bn in investor commitments. It will invest in a variety of energy, natural resources, transportation, utilities, waste management and water assets globally.

Fig. 13: Top Five Infrastructure Funds in Market 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 US Core Infrastructure Fund	Alinda Capital Partners	3,000 USD	US
CVC European Infrastructure Fund	CVC Infrastructure	3,000 EUR	UK
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	2,000 EUR	UK

Source: Preqin

Fundraising Future Predictions

Although institutional investors and infrastructure fund managers are growing in confidence following the global financial crisis, the infrastructure fundraising market remains challenging. Investors are slowly returning to market but are likely to be much more cautious when committing capital to infrastructure funds. Fund managers face a prolonged fundraising period and are unlikely to raise the same level of capital as was possible prior to the economic downturn.

Current final close figures show that the market is still at a low point, but the number of funds holding an interim close in the period is encouraging; 11 funds held an interim close in Q3 2011, raising an aggregate $3.7bn. In January to September 2011, a total of 29 funds have held an interim close, raising an aggregate $11.5bn, showing that it is still possible for fund managers to attract investor commitments. It is also important to note that much of the capital committed to funds holding an interim close in Q3 2011 was raised in either 2010 or 2011, while much of the $31.8bn committed to funds that closed in 2010 would have been raised prior to 2009. This shows good momentum within the current fundraising market despite lower final close figures.

The majority of infrastructure funds currently on the road began fundraising after the crisis, meaning the market is largely comprised of new vehicles targeting lower levels of capital. These funds are likely to be on the road for some time and hold several interim closes before reaching a final close. It is therefore unlikely that 2011 fundraising figures will match those of 2010 as both investors and fund managers adapt to the post-crisis marketplace.

Despite this, the results of our latest study of institutional investors show that 40% of investors expect to make new commitments to infrastructure funds in the coming 12 months, and a further 22% expect to invest on an opportunistic basis. Although investors will be more cautious going forward, the majority will still look to benefit from the stable long-term characteristics the infrastructure asset class has to offer, particularly as an inflation hedge and for diversification purposes.

There are 137 funds currently on the road targeting $95.9bn, the highest amount of investor capital targeted by unlisted infrastructure managers at any point since Q1 2010. Additionally, Preqin is tracking a further 44 possible new funds coming to market in the next 12 months. These are all positive signs for the unlisted infrastructure sector.

Future fundraising will undoubtedly be tough, but based on Preqin's conversations with institutional investors, placement agents and fund managers worldwide, it seems likely that - depending on the evolution of the global financial situation - fundraising has the potential to improve in the remainder of 2011 and into 2012.

Fig. 14: Sample of Infrastructure Funds Closing On or Above Target in Last 12 Months

Fund	Firm	Target Size (mn)	Final Close Size (mn)
Deutscher Solarfonds "Stabilität 2010"	Altira Group	100 EUR	113 EUR
Energy Spectrum Partners VI	Energy Spectrum Capital	750 USD	999 USD
Impax New Energy Investors II	Impax	300 EUR	330 EUR
KPEF	KIAMCO	250,000 KRW	250,000 KRW
KRIF	KIAMCO	252,000 KRW	252,000 KRW
NK Energy Real I	NK Funds	100 USD	100 USD
P2Brasil	Pátria Investimentos	1,000 USD	1,155 USD
Peppertree Capital Telecom Tower Fund	Peppertree Capital Management	50 USD	55 USD
Las Américas Infraestructura	Las Américas	50 USD	50 USD
Taiga Tres	Taiga Mistral	50 EUR	53 EUR

Source: Preqin

Infrastructure Funds of Funds Market

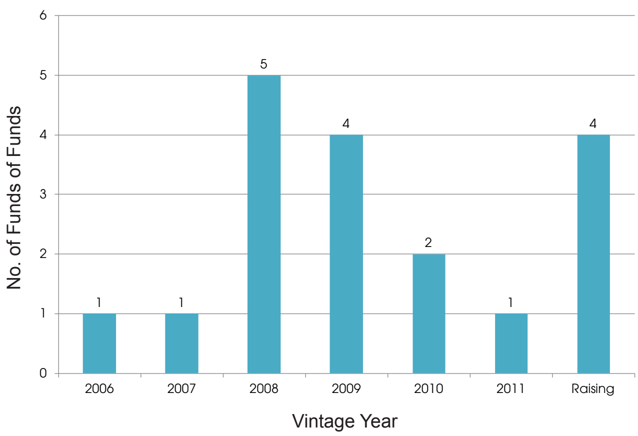
In January to September 2011, three infrastructure fund of funds vehicles reached a final close having raised an aggregate $733mn in investor capital. Although no infrastructure funds of funds reached a final close in Q3 2011, two funds did so in Q2: König & Cie Infrastruktur International I and UBS AFA Global Infrastructure Multi-Manager Fund. In addition, Partners Group Global Infrastructure 2009 closed in Q1 2011, with €500mn in total capital commitments. The closure of these three funds in 2011 took the total raised by infrastructure-specific fund of funds vehicles to $3.7bn since the first such vehicle was launched in 2006.

By the end of Q3 2011, 18 infrastructure funds of funds had entered the marketplace, 11 of which had held a final close. The remaining seven vehicles were on the road seeking to raise an aggregate $2.2bn. Of these, three had held interim closes in order to begin investing capital, raising a combined $980mn towards their fundraising targets.

As shown in Fig. 15, the earliest infrastructure fund of funds is of a 2006 vintage. One vehicle is of a 2007 vintage, five are vintage 2008, four are vintage 2009, and two are vintage 2010. One vehicle is already confirmed as vintage 2011 and a further four funds are currently raising capital and have not yet held an interim close.

Six of the seven infrastructure funds of funds currently on the road are primarily focused on Europe, with one primarily targeting opportunities in North America. In terms of project stage, the majority of infrastructure funds of funds target a diverse portfolio. Global Energy Efficiency and Renewable Energy Fund (GEEREF), managed by European Investment Bank – Renewables, is the only vehicle pursuing a narrowed focus, targeting funds solely seeking greenfield assets.

Fig. 15: Number of Closed-End Infrastructure Funds of Funds by Vintage Year



Source: Preqin

Fig. 16 shows the five largest infrastructure funds of funds currently on the road. Macquarie Infrastructure Fund of Funds I is the largest such vehicle, targeting $500mn in investor capital. All five funds are managed by firms located in Europe.

Fig. 16: Five Largest Infrastructure Funds of Funds on the Road

Fund	Firm	Target Size (mn)	Manager Location	Fund Status
Macquarie Infrastructure Fund of Funds I	Macquarie Investment Management (MIM)	500 USD	UK	Raising
SR Infrastructure II	Swiss Re Private Equity Partners	350 USD	Switzerland	Raising
DB Global Infrastructure Fund	DB Private Equity	250 EUR	Germany	Raising
OFI Infra Multi-Select	OFI Private Equity Multi Managers	250 EUR	Luxembourg	First Close
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	European Investment Bank - Renewables	200 EUR	France	Second Close

Source: Preqin

Infrastructure Debt Fund Market

A growing number of infrastructure fund managers are launching debt/mezzanine funds in order to compensate for the shortfall in supply of debt financing following the financial crisis. Preqin is currently tracking 39 infrastructure debt funds, 36 of which are traditional closed-end vehicles, one is an evergreen fund, and two are listed funds.

20 of the closed-end funds have reached final close, having raised an aggregate $7.6bn. The remaining 16 funds are currently raising capital, seeking $8.8bn in investor commitments. These debt funds represent 12% of all infrastructure funds currently on the road, and 9% of the total capital being sought by infrastructure fund managers worldwide.

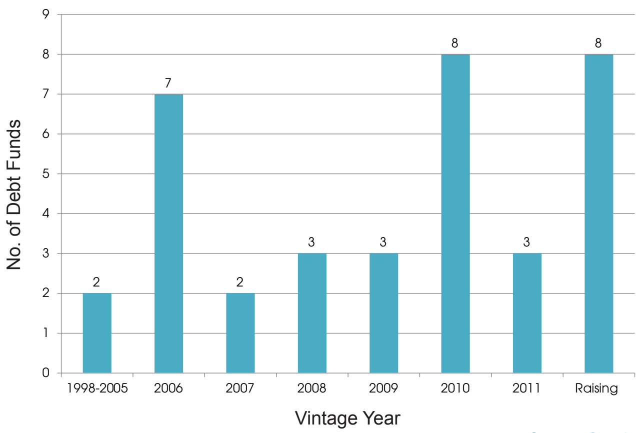
Fig. 17 provides a breakdown of the closed-end infrastructure debt fund market by vintage year. There are seven funds with a vintage year of 2006 and eight funds with a vintage of 2010, while a further eight funds are raising capital and have yet to hold an interim close. Five of these funds expect to hold an interim close before the end of 2011.

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. 18, 44% of funds providing debt financing are solely debt-focused vehicles and 56% will invest in both debt and equity.

Eight of the 16 infrastructure debt funds actively raising capital are originally focused on Asia and Rest of World and are seeking $2.2bn in investor capital. Seven funds are primarily focused on European infrastructure assets and one will mainly invest in North America. The largest infrastructure debt fund in market is Aviva Investors Hadrian Capital Fund I, a Europe-focused vehicle targeting £1bn.

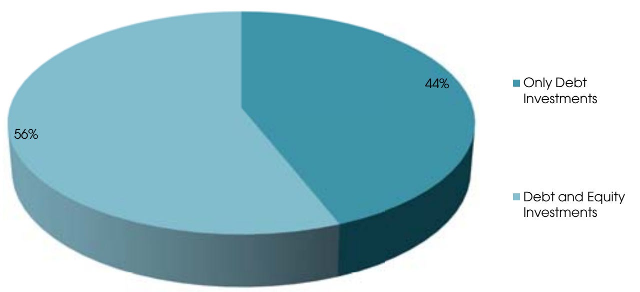
Individual details on all of the 39 debt funds mentioned in this article can be found on Infrastructure Online. For each fund you can view: initial target size; final close size; project stages, industries and geographies targeted; typical investment size; and much more. For more information or to register for a demo, please visit: www.preqin.com/infrastructure

Fig. 17: Number of Closed-End Infrastructure Debt Funds by Vintage Year



Source: Preqin

Fig. 18: Proportion of Infrastructure Debt Funds Making Only Debt Investments



Source: Preqin

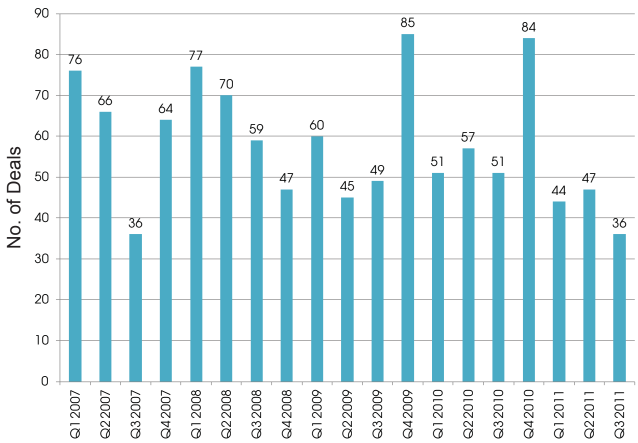
Deals Overview

A total of 36 deals were reported by unlisted infrastructure fund managers in Q3 2011. As shown in Fig. 19, this represents a slight drop from the 44 and 47 deals completed in Q1 2011 and Q2 2011 respectively and a considerable drop from the 84 transactions completed in Q4 2010. Although the total number of deals completed in the first three quarters of 2011 is expected to rise as further information becomes available, the general plateau in deal activity since 2008 is indicative of the tough conditions facing fund managers in the current market.

Despite constricted deal flow, the average infrastructure deal value remained strong in Q3 2011. As shown in Fig. 20, the average infrastructure deal completed in January to September 2011 amounts to $400mn, less than the $500mn average in 2010 but higher than the $300mn average in 2009. This shows that despite ongoing market difficulties, infrastructure fund managers are still successfully closing sizeable deals.

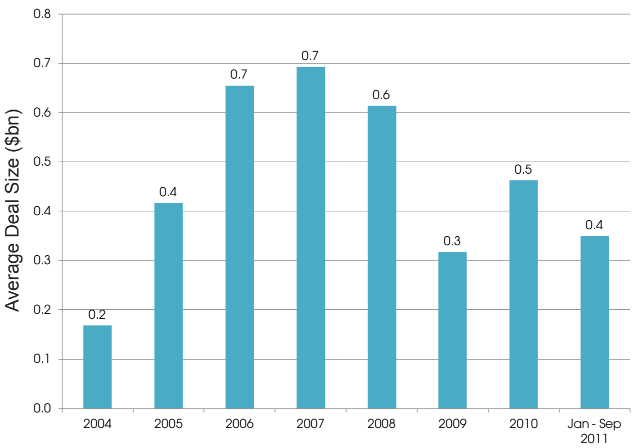
Fig. 21 provides a regional breakdown of deals completed by infrastructure fund managers in 2010 and January to September 2011. Europe is the dominant region, accounting for 52% of deals completed during the period. 18 deals involving European infrastructure assets were finalized in Q3 2011, while 11 were completed in Asia and Rest of World and seven were made in North America. In terms of industry, core sectors were the most prominent during this period. A total of 34 deals were made in the energy, transportation and utilities industries, equating to 94% of the total.

Fig. 19: Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers, Q1 2007 - Q3 2011



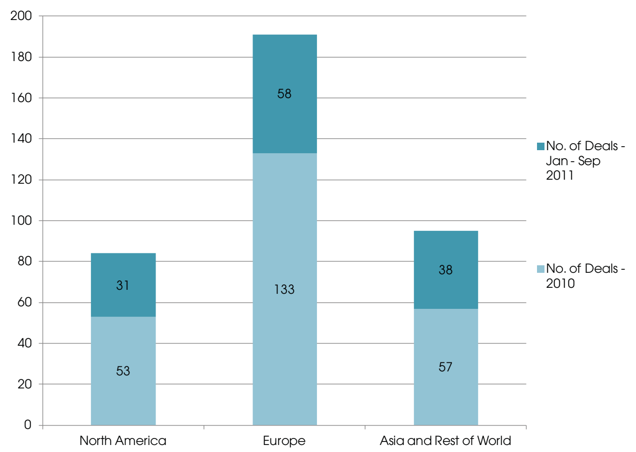
Source: Preqin

Fig. 20: Annual Average Deal Size, 2004 - 2011



Source: Preqin

Fig. 21: Number of Infrastructure Deals by Region, 2010 - 2011



Source: Preqin

Notable Deals and Fund Managers

A number of notable deals were made by unlisted infrastructure fund managers in Q3 2011, as illustrated in the table in Fig. 22.

Macquarie Infrastructure and Real Assets (MIRA) remains the most active infrastructure fund manager over the last 12 months, as shown in Fig. 23. MIRA has made 14 deals through its various unlisted infrastructure vehicles since Q3 2010, including a $125mn investment in Brunswick Rail, one of Russia's largest private leasing companies of rolling stock, through its $630mn Macquarie Renaissance Infrastructure Fund.

In July 2011, a consortium led by Macquarie Infrastructure and Real Assets (MIRA) and Skanska closed financing for the Midtown Tunnel development and re-development concession project. The consortium invested $318mn in equity and provided $495mn in private debt financing, with additional capital obtained via a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and the Virginia state government. Other significant deals included LS Power Group's acquisition of a 100% stake in a portfolio of US natural gas-fired generation facilities previously owned by NextEra Energy Resources, and RREEF Infrastructure's purchase of a 49% share in Arenales, a 50MW Spanish solar-thermal power plant.

Fig. 22: 10 Notable Deals, Q3 2011

Asset	Location	Industry	Investor/s	Deal Size (mn)	Stake	Date
Midtown Tunnel	US	Tunnels	Macquarie Infrastructure and Real Assets (MIRA), Skanska	1,630 USD	-	Jul-11
NextEra Energy Generation Plants	US	Power Plants	LS Power Equity Partners II	1,050 USD	100%	Sep-11
Arenales	Spain	Solar Power	RREEF Pan-European Infrastructure Fund	350 EUR	49%	Jul-11
SKIL Infrastructure	India	Transport	JPMorgan Asian Infrastructure & Related Resources Opportunity Fund	400 USD	20%	Sep-11
RPI - Renewable Power International	Spain	Hydro Power	Cube Infrastructure Fund, Demeter Partners, Minicentrales	230 EUR	100%	Jul-11
Caiman Energy	US	Natural Resources Pipelines	Highstar Capital Fund IV, Unidentified Investor/s	300 USD	-	Jul-11
Derech Eretz	Israel	Toll Roads	Israel Infrastructure Fund I	197 USD	25%	Sep-11
Budapest Airport	Hungary	Airport	CDP Capital - Private Equity Group, Government of Singapore Investment Corporation (GIC), GS Infrastructure Partners I, HOCHTIEF Airports, KfW - Bankengruppe	36,600 HUF	25%	Jul-11
A150 Highway	France	Roads	Group Fayat, Groupe NGE, InfraVia, Transport Infrastructure Investment Company	122 EUR	100%	Jul-11
E.ON Gas Sverige	Sweden	Natural Resources Pipelines	EQT Infrastructure	110 EUR	100%	Jul-11

Source: Preqin

Fig. 23: Most Active Fund Managers in Last 12 Months

Fund Manager	Number of Investments in Last 12 Months	Total Raised through Unlisted Infrastructure Funds (bn)
Macquarie Infrastructure and Real Assets (MIRA)	14	21.3 USD
DIF	10	0.8 EUR
Barclays Infrastructure Funds	7	1.2 GBP
Equitix	7	0.3 GBP
AXA Private Equity	7	2.0 EUR
Innisfree	6	1.7 GBP
JPMorgan - Infrastructure Investments Group	6	1.6 USD
EQT Funds Management	6	1.2 EUR
3i Infrastructure	5	1.2 USD
Morgan Stanley Infrastructure	5	4.0 USD

Source: Preqin

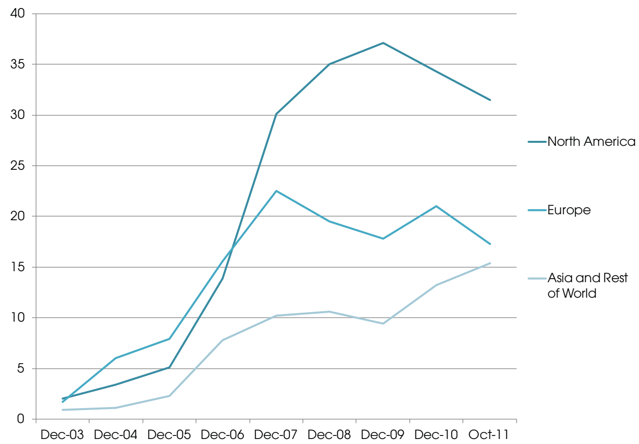
Dry Powder

The total amount of dry powder available to unlisted infrastructure fund managers stands at $64.2bn as of the end of Q3 2011, a 2.5% increase on the $62.6bn that was available at the end of Q2 2011, but a 6.3% decrease on the $68.5bn available at the end of December 2010. This reflects the more difficult fundraising environment faced by infrastructure fund managers in 2011 compared to 2010.

Fig. 24 shows infrastructure dry powder levels over time by primary geographic focus, and demonstrates that levels fell slightly over 2009. However, during 2010, dry powder for Asia and Rest of World- and Europe-focused funds increased by 29% and 15% respectively, although dry powder for North America-focused funds decreased from $37.1bn to $34.3bn. From January to September 2011, dry powder available to Asia and Rest of World-focused funds rose again by 14% to $15.4bn, while available capital for Europe- and North America-focused infrastructure funds decreased by 18% and 8% respectively.

Fig. 25 shows the top 10 unlisted infrastructure fund managers by the estimated amount of dry powder they have at their disposal. GS Infrastructure Investment Group and Energy Capital Partners tops the list, followed by Macquarie Infrastructure and Real Assets (MIRA). In total, five managers have in excess of $2bn estimated to be available in uncalled commitments. The top 10 firms account for 38% of the total dry powder available to infrastructure fund managers worldwide.

Fig. 24: Infrastructure Dry Powder by Primary Regional Focus, December 2003 - October 2011



Source: Preqin

Fig. 25: Top 10 Infrastructure Fund Managers by Estimated Dry Powder

Firm	Estimated Available Capital ($bn)	Firm Headquarters
GS Infrastructure Investment Group	4.9	US
Energy Capital Partners	3.2	US
Macquarie Infrastructure and Real Assets (MIRA)	2.9	Australia
Brookfield Asset Management	2.8	US
Alinda Capital Partners	2.8	US
ArcLight Capital Partners	1.7	US
Energy Investors Funds	1.5	US
Innisfree	1.5	UK
RREEF Infrastructure	1.4	UK
AXA Private Equity	1.4	France

Source: Preqin

Performance

As few unlisted infrastructure funds were raised before 2004, there is only limited data available to create meaningful performance benchmarks for the industry. Many vehicles still have dry powder available to invest or contain relatively immature assets, and as a result it is difficult to measure the performance of these funds.

Preqin currently holds performance data for 104 unlisted infrastructure funds, the majority of which have been raised in recent years. However, we can begin to analyze the performance of older infrastructure funds for an indication of what investors can expect from younger funds, and to make comparisons with other private equity-style strategies.

As expected, median net IRRs for the most recent vintage years remain around the 0% to 10% mark. Due to their youth, it is still too early to predict future long-term returns for these vehicles, but there is evidence that older infrastructure funds have delivered reasonable returns.

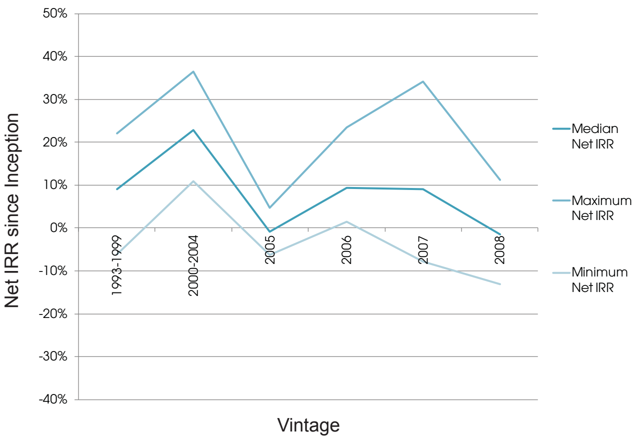
Fig. 26 shows the median net IRRs since inception for infrastructure funds of vintages 1993-2008, as well as the maximum and minimum net IRRs for each vintage year. Vintage 1993-1999 infrastructure funds have a median net IRR of 9%; the figure increases to 22.9% for 2000-2004 vintage funds.

Fig. 27 shows the median net IRRs achieved by infrastructure, buyout, venture and real estate funds of vintages 1993-2008. In comparison with these other strategies, infrastructure funds have performed well, with the median net IRR for funds of vintages 1993-1999 at a similar level to buyout, venture and real estate funds. This suggests that infrastructure funds are able to produce attractive returns for investors even when compared to asset classes that shoot for higher returns.

The lower-risk nature of infrastructure funds is shown by the standard deviation of infrastructure funds when compared to other strategies. The standard deviation of net returns of infrastructure funds of vintages 1993-2008 is 11.3%, much less than the 18.9% for buyout, 52.9% for venture and 20.6% for real estate funds. This suggests that infrastructure funds are less risky than other strategies, although the potential for significant levels of return is reduced.

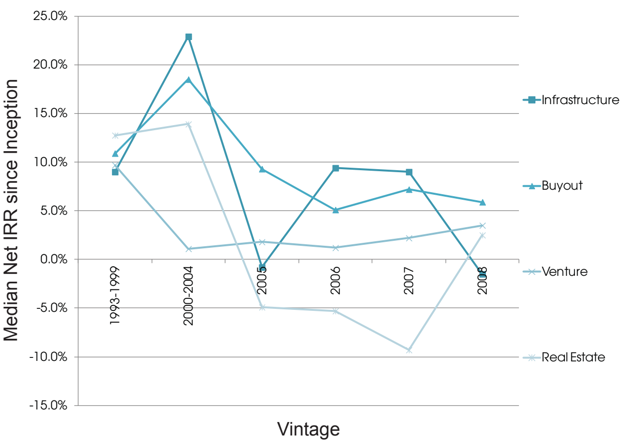
Preqin's Infrastructure Online holds fund-level, net-to-LP performance data on more than 100 infrastructure funds. For more information on this product or to register for a demo, please visit:
www.preqin.com/infrastructure

Fig. 26: Median, Maximum and Minimum Net IRRs for Infrastructure Funds by Vintage Year



Source: Preqin

Fig. 27: Infrastructure vs. Other Private Equity Strategies - Median Net IRRs by Vintage Year



Source: Preqin

Largest Investors and Leading Managers

Preqin's Infrastructure Online database currently tracks over 1,250 investors actively investing in the infrastructure asset class, and a further 144 investors considering making infrastructure investments in the future. Public pension plans are the most prominent type of investor currently active in the space, representing 19% of the total universe. Private pension plans and superannuation schemes represent 17% and 6% of the total respectively, meaning the various types of pension plans account for 42% of all investors in the asset class.

Fig. 28 provides a breakdown of the most popular infrastructure fund managers. 101 different institutional investors are known to have invested in at least one infrastructure fund managed by Macquarie Infrastructure and Real Assets (MIRA), making it the most popular fund manager amongst institutional infrastructure investors. As of Q3 2011, MIRA had closed 14 unlisted infrastructure funds, raising an aggregate $21.3bn in capital, and had another five funds in market targeting a further $5.7bn.

As shown in Fig. 29, OMERS is the largest active infrastructure investor, with $15.4bn invested in the asset class through direct investments in assets made by its subsidiaries Borealis Infrastructure and OMERS Strategic Investments. Other significant investors include CPP Investment Board and Corporación Andina de Fomento (CAF), with $9.6bn and $8.4bn invested in the asset class respectively.

Fig. 28: Leading Infrastructure Fund Managers

Fund Manager	No. of Investors
Macquarie Infrastructure and Real Assets (MIRA)	101
Energy Investors Funds	40
Alinda Capital Partners	34
Henderson Equity Partners	33
Innisfree	31

Source: Preqin

Fig. 29: Largest Infrastructure Investors - Global

Rank	Investor	Currently Committed to Infrastructure ($bn)	Investor Type	Investor Location
1	OMERS	15.4	Public Pension Fund	Canada
2	CPP Investment Board	9.6	Public Pension Fund	Canada
3	Corporación Andina de Fomento (CAF)	8.4	Government Agency	Venezuela
4	Ontario Teachers' Pension Plan	8.0	Public Pension Fund	Canada
5	APG - All Pensions Group	7.6	Asset Manager	Netherlands
6	Industrial Development Bank of India	6.8	Investment Bank	India
7	Khazanah Nasional	6.7	Sovereign Wealth Fund	Malaysia
8	TIAA-CREF	5.9	Private Sector Pension Fund	US
9	AustralianSuper	5.5	Superannuation Scheme	Australia
10	CDP Capital - Private Equity Group	4.5	Asset Manager	Canada

Source: Preqin

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- Fund Performance
- Fundraising
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