

# Preqin Infrastructure Special Report: Future Searches and Mandates

October 2012



# Methodology

Preqin, the alternative assets industry’s leading source of data and intelligence, welcomes you to **Preqin Infrastructure Special Report: Future Searches and Mandates**, a unique look into infrastructure investors’ plans for the future.

This special report draws on **Preqin’s Infrastructure Online** service, the industry’s most comprehensive and up-to-date source of information on the infrastructure industry. **Infrastructure Online** contains detailed profiles for institutional investors actively investing in infrastructure, with information gathered through regular direct contact with industry professionals. The database features profiles of over 1,650 active infrastructure investors, which include current fund searches and active mandates, investment preferences, past investments, direct contact information for key decision makers, and more.

**Preqin’s Infrastructure Online** also features exclusive data on investors’ future searches and mandates, allowing users to view up-to-date information on how these investors are planning to invest in infrastructure in the future. Subscribers can easily search investors’ future fund searches and mandates by geographic location, fund types and regions sought, the amount of capital investors expect to commit, and more.

For more information, please contact us at [info@preqin.com](mailto:info@preqin.com), or visit our website at [www.preqin.com/infra](http://www.preqin.com/infra).

We hope that you find the information in this report useful and interesting. All feedback and suggestions you may have for improvements to future editions of this study are welcome.

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# Institutions on the Hunt

Demand for infrastructure development is growing around the world along with a reliance on private institutional capital as a source of finance. The public sector is no longer able to meet growing infrastructure investment requirements, meaning institutional investors look set to become an even more prominent source of capital in future.

Private investment in infrastructure assets has grown significantly over the past decade, and a wide range of investors are now active in the space, from pension funds and insurance companies to foundations and family offices. Many of these groups are looking to make new infrastructure investments over the coming months.

Preqin employs a dedicated team of multi-lingual analysts that directly contacts and builds relationships with industry professionals at institutions investing in infrastructure worldwide. Through this constant communication with investors, we are able to find out exactly what type of investments they are looking to make and which strategies they will pursue in order to increase their exposure. All of this unique information is fully searchable through our new Future Searches and Mandates feature now available on Preqin Infrastructure Online.

In this special report, we examine in more detail those investors looking to make new infrastructure investments in the coming year, and assess which regions, routes and strategies look attractive to the institutional market.

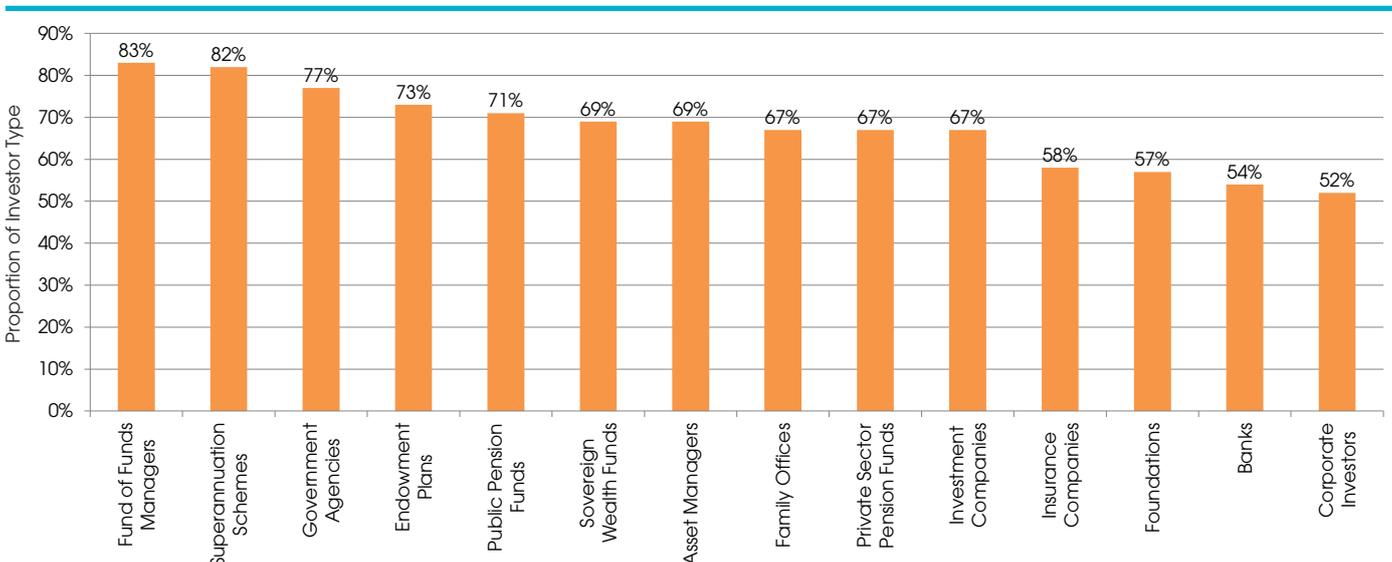
As shown in Fig. 1, a of institutions range of different institutional types are planning to make new infrastructure investments over the

next 12 months, although many expect to invest on an opportunistic basis as opposed to any set capital target. In particular, 82% of superannuation schemes are looking to make new investments in infrastructure assets in the coming year. An example of a superannuation scheme searching for new infrastructure investments is Retail Employees Superannuation Trust (REST), which is primarily looking to make direct investments in the next 12 months but will also invest opportunistically in unlisted and listed funds. It is planning to invest around A\$2bn in infrastructure assets in 2012 and 2013.

A significant 77% of government agencies intend to make new infrastructure investments in the next 12 months, while 73% of endowment plans and 71% of public pension funds are also looking to increase their exposure. A higher proportion of public pension funds are planning to make new infrastructure investments over the next year compared to their private sector counterparts. Sixty-nine percent of both sovereign wealth funds and asset managers are also planning new investments.

This indicates that many institutional investors recognize the long-term benefits of investing in infrastructure, with the majority looking to grow their portfolios over the next 12 months despite tough market conditions. Although interest in direct investment is growing among the larger institutions, the majority of investors are still looking to invest in infrastructure funds, which is positive for fund managers looking to source fresh investor capital in the next 12 months.

Fig. 1: Proportion of Institutional Investors in Infrastructure of Each Type Searching for New Investments in the Next 12 Months



Source: Preqin Infrastructure Online

# Regional Breakdown of Future Searches

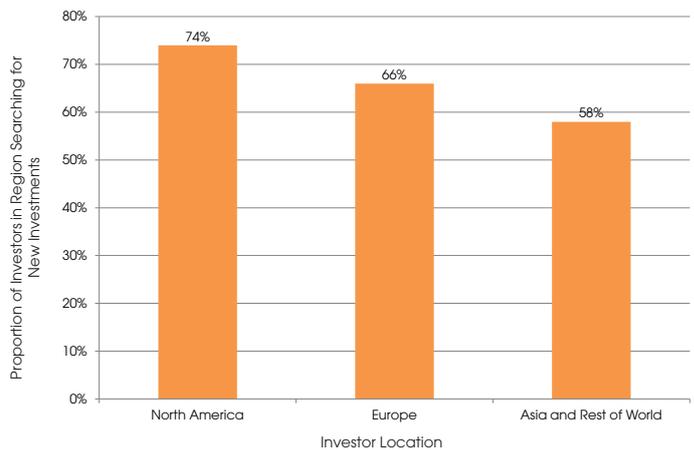
North America looks set to be the most active region in terms of infrastructure investment over the next 12 months, with 74% of all North America-based infrastructure investors searching for new opportunities. The US infrastructure market is becoming more open to private investment in infrastructure, and a growing number of US-based institutions are beginning to carve out infrastructure allocations in their investment portfolios. A number of Canada-based institutions, such as OMERS and Ontario Teachers' Pension Plan (OTPP), are highly experienced infrastructure investors and will continue to invest significant levels of capital in infrastructure over the coming year. In total, 90% of Canada-based institutional investors are planning to increase their infrastructure exposure in 2012 and 2013.

*“North America looks set to be the most active region in terms of infrastructure investment over the next 12 months...”*

The volatile economic environment in Europe is not deterring Europe-based institutional investors from seeking further infrastructure investments. As shown in Fig. 2, 66% of all Europe-based infrastructure investors are looking to make new investments in the next 12 months. Europe remains the centre of infrastructure investment activity, with 40% of all active infrastructure investors based in the region. One prominent Europe-based infrastructure investor is Dutch asset manager PGGM, which is looking to invest between €500mn and €1bn in a mix of unlisted funds and direct investments in the next 12 months.

Asia and Rest of World-based infrastructure investors are proportionally less likely to make new investments in the next 12 months, with 58% of such investors seeking to increase their

Fig. 2: Proportion of Institutional Investors in Infrastructure in Each Region Searching for New Investments in the Next 12 Months



Source: Preqin Infrastructure Online

exposure. Despite this, the demand for infrastructure development in emerging economies is growing rapidly as these markets look to mature, meaning we are likely to see a growing number of Asia and Rest of World-based investors investing in infrastructure going forward. This is also likely to result in an increased number of international investors targeting infrastructure assets located in Asia and other emerging economies such as South America and Africa.

The new **Future Searches and Mandates** feature of **Preqin Infrastructure Online** is a vital tool for infrastructure fund managers seeking to attract institutional capital, allowing users to search for investors based on their forward-looking plans and fund searches.

Finding the right investors for your fund can be challenging, and therefore being able to pinpoint particular institutions that are looking for a specific fund type is vital in today's crowded market. Our database allows users to identify potential investors quickly by filtering on a range of criteria, as well as providing access to the direct contact details of key decision makers, helping ensure that marketing efforts are targeted.

**Preqin Infrastructure Online** is the industry's leading source of intelligence on institutional investors in infrastructure. For more information on how we can help you, please visit:

[www.preqin.com/infra](http://www.preqin.com/infra)

# Investment Strategies for the Year Ahead

## Route to Market

The unlisted infrastructure fund structure has been the primary route to market for institutional investors in infrastructure since the inception of the asset class, and this looks set to continue. As shown in Fig. 3, 91% of investors looking to making new infrastructure investments in the next 12 months expect to make unlisted infrastructure fund commitments. For instance, Canada-based public pension fund Alberta Teachers' Retirement Fund (ATRF) is expecting to invest in five to seven unlisted infrastructure funds in the coming year to increase its exposure across a range of geographic locations.

A growing number of larger and more sophisticated infrastructure investors are turning to direct investment strategies in order to take more control of their infrastructure portfolios and bypass fund manager fees. Twenty-nine percent of investors looking to make new infrastructure investments in the next 12 months expect to make direct investments, although many of these will also consider other routes simultaneously. Despite this, the unlisted fund route remains the only realistic option for the majority of investors which lack the necessary experience and resources to invest directly. Just 7% of investors are planning to invest in listed funds in the coming year.

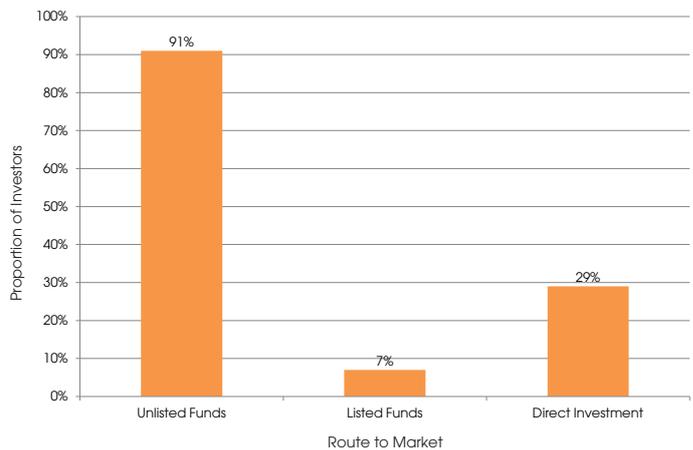
In terms of institutional type, the various types of pension fund account for a significant 49% of all investors looking to invest in unlisted infrastructure funds over the next 12 months. Public pension funds are the most prominent group, representing 27% of all those institutions planning unlisted fund commitments in the coming year, while private sector pension funds and superannuation schemes account for 18% and 4% respectively. Other significant investor types searching for unlisted fund commitments include insurance companies (11%), asset managers (8%), and endowment plans (6%).

## Investment Strategies

Almost all of the institutional investors searching for new infrastructure investment opportunities over the next 12 months will pursue a primary equity strategy. As illustrated in Fig. 4, 98% of investors planning to make investments in the coming year will invest via the equity route, and a further 11% expect to make debt investments, either in debt funds or through project financing. Infrastructure debt strategies are particularly interesting to institutional investors in the current economic climate, as the availability of cost-effective long-term debt for infrastructure projects from traditional sources is limited due to economic uncertainty and new impending regulations.

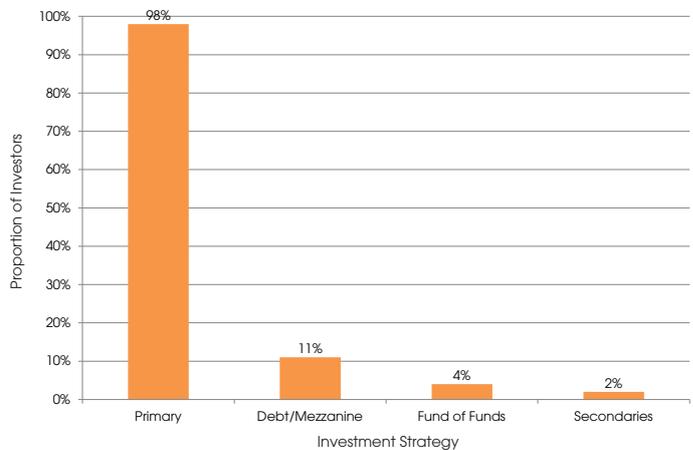
Many institutional investors are interested in diversifying their infrastructure portfolios in terms of strategy. For example, Korean Teachers' Credit Union is planning to increase its exposure to both domestic Korean and international infrastructure over the next 12

Fig. 3: Proportion of Institutional Investors in Infrastructure Searching for New Investments in the Next 12 Months by Preferred Route to Market



Source: Preqin Infrastructure Online

Fig. 4: Proportion of Institutional Investors in Infrastructure Searching for New Investments in the Next 12 Months by Preferred Investment Strategy



Source: Preqin Infrastructure Online

months and is interested in multiple investment strategies. The \$16.6bn public pension fund prefers to invest in primary infrastructure funds, but also considers infrastructure debt funds and infrastructure fund of funds vehicles in the coming year.

Similar to the trend seen in the private equity and real estate asset classes, these alternative strategies will likely grow in prominence as the infrastructure industry matures. However, at the moment, strategies such as infrastructure debt, fund of funds, and the infrastructure secondary market remain niche parts of the market. Just 4% of investors planning to make new infrastructure investments in the next 12 months will target fund of funds vehicles, and only 2% will look to acquire fund interests on the secondary market.

# Future Searches and Mandates

The difference between success and failure in attracting institutional commitments can be the ability to identify which investors are likely to be most interested in your fund.

To help with this task, Preqin's Infrastructure Online now allows subscribers to identify potential LPs by searching for institutional investors by their future investment plans.

Preqin updates these details by speaking directly to investors – saving you time and ensuring our intelligence is up to date and accurate.

- **Future Investment Plans** - Investor profiles include details of investors' future searches, detailing whether they are targeting specific infrastructure strategies and/or regions of focus, and also contain summaries of their plans for the next 12 months.
- **Future Searches and Mandates** - Forward-looking search for all the institutional investors that are looking to make investments that match your criteria.
- Filter potential investors by location, investor type, investment preferences for the next 12 months, regional preferences for the next 12 months, and likely timeframe for their next commitment.

**Future Plans, Searches and Mandates** Jump to... ▾

**Date of Plans:** Q4 2012

**Route to Market:** Unlisted Funds

**Strategy:** Primary, Fund of Funds

**Region:** Global

**Timeframe:** Opportunistic

**Summary:** As of Q1 2012, [redacted] had lowered its target allocation to Real Estate and Real Assets opportunities from 10% to 6% of total assets. In the year since Q1 2011, it had increased its actual allocation to these assets from 5% to 6%, meaning it had fulfilled its new target allocation level. Despite this, the [redacted] may make further investments going forward on an opportunistic basis.

**Infrastructure**

**Future Searches and Mandates**

Select all required filter criteria

Investor Type

Investor Location

Route To Market Preferences - Future Searches and Mandates

Unlisted Funds

Listed Funds

Direct Investments

Strategy Preferences - Future Searches and Mandates

Primary  Fund of Funds

Debt/Mezzanine  Secondaries

Region Preferences - Future Searches and Mandates

Asia Pacific  Emerging Markets

Europe  Global

North America  Rest of World

Timeframe of Next Investment

Keyword Search:

Investor Name	Route to Market	Strategies	Regions	Date Inserted
[redacted]	Unlisted Funds	Primary	Asia Pacific, Emerging Markets, Europe, Global, North America, Rest of World	05/10/2012
[redacted]	Unlisted Funds, Listed Funds, Direct Investments	Primary	Asia Pacific	05/10/2012
[redacted]	Unlisted Funds	Primary	Global	05/10/2012
[redacted]	Unlisted Funds	Primary, Fund of Funds	Global	03/10/2012
[redacted]	Unlisted Funds	Primary	Emerging Markets, Global	02/10/2012
[redacted]	Unlisted Funds	Primary	Asia Pacific,	01/10/2012

Whether you're looking to secure new commitments for a Europe-focused debt fund or launch an India-focused primary vehicle, access to Preqin Infrastructure Online can help.

[Preqin Infrastructure Online](http://www.preqin.com)

For more information and to arrange a walkthrough of the service, please visit:  
[www.preqin.com/infra](http://www.preqin.com/infra)

# Outlook for the Future

## New Commitments to Infrastructure Funds in the Coming Year

As illustrated in Fig. 5, 27% of investors planning to make new investments in the infrastructure asset class over the next 12 months have reserved up to \$49mn for such opportunities. In contrast, 56% of institutional investors in infrastructure looking for new investment opportunities expect to invest at least \$100mn over the course of the year, with 15% planning to invest upwards of \$500mn. This shows that a sizeable proportion of investors are looking to invest a significant level of capital in infrastructure assets, which is encouraging for the industry.

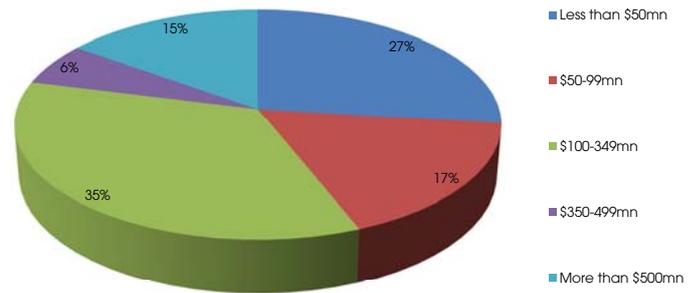
Interestingly, 89% of those investors looking to invest over \$500mn in the coming year have a preference for direct investment strategies, showing how larger investors are moving towards using direct exposure for new investments. One such investor is Dutch asset manager APG – All Pensions Group, which is looking to invest upwards of €1bn directly in infrastructure assets over the next 12 months but remains opportunistic towards making further commitments to unlisted funds. Although experienced in the asset class, many larger investors will still look to invest in infrastructure funds when gaining exposure to new or emerging areas of the industry.

A significant 66% of institutional investors plan to make one or two new infrastructure investments over the next 12 months, and a further 24% plan to make between three and five new investments, as shown in Fig. 6. There are over 1,650 active infrastructure investors featured on the Preqin Infrastructure Online database, suggesting that a significant number of new infrastructure investments look set to be made in the coming year. Ninety-one percent of these investors will target unlisted fund commitments, which is extremely positive for infrastructure fund managers.

## Outlook for the Future

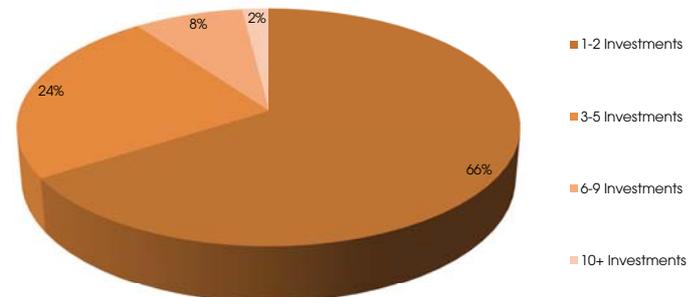
Institutional investor appetite for infrastructure assets is at an all-time high, with many investors looking to increase their infrastructure exposure over the next 12 months. The unlisted infrastructure fund structure remains the preferred route to market for the majority of infrastructure investors, which is encouraging for fund managers looking to attract fresh capital in the coming year. Despite this, investors will continue to be cautious when committing capital in the future, meaning only those fund managers offering the most attractive opportunities will be successful.

Fig. 5: Amount of Fresh Capital Institutional Investors Plan to Invest in Infrastructure over the Next 12 Months



Source: Preqin Infrastructure Online

Fig. 6: Number of Infrastructure Investments Institutional Investors Plan to Make over the Next 12 Months



Source: Preqin Infrastructure Online

# About Preqin

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Preqin provides infrastructure information, products and services to infrastructure firms, funds of funds, investors, placement agents, law firms, investment banks and advisors across the following main areas:

- Infrastructure Deals
- Fund Performance
- Fundraising
- Investor Profiles
- Fund Manager Profiles

Our customers can access this market intelligence in three different ways:

- Hard copy publications
- Online database services
- Tailored data downloads

Preqin regularly releases research and information on fundraising and all other aspects of the infrastructure industry as both research reports, and as part of our monthly Spotlight newsletter. To register to receive more research and analysis, please visit [www.preqin.com/research](http://www.preqin.com/research)

If you have any comments on this report, please contact:  
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If you want any further information, or would like to apply for a demo of our products, please contact us:

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