alternative assets. intelligent data.

The Preqin Quarterly

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

Q2 2011 JULY 2011

Content Includes....

Investor Survey

The results of a recent survey undertaken by Preqin suggest that the outlook for infrastructure is good.

Q2 2011 Fundraising

The quarter's latest fundraising figures, along with predictions for the year ahead and a look at funds currently on the road.

Largest Investors and Most Popular Managers

An insight into the investors commiting the most capital to the asset class, and the fund managers attracting the most LPs.

Q2 Special Guest Contributor: Robert Dove, Carlyle Infrastructure Partners

Contents

Editor:
Elliot Bradbrook

Production Editor:
Helen Wilson

Sub-Editors:
Alex Jones
Claire Wilson

Contributors:
Elliot Bradbrook
Iain Jones
Louise Taggart
Claire Wilson

External Contributor:
Robert Dove

Preqin:
London: +44 (0)20 7645 8888
New York: +1 212 808 3008
Singapore: +65 6408 0122

Email: info@preqin.com
Web: www.preqin.com

preqin
alternative assets. intelligent data.

Editor's Note

Despite another slow quarter in terms of the number of infrastructure funds reaching a final close, our data hints at further improvements in investor and fund manager activity. Six infrastructure funds reached a final close in Q2 2011, raising an aggregate $2.8bn, a slight improvement on the $2.7bn raised by the six funds that closed in Q1. A further 15 funds reached an interim close in Q2, raising an additional $8.2bn towards their overall targets. This shows good momentum within the market and proves that fund managers are attracting fresh capital.

While the data presents cause for cautious optimism, 2011 fundraising is unlikely to match the levels of 2010 when 37 infrastructure funds closed, raising an aggregate $30.5bn. Much of this capital was committed prior to onset of the financial crisis, and to funds that had been on the road for over two years. In contrast, the majority of infrastructure funds currently on the road were launched after the downturn struck.

Future fundraising conditions will remain tough as investors look to maintain fewer relationships and invest capital more conservatively. Fund managers with strong past performance, an appropriate investment strategy and a pre-existing and supportive investor base will enjoy success, but other firms will struggle in an increasingly 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 to make tough decisions in H2 2011.

We give details of the latest events in the fundraising market on pages 8-10. We look at funds currently on the road on page 11, and provide predictions for future fundraising on page 12. Deals information can be found on pages 15-16, while we also take a look at the largest institutional investors and the most popular infrastructure fund managers on page 19. Please see pages 13 and 14 for more detailed analysis of the infrastructure fund of funds and debt/mezzanine fund markets.

The Preqin 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 are also thrilled to have an extended interview with Robert Dove of Carlyle Infrastructure Partners.

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

Robert Dove, Carlyle Infrastructure Partners

Interview with Robert Dove, Managing Director and Co-Head of Carlyle Infrastructure Partners. Conducted by Claire Wilson, June 2011.

What is the outlook for the unlisted infrastructure market?

The opportunities for the private sector are increasing due to the continued deterioration of government finances around the world.

Do you think the unlisted fund model will continue to play a role going forward, or will we see more direct investment?

Yes. More and more investors are interested in infrastructure as an asset class. We focus on the US and there's a growing section of institutional money and pension fund money looking to the asset class. When Carlyle raised its initial fund in 2006 and 2007 there was some interest, but now it's much greater and it continues to grow each year. In these volatile markets, institutions recognize infrastructure assets as more stable and as a provider of steady cash flows.

What about the private equity fund structure? Will it continue to be used for infrastructure funds?

The current fee structure - 8% preferred return, 2% fees, 20% carry - is a model which will continue in the future, but it is becoming more challenging given the market and returns. I think private equity funds will still have a role; people are still going to invest directly, but you need a staff of people that understand infrastructure and infrastructure risk to do that. It has been done in Canada and certain parts of Europe, but in the US there's not the availability of talent at the moment, so I think PE funds will continue.

Which sectors will offer the most attractive opportunities going forward?

Historically energy and renewables have offered good opportunities. I think they will continue to do so, although there are a lot of challenges in trying to find good financial return from renewables. In water and transportation there are huge opportunities. These are the core infrastructure sectors, but getting them to market and developing them is still a challenge, especially in America.

What are the current restrictions on deal flow?

In the US, it's the reluctance of state governments to involve the private sector in funding infrastructure. The challenge is to find the right model, where there is a true partnership between the state or municipal governments and the private sector; the model of just acquiring the asset outright through some sales process can be less attractive down the road when the user fees increase, despite this being contractual.

Our research shows that there is still some misalignment between investor and fund manager interests. How have you adapted to meet investor expectations?

LPs are looking for an infrastructure investment which by its very nature should be safer and have a lower rate of return. In doing so, they have accepted that the GP will produce lower returns than if they were to invest in a buyout fund for instance. The GPs on the other hand have to remember that they should be investing in a true infrastructure asset, and not taking buyout risks for infrastructure returns.

What are the key issues for investors at the moment?

It's important that the manager structures the fund in such a way that the investments are true infrastructure risks for infrastructure returns. In our fund we are looking for public benefit, essential services – something that is needed for public interest – sewage, roads, water, energy – and we look for sustainable, predictable cash flow, some sort of contracted cash flow which is associated with the asset we're investing in.

Is there an appetite for infrastructure investment amongst US-based institutions?

Absolutely. There continues to be an interest.

What risk-return strategies do you follow?

We're looking for the more stable assets where there is a predictable cash flow. While we would like to get yield on our investments, the reality is that a lot of these investments, due to the state and nature of the infrastructure, need capital to be spent in order to get it to a position where it can produce a cash yield.

How do you view the emerging markets?

There are significant opportunities for infrastructure in the emerging markets. It is important to really think about whether there is the right political stability, a rule of law, contractual law in the country in order to support infrastructure investment. If you're investing in an emerging market you have to really think through whether there is a strong contractual and political background and law, and whether your local partner is reputable and are you getting the right sort of return for your risk – you need a premium.

We tend to look at transactions in those markets where Carlyle has a presence – Brazil, India, Asia and possibly sub-Saharan Africa, where we have offices and we know the local parties. I do think that emerging market deals will feature more in the future because there is so much opportunity there, but again it comes back to being able to structure a robust deal for our investors.

What unique processes do you have in place to ensure fundraising success?

The fundraising market is more challenging than it was in 06/07. You need to have more patience, it will take longer to raise a fund. You will need to show your potential LPs that:

a)You've had success in your existing infrastructure investments

b) You've got the team with the requisite experience to source and manage the appropriate risk on these deals.

I do think the money is out there, it's just a question of structuring it.

How do you see the PPP/PFI market developing in the future, especially in the US?

In countries with more centralized governments, e.g. the UK, PPP/PFI transactions will continue to come to the market. In the US there is still a reluctance to involve the private sector in infrastructure projects, but the reality of the deteriorating fiscal situation makes it more and more likely that something will break. The discussion today in America is around the debt ceiling and the need to reduce the deficit. The Federal government continues to push down obligations to the states, the states don't have the money so they're challenged to find the money to not only fund new programs that have previously been funded by federal government, but also to maintain and upgrade existing infrastructure. There is a tremendous need to do something.

The model of true partnerships, where you can demonstrate to a state or municipality that you're working with them in a long-term partnership through sharing revenues and working together to achieve the financing of an asset, is the right way to look at these programs going forward. I think it will happen, but it's going to be slow.

How can political objection to PPPs be overcome?

I keep coming back to this partnership issue; you need to have a true partnership. An example is a transaction we completed in Connecticut – Carlyle worked with the State of Connecticut to renovate and run all of their highway rest stops; there are 23 in the State. We worked with the State to structure a transaction where we took them over and we have a five-year plan to completely renovate the sites, in some cases to rebuild and to provide more food choices and to make them safer and more interesting so that people will stop there.

We take on the capital costs and therefore the risk of cost overruns, the schedule over running and in return we have a 35-year concession with the State where we share the return over that period. The State has outsourced the delivery of these facilities against specific contractual requirements, and while they don't get the full return, they still get a revenue share over that period.

How do you see the US infrastructure market developing?

There is a need to have some sort of national infrastructure bank – equivalent to European Investment Bank. There are discussions about the need to have some kind of institution which would provide long-term capital for infrastructure projects. There is a bill in Congress at the moment, sponsored by Senator Kerry and Senator Hutchinson, which talks about setting up an independent bank to fund long-term infrastructure investment – that's encouraging and definitely something that's needed.

Investor Survey

In May 2011, Preqin conducted an email survey of institutional infrastructure investors from around the world to find out more about the key issues affecting the market, and to obtain an indication as to what the future holds for the sector. Discussed below is an overview of the information gathered.

The results suggested that investor sentiment towards the asset class is positive, with all those surveyed believing infrastructure assets to have a place in investment portfolios going forward. This positive sentiment should be of comfort to infrastructure fund managers, who have experienced a slow and congested fundraising market in the aftermath of the financial crisis.

Infrastructure fund managers will be further encouraged by news that long-term positive sentiment towards the asset class is manifesting itself in short-term infrastructure investment plans. Fig. 1 shows that 40% of infrastructure investors envisage investing in at least one unlisted infrastructure fund in the coming 12 months, with another 22% indicating they will be opportunistic investors. However, 22% of infrastructure LP investors have no plans to make further commitments during this period, demonstrating that infrastructure fund managers still have some work to do in persuading investors to continue in parting with their capital.

Participants were also asked if they believed that interests between fund managers and investors were aligned, with 49% agreeing that they were. However, 50% of investors either disagreed (46%) or strongly disagreed (4%). Fig. 2 shows the areas in which investors believe GP and LP interests need better alignment, with issues surrounding the fee structure of infrastructure funds featuring prominently. Of those who believed that there was a misalignment of interests, 62% felt management fees were an issue and 56% disagreed with the payment of fees on uninvested capital. Furthermore, 53% cited carry structure as a problem, and 42% and 38% respectively felt hurdle levels and deal-related fee rebates neede.

Fig. 1: LP Investment Plans For The Next 12 Months

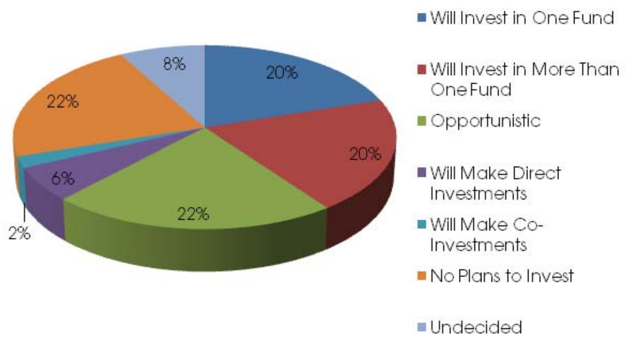
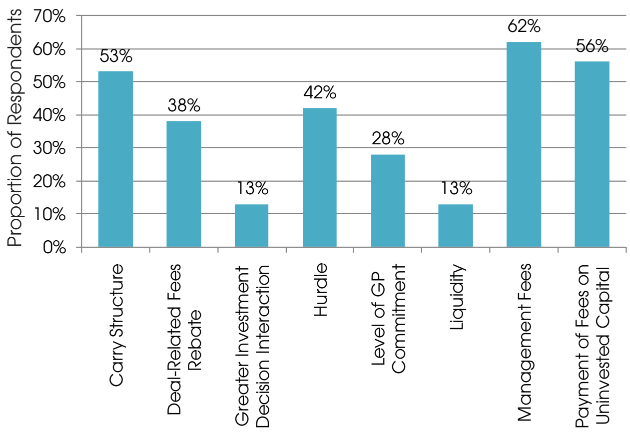


Fig. 2: Areas in Which GP and LP Interests Need to Be Better Aligned



Fund Terms and Conditions

Over recent years, the impact of the financial crisis and the worsening of the fundraising environment has led to many private equity fund managers, infrastructure firms included, having to offer concessions in fund terms in order to attract capital. At present, many investors are placing a great deal of pressure on infrastructure managers to offer the most competitive terms and conditions and are attempting to redress the balance in terms of alignment of interests between LP and GP.

One of the key areas of change is in terms of management fees. Fig. 3 shows the split of management fees charged during the investment period by infrastructure funds with a 2010 or 2011 vintage, or those still raising capital as of Q2 2011. 62% have a management fee of 2.00-2.24%, 19% have a fee of 1.75-1.99%, and 10% have a fee of less than 1.25%. The largest infrastructure funds tend to have the lowest management fees; funds of $1 billion or more in size have a median management fee of 1.25%, with the figure rising to 2.00% for fund less than $1 billion in size. Looking at the average management fee for infrastructure funds by vintage year reveals that the median fee dropped below 2.00% for vintages 2008 to 2010, but is back up at the 2.00% level for the most recent funds.

Another important aspect of the fund agreement considered by LPs is the proportion of the total fund size that is committed by the GP itself. LPs see the GP’s commitment to its own fund as a key driver of the alignment of interests between investors and the fund manager. Fig. 4 shows the mean and median GP commitments (as a percentage of overall fund size) for a range of private equity fund types. Infrastructure funds have a mean GP commitment level that is broadly similar to those for growth and venture funds, but somewhat lower than for buyout and real estate funds. The median GP commitment of 2% is in line with most other private equity fund types.

Fig. 3: Infrastructure Funds - Management Fee during Investment Period (Funds Raising & Vintage 2010/2011 Funds Closed)

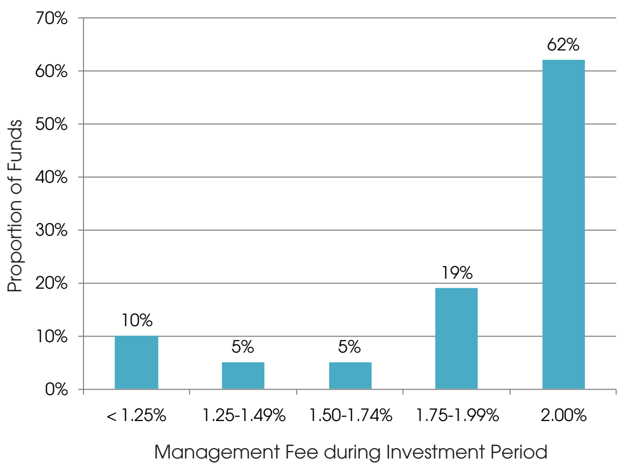
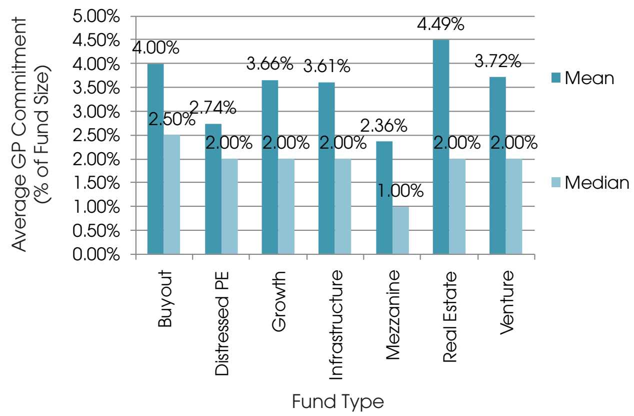


Fig. 4: Average GP Commitments as a Percentage of Fund Size by Fund Type (Funds Raising & Vintage 2010/2011 Funds Closed)



Fundraising Overview

In Q2 2011, six unlisted infrastructure funds reached a final close having raised an aggregate $2.8bn in investor capital (Fig. 5). This represented a 4% increase from the amount raised in Q1 2011, when six funds closed on an aggregate $2.7bn. A further 15 funds held an interim close in Q2 2011, raising an aggregate $8.2bn. Although the fundraising market remains congested and challenging, final close figures could increase as the year progresses.

The direct infrastructure funds closed in Q2 2011 included the $1.2bn First Reserve Energy Infrastructure Fund, the $999mn Energy Spectrum Partners VI, and the KRW 250bn KPEF, managed by South Korean infrastructure firm KIAMCO. UBS Alternative Funds Advisory also held a final close on its fund of funds vehicle, UBS AFA Global Infrastructure Multi-Manager Fund, on €100mn. The fund targets infrastructure vehicles focusing on opportunities in OECD countries, primarily in Europe and North America.

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 22% of funds spent 12 months or less in market seeking capital. The largest proportion of funds (26%) had been on the road for between 19 and 24 months, while 30% 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 account for 68% of the total capital raised during the period, with the two largest funds, the $4.3bn Energy Capital Partners II and the $2.7bn Brookfield Americas Infrastructure Fund, making up 30% of the total between them. In terms of geography, all but one of these 10 largest vehicles primarily focus on the developed North American or European markets, with North American funds more significant in terms of aggregate capital raised.

Fig. 5: Unlisted Infrastructure Fundraising by Year, 2004 - Q2 2011

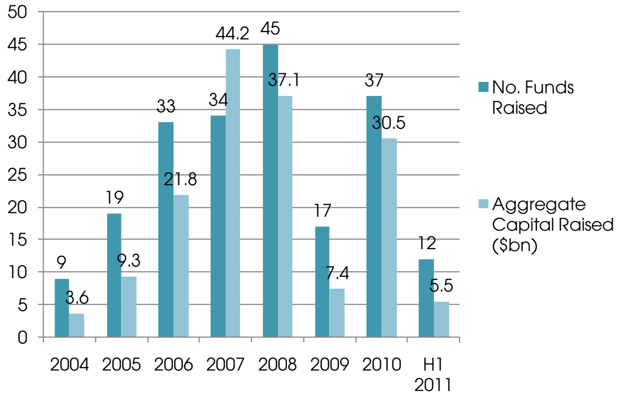


Fig. 6: Unlisted Infrastructure Fundraising by Quarter, Q1 2007 - Q2 2011

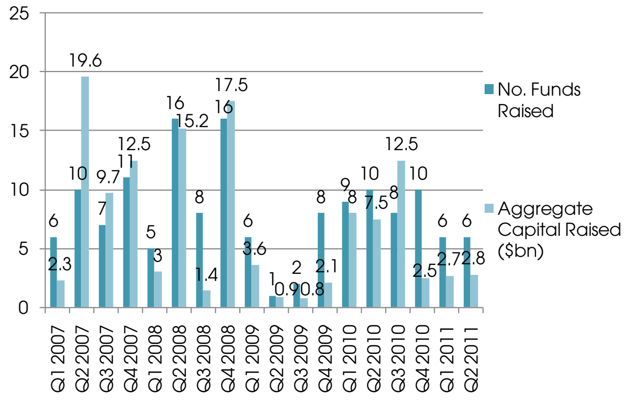


Fig. 7 Time Spent on the Road for Funds Closed in the Last 12 Months

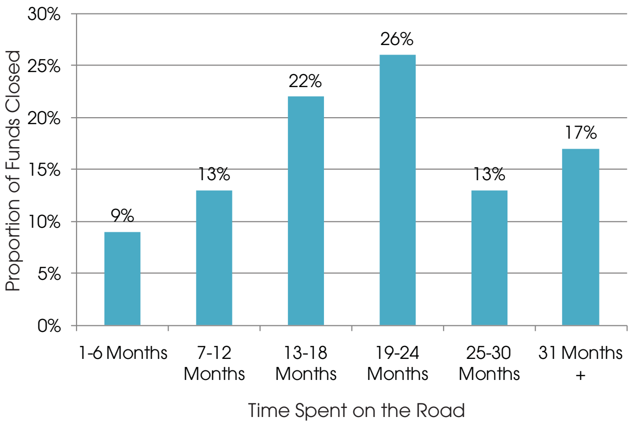


Fig. 8: Top 10 Funds Closed over the Past 12 Months

Fund	Firm	Amount Closed (mn)	Manager Location	Fund Focus	Date Closed
Energy Capital Partners II	Energy Capital Partners	4,335 USD	US	US	Aug-10
Brookfield Americas Infrastructure Fund	Brookfield Asset Management	2,655 USD	Canada	US	Sep-10
Antin Infrastructure Fund	Antin Infrastructure Partners	1,100 EUR	France	Europe	Sep-10
Cube Infrastructure Fund	Natixis Environnement & Infrastructures Luxembourg	1,080 EUR	Luxembourg	Europe	Jul-10
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
Barclays Integrated Infrastructure Fund	Barclays Infrastructure Funds	680 GBP	UK	Europe	Sep-10
Westbourne Yield Fund	Westbourne Capital	1,029 AUD	Australia	ROW	Sep-10
Energy Spectrum Partners VI	Energy Spectrum Capital	999 USD	US	US	Apr-11
DIF Infrastructure II	DIF	571 EUR	Netherlands	Europe	Jun-10

Regional Fundraising

The global nature of the infrastructure market typically means that such funds target more than one geographic region, which makes it difficult to assign them a specific regional focus. Of the six funds that reached a final close in Q2 2011, three primarily invest in Asia and Rest of World, two primarily invest in North America, and one in Europe. In terms of aggregate capital raised, the three Asia and Rest of World-focused vehicles raised a combined $0.4bn, the North America-focused funds raised $1.2bn, and the sole European fund raised $1.2bn.

Over the past 12 months, 30 unlisted infrastructure funds reached a final close raising an aggregate $20.5bn, as shown in Fig. 9. Asia and Rest of World was the most popular region in terms of the number of funds raised, with 12 funds closing on a total of $4.5bn in investor capital. However, North America-focused funds were more significant in terms of aggregate capital raised, with eight funds raising $10.2bn. Infrastructure funds primarily focused on opportunities in Europe attracted $5.8bn in capital.

Fig. 10 provides an annual breakdown by region of the aggregate capital raised by unlisted infrastructure funds since 2004. The developed North American and European markets dominate, with North America-focused vehicles representing 45% of aggregate capital raised on average per year. Europe-focused funds account for an average 33% of aggregate capital committed each year, while Asia and Rest of World represents 22%. 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.

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

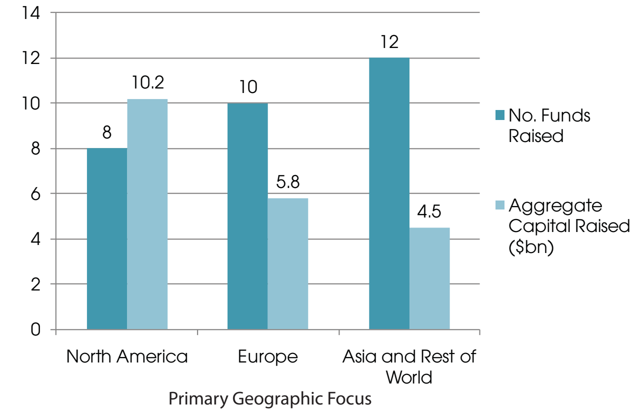
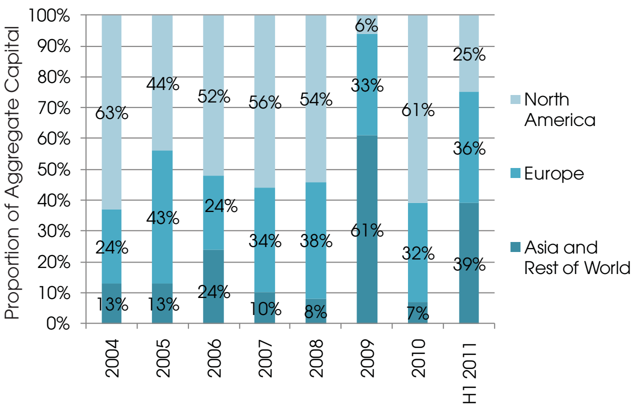


Fig. 10: Split of Aggregate Capital Raised by Region over Time



Funds on the Road

Q3 2011 marks the third successive quarter-on-quarter increase in the aggregate capital targeted by infrastructure funds on the road, reversing a downward trenc that began in Q1 2010. Going into Q3 2011 there are 128 funds in market targeting $92.1bn, representing a 2% increase on the previous quarter and a 7% 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 only two fewer funds currently in market than the record 130 vehicles that were raising capital in Q2 2011. This shows that an increasing number of fund managers are marketing new funds and/or resuming fundraising for funds that had previously been put on hold. However, fund managers are setting more realistic fundraising targets following the financial crisis. As such, in Q4 2008 the average target size of infrastructure funds in market stood at $1.22bn; as of Q3 2011 it stands at $720mn. This shows that despite greater fund manager and investor optimism, the fundraising market is now more competitive than ever before.

In terms of primary geographic 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 51 funds are dedicated to Europe, showing that Europe remains the centre of activity in the infrastructure space. 46 funds are focused on Asia and Rest of World and 31 on North America.

In terms of aggregate capital sought, European funds are again the most significant, with Europe-focused funds targeting $37.5bn in investor capital. Funds targeting North American infrastructure assets are seeking to raise $31bn. North American and European infrastructure funds account for 64% of the total number of funds in market and 74% of the aggregate target capital. The average target size of a North America-focused fund is $1bn, significantly higher than the $0.51bn average for a fund targeting Asia and Rest of World.

The table in Fig. 13 shows the five largest infrastructure funds currently in market. The largest of these funds is Global Infrastructure Partners II, 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. 11: Infrastructure Funds in Market by Quarter

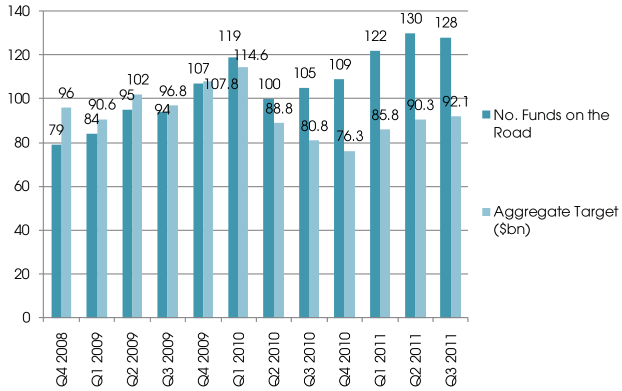


Fig. 12: Composition of Funds in Market by Primary Geographic Focus

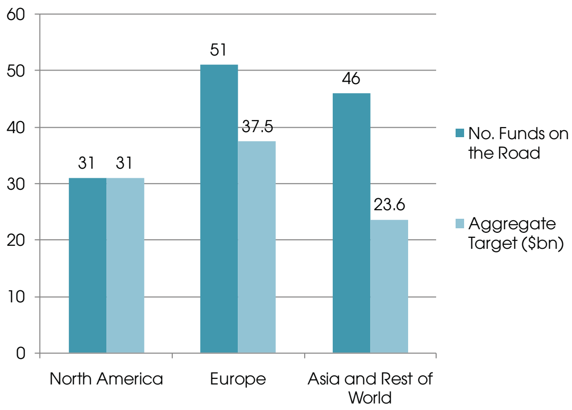


Fig. 13: Top Five Infrastructure Funds in Market by Target Size

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
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	2,000 EUR	UK
CVC European Infrastructure Fund	CVC Infrastructure	2,000 EUR	UK

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 the 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. 15 funds held an interim close in Q2, raising an aggregate $8.2bn, showing that it is still possible for fund managers to attract investor commitments. It is also important to note that much of the capital raised in Q2 2011 was fresh capital committed in either 2010 or 2011, while much of the $30.5bn raised by 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. 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 128 funds currently on the road targeting $92.1bn, the highest amount of investor capital targeted by unlisted infrastructure fund managers since Q1 2010. Additionally, Preqin is tracking a further 31 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 fundraising will continue to improve over the second half of 2011.

Fig. 14: Sample of Infrastructure Funds Closing On or Above Target

Fund	Firm	Target Size (mn)	Final Close Size (mn)
Brookfield Americas Infrastructure Fund	Brookfield Asset Management	USD 1,500	USD 2,655
Energy Capital Partners II	Energy Capital Partners	USD 3,500	USD 4,335
Energy Spectrum Partners VI	Energy Spectrum Capital	USD 750	USD 999
Antin Infrastructure Fund	Antin Infrastructure Partners	EUR 1,000	EUR 1,105
Cube Infrastructure Fund	Natixis Environnement & Infrastructures Luxembourg	EUR 1,000	EUR 1,080
Deutscher Solarfonds "Stabilität 2010"	Altira Group	EUR 100	EUR 113
KBF II	Korea Infrastructure Investments Asset Management Company	KRW 70,000	KRW 70,000
KPEF	Korea Infrastructure Investments Asset Management Company	KRW 250,000	KRW 250,000
Las Américas Infraestructura	Las Américas	USD 50	USD 50
Lend Lease PFI/PPP Infrastructure Fund	Lend Lease Investment Management	GBP 220	GBP 220

Infrastructure Fund of Funds Market

In Q2 2011, two infrastructure fund of funds vehicles reached a final close, König & Cie Infrastruktur International I and UBS AFA Global Infrastructure Multi-Manger Fund, raising $35mn and $144mn respectively. Both vehicles target unlisted funds focused on brownfield infrastructure assets, while König & Cie Infrastruktur International I also targets vehicles specializing in secondary stage projects and UBS AFA Global Infrastructure Multi-Manger Fund will invest 20% of total capital in funds seeking greenfield opportunities.

Partners Group Global Infrastructure 2009 closed in Q1 2011, with €500mn in total capital commitments; the closure of the two funds in Q2 took the total raised by infrastructure-specific fund of funds vehicles to $3.8bn since the first such vehicle was launched in 2006.

By Q3 2011, 17 infrastructure funds of funds had entered the marketplace, 11 of which had held a final close. The remaining six vehicles were on the road seeking to raise an aggregate $2bn. Of these, two had held an interim close in order to begin investing capital.

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. A further four funds are currently raising capital and have not yet held an interim close.

Three of the six infrastructure funds of funds currently on the road are primarily focused on Europe, with two primarily targeting opportunities in Asia and Rest of World and one on North America. In terms of project stage, the majority of infrastructure fund of funds vehicles 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. 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. 15: Number of Closed-End Infrastructure Funds of Funds by Vintage Year

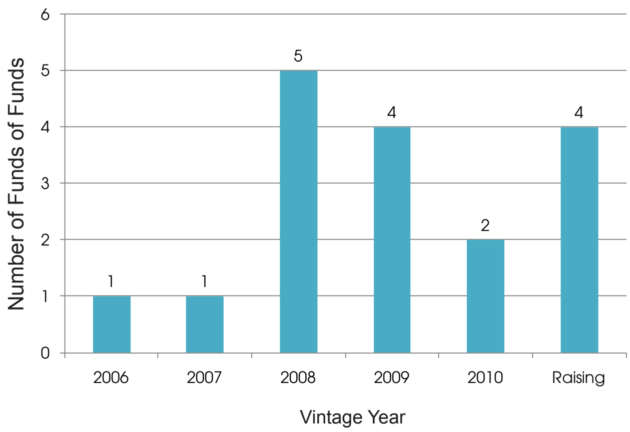


Fig. 16: Five Largest Infrastructure Funds of Funds on the Road

Fund Name	Manager Name	Target (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

Infrastructure Debt Fund Market

A growing number of unlisted infrastructure fund managers are launching debt/mezzanine funds in order to compensate for the shortfall in supply and the increasing demand for debt financing following the financial crisis. Preqin is currently tracking 36 infrastructure debt funds, 33 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 13 funds are currently raising capital, seeking a further $6.8bn in investor commitments. These debt funds account for 10% of all infrastructure funds currently on the road, and 7% of the total capital being sought by infrastructure fund managers worldwide.

Fig. 17 provides a breakdown of the closed-ended infrastructure debt fund market by vintage year. There are seven funds each of vintage 2006 and 2010, while seven funds are also currently raising capital and have yet to hold an interim close. Four 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, 42% of funds providing debt financing are solely debt-focused vehicles. 58% of infrastructure debt funds will invest in the form of both debt and equity.

Seven of the 13 infrastructure debt funds actively raising capital are focused on investment in Asia and Rest of World and are seeking $2.8bn in investor capital. Five funds are primarily focused on European infrastructure assets and one will invest in North America. The largest infrastructure debt fund in market is Aviva Investors Hadrian Capital Fund I, a Europe-focused vehicle targeting £1bn.

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

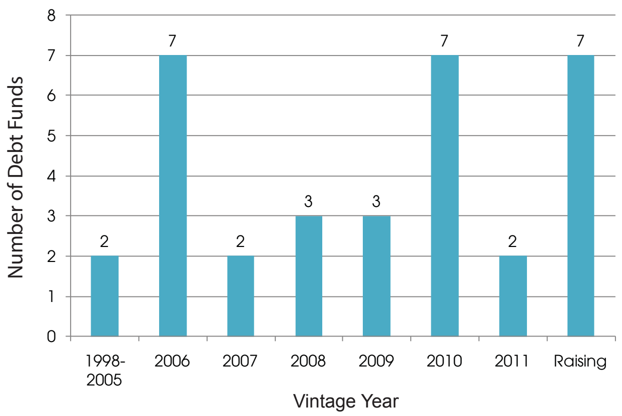
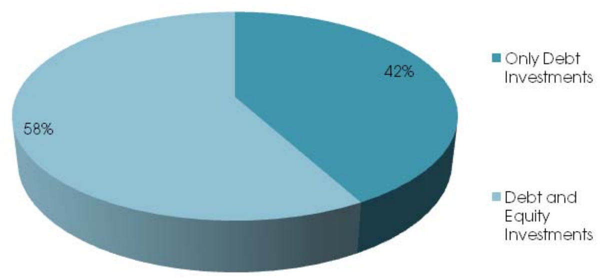


Fig. 18: Proportion of Infrastructure Debt Funds Making Only Debt Investments



Deals Overview

A total of 40 deals were reported by unlisted infrastructure fund managers in Q2 2011. As shown in Fig. 19, this represents a slight drop from the 43 deals completed in Q1 2011 and a considerable drop from the 79 transactions completed in Q4 2010. Although the total number of deals completed in H1 2011 is expected to rise as further information becomes available, the general drop 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 H1 2011. As shown in Fig. 20, the average infrastructure deal in H1 2011 amounted to \$0.4bn, less than the \$0.6bn average in 2010 but higher than the \$0.3bn 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 in H1 2011. Europe is the dominant region, accounting for 51% of deals completed during the period. There were 35 deals involving European infrastructure assets finalized in H1 2011, while 28 were completed in Asia and Rest of World and 20 were made in North American assets. In terms of industry, core sectors were the most prominent during this period. A total of 77 deals were made in the energy, transportation, telecommunication and utilities industries, equating to 92% of the total.

Fig. 19: Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers, Q2 2007 - Q2 2011

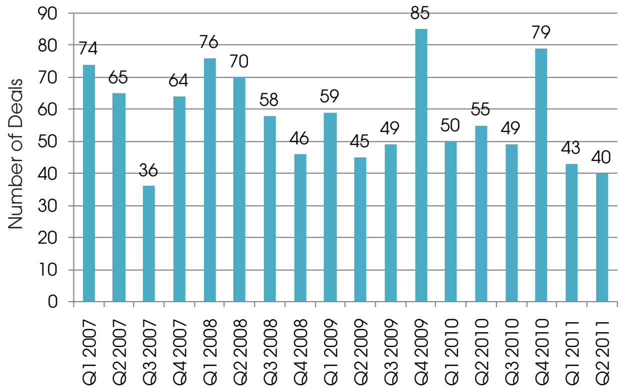


Fig. 20: Average Infrastructure Deal Size by Year, 2004 - H1 2011

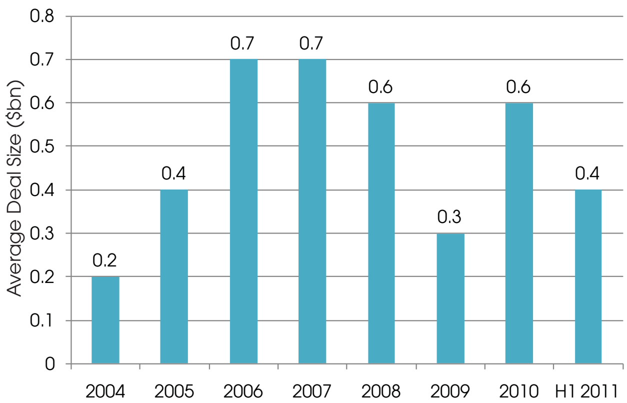
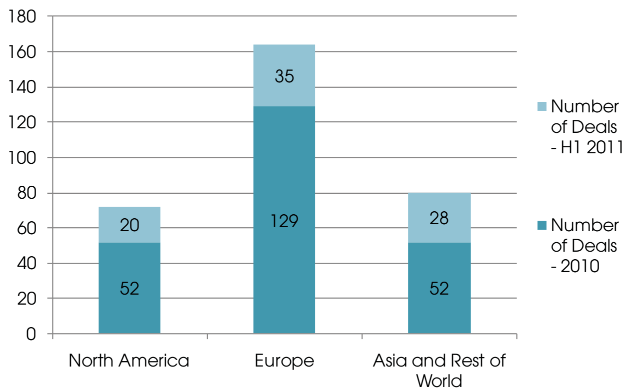


Fig. 21: Number of Infrastructure Deals by Region



Notable Deals and Fund Managers

A number of notable deals were made by unlisted infrastructure fund managers in Q2 2011, as illustrated in Fig. 22.

In June 2011, F2i SGR and AXA Private Equity acquired G6 Rete Gas, a gas distribution network based in Italy. The consortium acquired a 100% stake in the asset for €772mn. Other significant deals include Actis' acquisition of a 92% stake in the power distribution network DEOCSA/DEORSA located in Guatemala for $449mn, and the acquisition of the PR-22 and PR-5 Toll Roads in Puerto Rico for $1.1bn by GS Infrastructure Investment Group and Abertis.

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 21 deals through its various unlisted infrastructure vehicles since Q2 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.

Fig. 22: 10 Notable Deals, Q2 2011

Asset	Location	Industry	Investor(s)	Deal Size	Stake	Date
Hudson Transmission Project	US	Power Distribution	Energy Investors Funds, Starwood Energy Group Global	USD 850mn	–	May-11
G6 Rete Gas	Italy	Natural Resources Pipelines	AXA Private Equity, F2i SGR	EUR 772mn	100%	Jun-11
Nuevo Midstream	US	Natural Resources Pipelines	EnCap Investments, Petroleum Fuels Company, Torch Energy Advisors	USD 65mn	–	Apr-11
CAEPCO	Kazakhstan	Power Plants	CapAsia	USD 50mn		Apr-11
DEOCSA/DEORSA	Guatemala	Power Distribution	Actis	USD 449mn	92%	May-11
Caparo Energy India	India	Wind Power	IDFC Project Equity Company	IDR 3.6bn	–	Jun-11
Metroweb	Italy	Telecommunications	F2i SGR, Intesa SanPaolo	EUR 226mn	100%	May-11
Royal Adelaide Hospital	Australia	Hospitals	InfraRed Capital Partners, Macquarie Infrastructure and Real Assets (MIRA), John Laing, Leighton Contractors Infrastructure	AUD 1.8bn	100%	Jun-11
PR-22 & PR-5 Toll Roads	Puerto Rico	Toll Roads	GS Infrastructure Investment Group, Abertis	USD 1.08bn	100%	Jun-11
Charleroi Prison	Belgium	Prisons	Inframan, Eiffage	EUR 70mn	100%	May-11

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

Fund Manager	Number of Investments in the Last 12 Months	Total Raised through Unlisted Infrastructure Funds (bn)
Macquarie Infrastructure and Real Assets (MIRA)	21	USD 21.3
DIF	12	EUR 0.7
NIBC Infrastructure Partners	8	EUR 0.4
JPMorgan - Infrastructure Investments Group	7	USD 1.6
Innisfree	6	GBP 1.8
Morgan Stanley Infrastructure	5	USD 4.0
Barclays Infrastructure Funds	5	USD 2.0
Equitix	5	USD 0.3
Fondaco	5	EUR 0.1
AXA Private Equity	5	EUR 1.8

Dry Powder

The total amount of dry powder available to unlisted infrastructure fund managers stands at $62.6bn as of the end of Q2 2011, a 6.5% increase on the $58.5bn that was available in December 2010. This reflects the slightly more positive fundraising environment in Q2 2011, but also the restricted nature of infrastructure deal flow.

Fig. 24 shows infrastructure dry powder levels over time by primary geographic focus, and demonstrates that levels fell between 2009 and 2010. However, by June 2011, dry powder for Europe- and Asia and Rest of World-focused funds had increased by 10% and 19% respectively, although dry powder for North America-focused funds had decreased slightly from $31.4bn from $31.1bn.

Fig. 25 shows the top 10 unlisted infrastructure fund managers by the estimated amount of dry powder they have at their disposal. Energy Capital Partners and Macquarie Infrastructure and Real Assets (MIRA) top the list, followed by Alinda Capital Partners. In total, five managers have in excess of $2bn estimated to be available in uncalled commitments. The top 10 firms account for 36% of the total dry powder available to infrastructure fund managers worldwide.

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

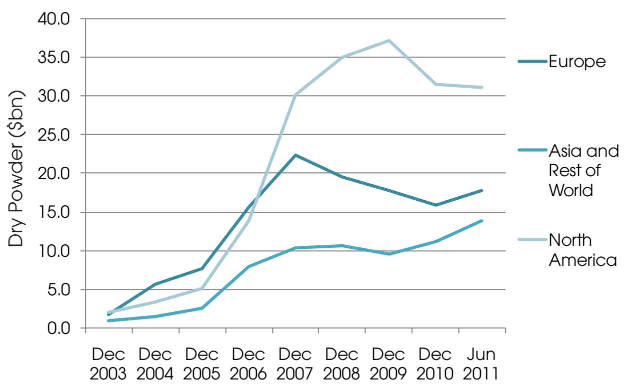


Fig. 25: Top 10 Infrastructure Fund Managers by Estimated Dry Powder

Firm Name	Estimated Available Capital ($bn)	Firm Headquarters
Energy Capital Partners	3.4	US
Macquarie Infrastructure and Real Assets (MIRA)	3.3	Australia
Alinda Capital Partners	3.0	US
Brookfield Asset Management	2.9	Canada
GS Infrastructure Investment Group	2.3	US
Energy Investors Funds	1.9	US
RREEF Infrastructure	1.5	UK
AXA Private Equity	1.4	France
ArcLight Capital Partners	1.4	US
Innisfree	1.2	UK

Performance Update

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 between 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 11%; 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 1993-2004 at a similar level to both buyout and real estate. 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 1993-2007 is 11.5%, much less than the 19.5% for buyout, 50.1% for venture and 21.4% for real estate funds. This shows that infrastructure funds are less risky than other strategies, although the potential for significant levels of return is reduced.

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

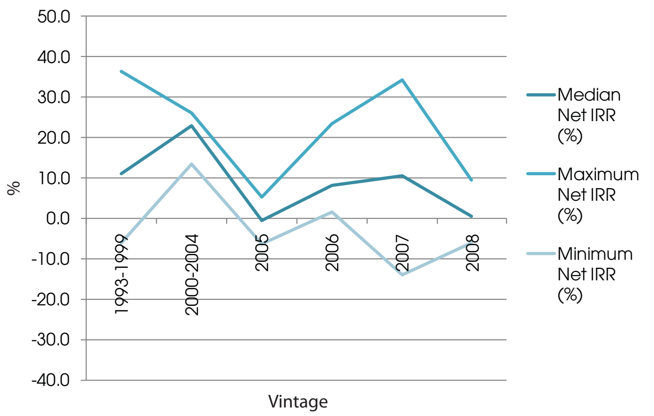
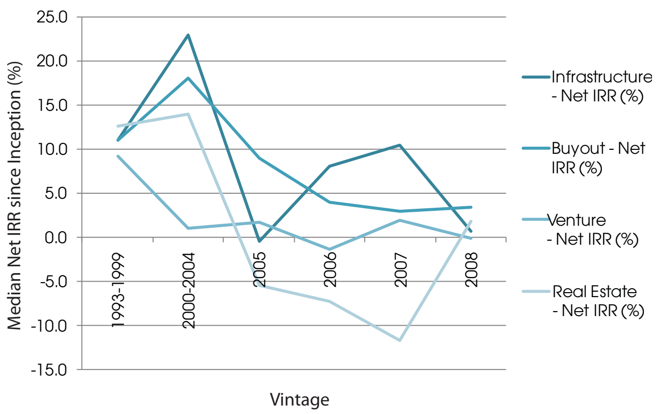


Fig. 27: Infrastructure vs. Other Private Equity Strategies - Median Net IRR by Vintage Year



Largest Investors and Popular Managers

Preqin's Infrastructure Online database currently tracks over 1,150 investors actively investing in the infrastructure asset class, and a further 139 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. 102 different investors have invested in an 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 $6.4bn.

As shown in Fig. 29, OMERS is the largest active investor, with $15.8bn 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 $9.8bn and $8.4bn invested in the asset class respectively.

Fig. 28: Most Popular Infrastructure Fund Managers

Fund Manager	No. of Investors
Macquarie Infrastructure and Real Assets (MIRA)	102
Energy Investors Funds	38
Alinda Capital Partners	33
Henderson Equity Partners	33
Innisfree	31

Fig. 29: Largest Infrastructure Investors - Global

Rank	Investor	Currently Committed to Infrastructure ($bn)	Investor Type	Investor Location
1	OMERS	15.8	Public Pension Fund	Canada
2	CPP Investment Board	9.8	Public Pension Fund	Canada
3	Corporación Andina de Fomento (CAF)	8.4	Government Agency	Venezuela
4	Ontario Teachers' Pension Plan	8.2	Public Pension Fund	Canada
5	APG - All Pensions Group	7.8	Asset Manager	Netherlands
6	Khazanah Nasional	6.7	Sovereign Wealth Fund	Malaysia
7	TIAA-CREF	5.9	Private Sector Pension Fund	US
8	AustralianSuper	4.7	Superannuation Scheme	Australia
9	CDP Capital - Private Equity Group	4.4	Asset Manager	Canada
10	PGGM	3.8	Asset Manager	Netherlands

About Preqin

Preqin infrastructure provides information products and services to infrastructure firms, fund 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/spotlight**

If you have any comments on this report, please contact: **info@preqin.com**

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

London:

Equitable House
47 King William Street
London
EC4R 9AF

Tel: +44 (0)20 7645 8888
Fax: +44 (0)87 0330 5892

New York:

230 Park Avenue
10th Floor
New York
NY 10169

Fax: +1 212 808 3008
Tel: +1 440 445 9595

Singapore:

Samsung Hub
3 Church Street
Level 8
Singapore
049483

Tel: +65 6408 0122
Fax: +65 6408 0101

Email: info@preqin.com
Web: www.preqin.com