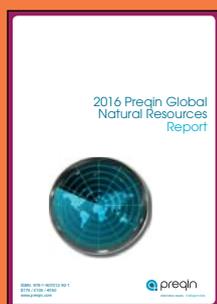


Welcome to the latest edition of **Infrastructure Spotlight**, the monthly newsletter from Preqin providing insights into infrastructure performance, investors, deals and fundraising. Infrastructure Spotlight uses information from our **Infrastructure Online** service.

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Featured Publication



2016 Preqin Global Natural Resources Report

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Infrastructure Spotlight

March 2016

Feature Article: Infrastructure Investor Outlook 3

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We provide an exclusive preview of our upcoming [2016 Preqin Global Natural Resources Report](#), including key stats, fundraising and more.

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Upcoming infrastructure conferences around the world that Preqin will be attending in the near future.

Real Assets Spotlight:

Since its launch in 2008, Preqin **Infrastructure Spotlight** has been providing insight into trends and activity in the growing infrastructure asset class.

In recent years, we have seen increasing interest in investments in energy and natural resources. In order to better capture this broader market, from May 2016 we will be renaming this newsletter **Real Assets Spotlight** and expanding it to cover the natural resources asset class, in addition to our usual coverage of infrastructure.

We hope you will like the new format and as always we welcome any feedback you may have.

Did you know...?



You can download all the data in this month's Spotlight in Excel.

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Kindest regards
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Infrastructure Investor Outlook

At the end of 2015, Preqin surveyed over 100 institutional investors with infrastructure allocations about their perception of the asset class, their investment plans for the year ahead, key issues in the market and their satisfaction with the asset class as a whole. Here, we present an extract from the [Preqin Investor Outlook: Alternative Assets, H1 2016](#) summarizing the main results from the survey.

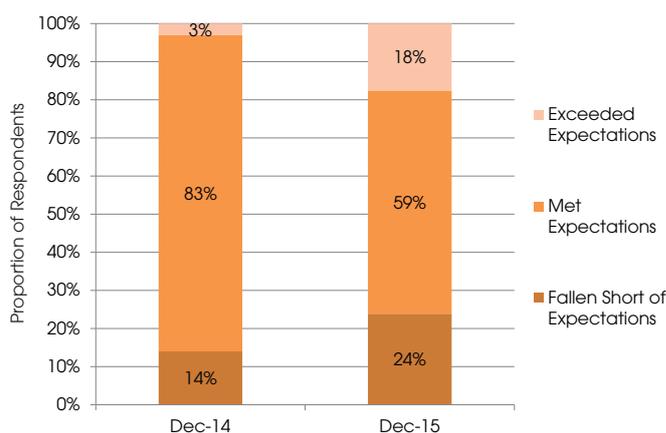
Satisfaction with Infrastructure

Fig. 1 shows that over three-quarters of surveyed institutional investors felt the performance of their infrastructure fund investments had met or exceeded expectations over 2015. This is encouraging and demonstrates that most investors appear satisfied with the performance delivered by the asset class. Notably, the proportion of investors that thought performance exceeded their expectations over the past 12 months increased from 3% in 2014 to 18% in 2015. However, almost a quarter of respondents felt their investments had fallen short of expectations, an increase from the 14% that stated the same the previous year.

Investors remain confident in the ability of infrastructure to fulfil portfolio objectives, with 64% stating there had been no change in their level of confidence and 23% stating confidence had increased (Fig. 2). Furthermore, results from the survey show that 56% of institutional investors currently have a positive perception of the industry (Fig. 3).

Information on more than 2,600 institutional investors with infrastructure allocations on Preqin's [Infrastructure Online](#) reflects the rise in prominence of infrastructure within investment portfolios over recent years. Investors' average current and target allocations to infrastructure (as a percentage of AUM) have generally risen, from 3.5% and 4.9% respectively in 2011 to 4.3% and 5.7% for both 2014 and 2015 (Fig. 4). As investors become more experienced and familiar with the asset class, such positive sentiment could translate into larger allocations to infrastructure in the future and is encouraging for the continued growth of the industry, with the majority (52%) of investors stating that they intend to increase allocations over the longer term (Fig. 5).

Fig. 1: Proportion of Investors that Feel Their Infrastructure Fund Investments Have Lived up to Expectations over the Past 12 Months, 2014 vs. 2015

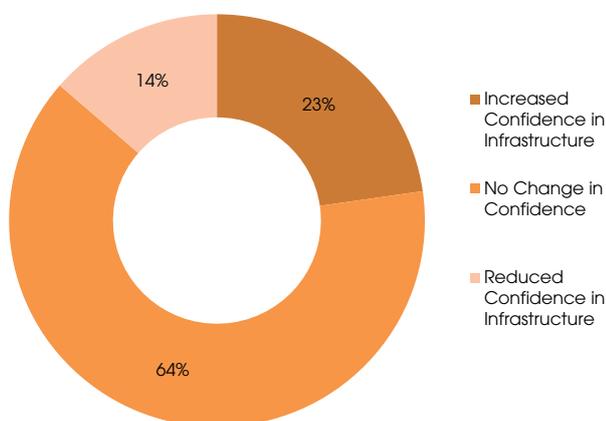


Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Investor Activity in 2016

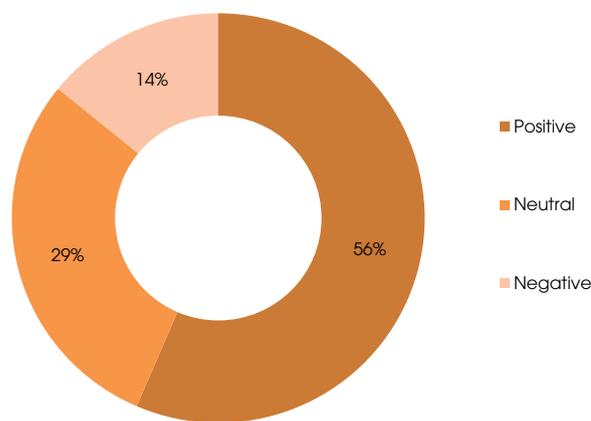
Almost half (48%) of investors surveyed intend to commit more capital to infrastructure funds in 2016 than they did in 2015 (Fig. 6), reflective of how investors are increasingly recognizing infrastructure's potential to generate stable returns and its inflation-hedging characteristics. While the majority of investors intend to commit more capital or maintain the same level of commitments over 2016, 26% of investors will look to reduce the amount of capital they invest in infrastructure over 2016. This could be a reflection of the potential impact on

Fig. 2: Investors' Change in Confidence in Infrastructure to Achieve Portfolio Objectives in the Past 12 Months



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 3: Investors' General Perception of the Infrastructure Industry at Present



Source: Preqin Investor Outlook: Alternative Assets, H1 2016



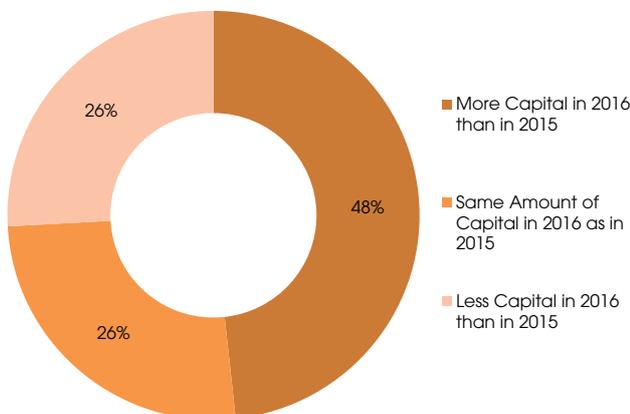
returns of rising valuations of assets and the limited availability of attractive investment opportunities.

As shown in Fig. 7, 61% of investors that expect to be active in the next 12 months plan to invest less than \$100mn in infrastructure over 2016. However, there are some investors that will make considerable commitments to the asset class in the coming year; 17% of investors that plan to be active intend to commit at least \$350mn to unlisted funds in 2016. In terms of the number of investments, 41% of active investors plan to make three or more new fund commitments in the next 12 months, including 17% planning to invest in five or more vehicles (Fig. 8).

Fig. 9 shows the preferred route to market (direct investment, unlisted funds and listed funds) of infrastructure investors searching for new investments over the next 12 months in the period December 2012 to December 2015. The proportion of investors targeting unlisted funds fell from 91% in 2012 to 65% in 2014, while appetite for direct investment increased over the same period. Over 2016 however, 70% of investors will target unlisted infrastructure funds, while 48% will target direct investment, bucking the trends seen in the three years prior to this. Concerns over recent valuations for infrastructure assets and investors' ability to find assets at attractive prices may have contributed to the slight decline in institutional appetite for direct investment, although the larger institutions with an established allocation to the asset class and the resources to build sizeable investment teams will most likely continue to be active.

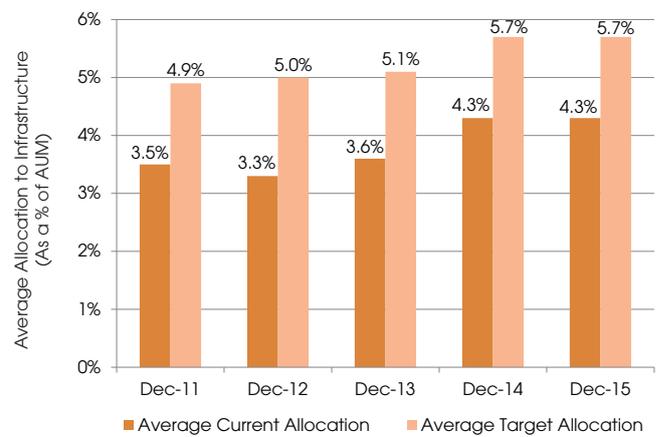
A number of issues will impact institutional investor appetite for infrastructure opportunities in 2016 and the general growth of the industry in the longer term (Fig. 10). A more competitive deal environment is pushing up prices for infrastructure assets and affecting deal flow; as a result, the largest proportions of surveyed infrastructure investors feel these are the key challenges for the market in 2016. Performance was cited as a key concern by nearly a third of investors, an issue that is associated with the difficulties pertaining to deal flow and high valuations.

Fig. 6: Investors' Expected Capital Commitments to Infrastructure Funds in 2016 Compared to 2015



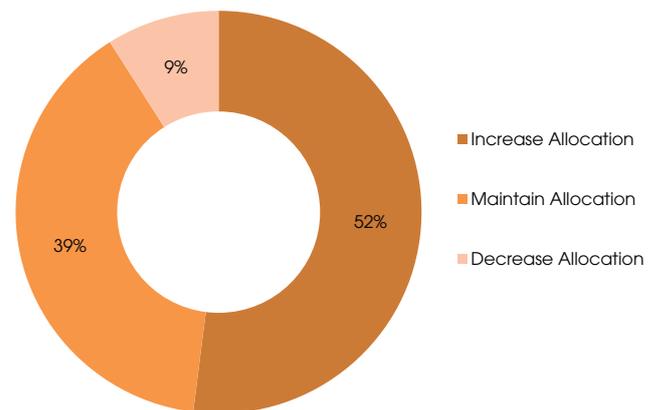
Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 4: Average Current and Target Allocations to Infrastructure over Time, 2011 - 2015



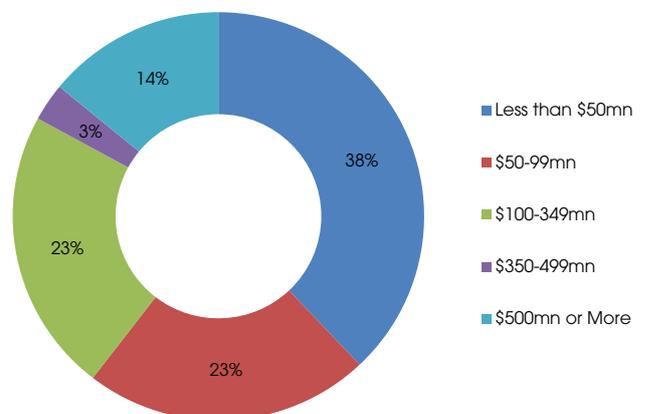
Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 5: Investors' Intentions for Their Infrastructure Allocations in the Longer Term



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 7: Amount of Fresh Capital Investors Plan to Invest in Infrastructure over the Next 12 Months



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

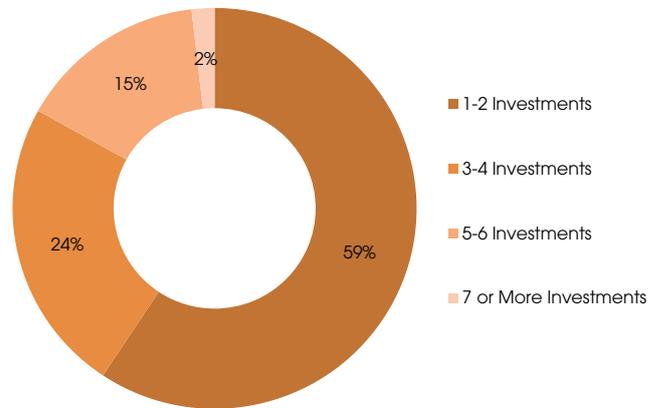


Outlook

Over three-quarters of respondents to Preqin's latest survey of institutional investors stated that the performance of their infrastructure fund investments over 2015 had met or exceeded their expectations. This, along with record distributions from infrastructure funds to investors in 2014, has seen appetite for the asset class rise among institutional investors. With the majority of investors currently below their target allocation to infrastructure, capital should flow into the asset class in 2016 and beyond; almost half of respondents intend to commit more capital to infrastructure funds in 2016 than they did in 2015, while 52% intend to increase their allocation over the long term.

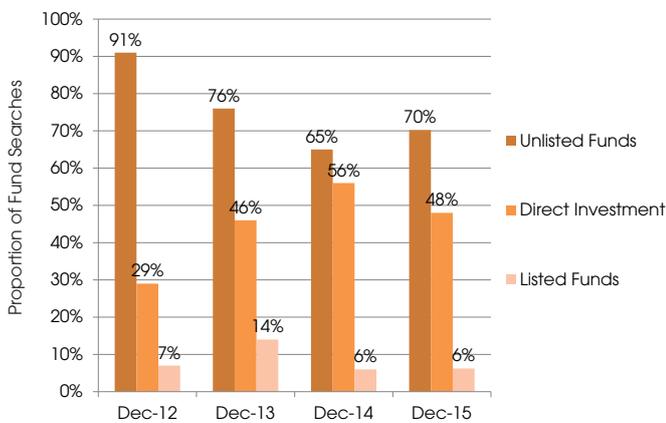
Only time will tell whether today's asset prices will have an adverse effect on the strong, stable returns to which investors have become accustomed. Furthermore, investors face the challenge of identifying the managers that can truly deliver the returns they seek at an acceptable level of risk within an intensely competitive market. However, record distributions, rising appetite and the large proportion of investors underweighted to the asset class should see a continuation in the year to come of the strong fundraising figures seen in recent years.

Fig. 8: Number of Infrastructure Investments Investors Plan to Make over the Next 12 Months



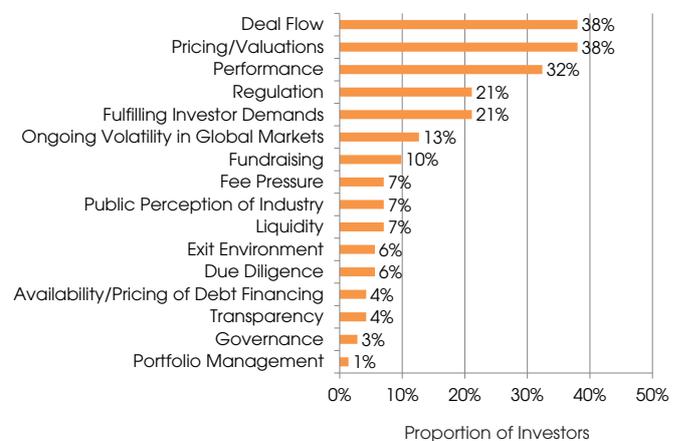
Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 9: Preferred Route to Market of Infrastructure Investors Searching for New Investments in the Next 12 Months, 2012 - 2015



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Fig. 10: Investors' Views on the Key Issues for the Infrastructure Market in 2016



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Preqin Investor Outlook: Alternative Assets, H1 2016

This report brings together the results of a series of in-depth interviews with over 460 institutional investors across six different asset classes, which has enabled us to provide detailed information on investors' portfolios, future plans, confidence in alternatives, concerns for the future and more.

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New Water Capital Partners

Special situations investments in the lower middle market

2015



Preqin Industry News

Jeanne Kroeger looks at the growing interest in the infrastructure asset class, as well as natural resources deals completed so far this year and infrastructure funds closed in February 2016.

Investors Targeting Infrastructure in the Next 12 Months

As can be seen on page 3, the majority (56%) of investors surveyed for the [Preqin Investor Outlook: Alternative Assets, H1 2016](#) have a positive perception of infrastructure. Investor appetite for the asset class looks to be increasing, with over half (52%) of respondents intending to increase their allocation in the longer term. Germany-based asset manager, [Feri Trust](#), expects to invest €200mn in eight to 10 private equity, private real estate and unlisted infrastructure funds in the next 12 months, targeting a range of strategies and project stages across Europe and North America.

Australia-based [Energy Industries Superannuation Scheme \(EISS\)](#) will be investing AUD 50mn in one primary unlisted infrastructure fund in the coming year, and has a global mandate that will focus on primary strategies in Asia, Europe and the US. Investors in North America are also keen to invest in infrastructure, with Canada-based [University of Alberta Endowment](#) planning to commit CAD 10mn to a North America-focused unlisted infrastructure fund in the next year with a focus on energy, particularly oil & gas.

Notable Infrastructure Deals Completed in 2016

Since the beginning of 2016, there 166 infrastructure deals have been completed globally for a reported \$31.2bn. The largest of which was the \$3bn launch of 2,640 MW [Sembcorp Gayatri Power Complex](#), which consists of two thermal power plants, Thermal Powertech Corporation India (TPCIL) and NCC Power Projects (NCCPP), in Nellore, India. TPCIL is owned in part by [Sembcorp Industries](#) (67.4%) through its wholly-owned subsidiary, Sembcorp Utilities, while [Gayatri Energy Ventures](#), a wholly-owned subsidiary of Gayatri Projects, holds the remaining 32.6% stake. Sembcorp Industries also owns 49% of NCCPP, while the remaining 51% is held by [NCC Infrastructure](#).

Another large transaction this year also took place in Asia, with [Dalian Wanda Group](#) acquiring the rights to build the [Chinese Hospital Portfolio Project](#) in a deal worth \$2.3bn. As a part of the deal completed in January, Wanda Group would partner with UK-based International Hospitals Group, who would be involved in the development of the three hospitals in China, including the 1,000-bed IHG Wanda International Hospital in Shanghai, and others located in Chengdu and Qingdao.

Also in January, a Brookfield-led consortium consisting of [Brookfield Renewable Energy Partners](#) and other unnamed institutional partners acquired a 57.6% stake in [Isagen](#) from the Colombian government for a total consideration of \$2.2bn. Isagen is a power generation company in Colombia with an installed capacity of 3,032 MW. Their portfolio is comprised of six hydroelectric plants, and includes the country's largest operating hydro power generating facility (San Carlos) and largest hydro-based reservoir by volume (Sogamoso).

In Numbers: Infrastructure Spotlight March 2016

With the feature article presenting results from the [Preqin Investor Outlook: Alternative Assets, H1 2016](#) (see page 3), we look at some of the key results from the survey:



77%

Proportion of investors that feel their infrastructure investments have met or exceeded their expectations in 2015.



87%

Proportion of investors that have the same or increased confidence in infrastructure as they did 12 months ago.



38%

Proportion of surveyed investors that feel deal flow and valuations are the key issues for the infrastructure market in 2016.



48%

Proportion of surveyed investors that expect to invest more capital in infrastructure over 2016 than in 2015.



41%

Proportion of investors that plan to make three or more commitments to unlisted infrastructure funds in the next 12 months.

Recently Closed Funds

Three unlisted infrastructure funds have closed in February this year. [Morgan Stanley Infrastructure](#)'s fund, [North Haven Infrastructure Partners II](#), was the largest of the three, raising \$4bn for investment in core economic and social infrastructure assets globally. [Macquarie Asia Infrastructure Fund](#), focusing on core economic infrastructure assets across Asia and managed by [Macquarie Infrastructure and Real Assets \(MIRA\)](#), raised \$3.1bn, a 38% increase on its initial target size. The first fund from [NTR Group](#), [NTR Wind 1 Fund](#), raised €250mn to invest into greenfield onshore wind assets across the UK and Irish markets.

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Fund Coverage: **49,176** Funds



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****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

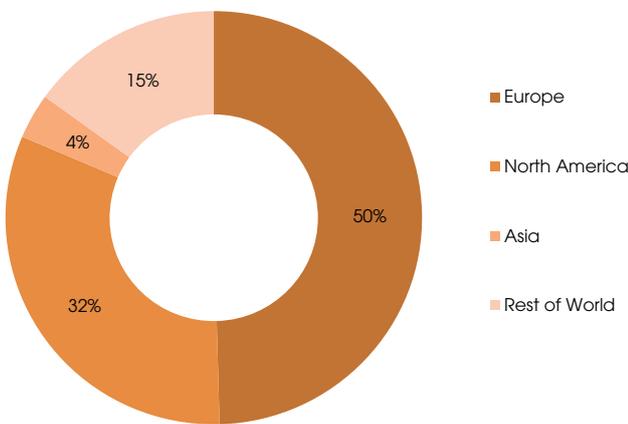


On the Network This Month: What Are Investors Searching For?

We examine the activity of investors on [Preqin Investor Network](#) to see which regions and fund sizes are of current interest to investors, as well as which institutional investor types have been proactively looking at unlisted infrastructure funds on the Network in February.

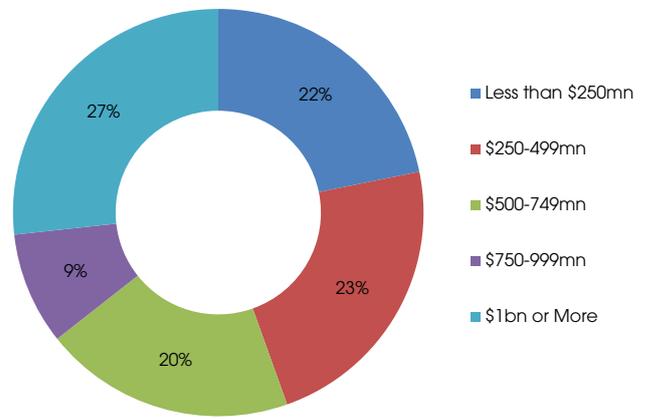
[Preqin Investor Network](#) is a unique system designed to help investors source and connect with alternative assets fund managers. Currently, over 7,700 individuals across 3,800 institutional investor firms are using the Network to find and reach out to the 3,300 private equity, private real estate and unlisted infrastructure funds in market. If you would like to find out more, please email: pin.info@preqin.com.

Fig. 1: Breakdown of Unlisted Infrastructure Funds Reviewed by Investors on Preqin Investor Network by Primary Geographic Focus, February 2016



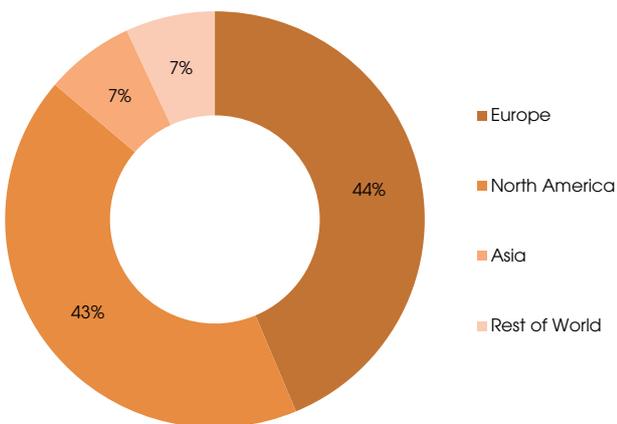
Source: Preqin Investor Network

Fig. 2: Breakdown of Unlisted Infrastructure Funds Reviewed by Investors on Preqin Investor Network by Target Size, February 2016



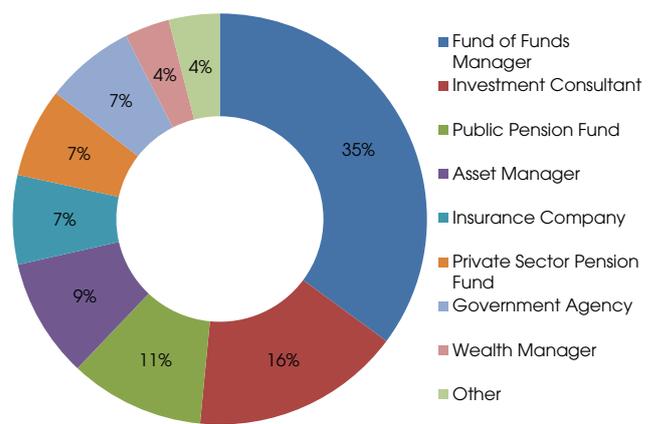
Source: Preqin Investor Network

Fig. 3: Breakdown of Investors Searching for Infrastructure Funds on Preqin Investor Network by Firm Location, February 2016



Source: Preqin Investor Network

Fig. 4: Breakdown of Investors Searching for Infrastructure Funds on Preqin Investor Network by Type, February 2016



Source: Preqin Investor Network

In Numbers: On the Network This Month

- 285** The number of unlisted infrastructure funds currently in market (as at **4 March 2016**).
- 29%** Proportion of all unlisted infrastructure funds in market reviewed by investors on the Network in **February** alone.



The average size of unlisted infrastructure funds in market screened on the Network in **February**.

Some of the largest unlisted infrastructure funds have signed up to share more information with the Network's investors. Would you like to join them and have investors contact you for more information? Email us at pin.info@preqin.com.

Natural Resources in 2015 - Key Stats

Natural Resources Highlights

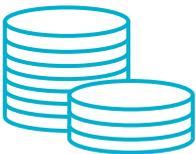


\$67.8bn

Aggregate capital raised by natural resources funds in 2015, an all-time high.



Number of funds in market as of March 2016, targeting \$141.5bn in aggregate capital.



\$400bn

Natural resources assets under management as of June 2015, an all-time high.



91%

Proportion of capital raised in 2015 accounted for by energy-focused funds.

Capital Concentration



39%

Proportion of capital raised in 2015 secured by the five largest natural resources funds closed.

Dry Powder to Invest



\$157.3bn

Amount of dry powder held by natural resources firms, an all-time high.



\$1bn

Average size of an unlisted natural resources fund closed in 2015, an all-time high.



79%

Proportion of fund managers that plan to deploy more capital in energy assets in 2016 compared to 2015.

Key Challenges for 2016: Performance



62%

Proportion of investors that feel their natural resources investments have fallen short of expectations over the past 12 months.

Key Challenges for 2016: Fundraising



41%

Proportion of investors that plan to invest less capital in 2016 than 2015.



9.3%

The PrEQIn Natural Resources Index fell by 9.3% from September 2014 to June 2015.



61%

Proportion of fund managers that have noticed increased competition for investor capital compared to 12 months ago.

Record Fundraising in 2015 but Challenges Lie Ahead

- Tom Carr, Preqin

2015 was a challenging year for the natural resources industry, with low commodity prices creating a generally unfavourable macroeconomic environment for all active participants in the asset class. Despite this, the natural resources asset class continued to grow, with a number of key milestones passed in 2015: assets under management reached a record high of \$400bn and fundraising for 2015 was at its highest ever level for a single year, with \$67.8bn raised. The fact that this happened in a year of significant economic headwinds bodes well for the sustainability and growth of the asset class going forward, while also creating a competitive environment for those looking to put capital to work in 2016.

Fundraising Market

Despite understandable concerns about the potential effects of continued low commodity prices on the natural resources sector, unlisted natural resources fundraising reached record highs in 2015, driven by significant sums of capital raised by funds targeting energy investments. Ninety-one percent of the record \$67.8bn raised in 2015 was secured by energy-focused funds. However, despite a strong year for energy-focused fundraising, other natural resources strategies struggled to secure capital commitments. Metals & mining-focused funds, for example, raised only \$0.4bn, down from \$2.3bn in 2014.

Fundraising in 2015 was increasingly concentrated among a smaller number of managers, with the record amount of capital raised by only 74 funds, the smallest number of funds closed in a year since 2009. This indicates

that investors seem to be putting their faith in the deal-sourcing capabilities of the larger managers in the current environment.

For managers on the road in 2016, the fundraising market will likely be an extremely competitive place to secure capital commitments. There are currently 256 unlisted natural resources funds in market targeting an aggregate \$141.5bn in institutional capital, with 61% of these funds yet to hold an interim close. With a large number of funds on the road raising capital and a relatively small number of funds reaching a final close each year, managers should be prepared for lengthy fundraises – 24% of funds raising capital have already been on the road for over three years.

Investor Appetite

Sixty-two percent of respondents to Preqin's latest survey of institutional investors stated that the performance of their natural resources investments had fallen short of expectations in the past 12 months, raising concerns for managers looking to secure fresh capital commitments. However, despite concerns over recent performance, the majority of investors are taking a more long-term view of the asset class, with 58% of investors stating that their confidence in the ability of their natural resources investments to meet portfolio objectives has not changed over the past 12 months, and a further 15% reporting that their confidence had actually increased during this time.

With record levels of distributions from natural resources funds in 2014 (\$54bn), investors will likely have capital available to allocate to the asset

class, and while they remain cautious in terms of making fresh commitments in the current environment, over the longer term, most investors (77% of respondents) are planning to increase or maintain their current allocations to the asset class.

Outlook

While the natural resources asset class remains relatively small in comparison to other markets such as private equity and real estate, 2015 was a year of continued growth, creating a number of challenges for both managers looking to put capital to work and those seeking fresh capital in 2016.

While commodity prices remain low, sourcing and executing deals that present strong risk-adjusted returns will be a significant issue in 2016. Furthermore, with fund managers holding \$157.3bn in dry powder, competition for attractive assets will be fierce. Despite this, capital successfully invested in 2016 may benefit from any future increases in commodity prices over the course of the investment, potentially helping to boost returns.

Demand for investor capital in 2016 will likely outweigh supply, with a significant number of managers raising capital and investors approaching the asset class cautiously; therefore it is vital managers clearly explain how they can generate alpha for investors. Conversely, investors will face a significant challenge in identifying which funds are the best fit for their portfolio and which managers can deliver the returns they require, with an acceptable level of risk.

Investor Analyst: The True Perspective

[See How Investment Strategies Measure Up](#)

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Fund Manager Outlook for 2016

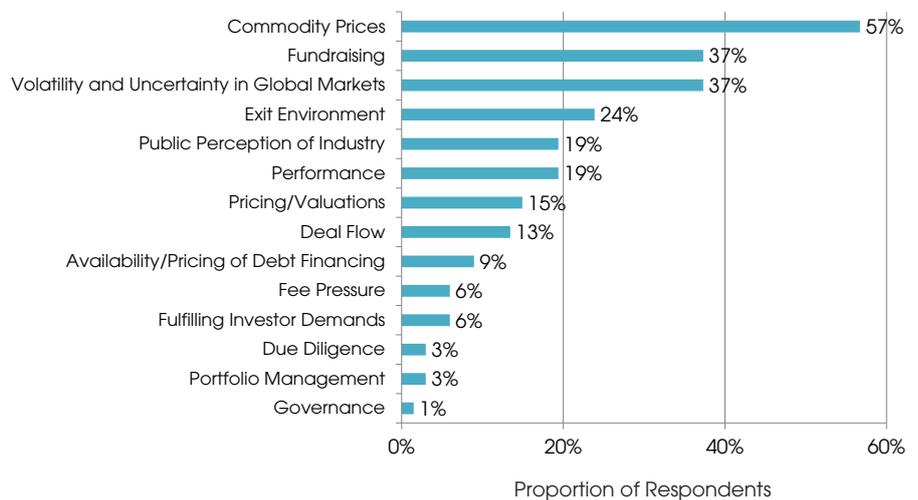
Preqin's **Natural Resources Online** currently tracks over 750 natural resources fund managers globally, with approximately \$400bn in aggregate assets under management. In January 2016, Preqin surveyed 70 natural resources fund managers to gain an insight into their views on the current issues affecting their business and the industry, their relationship with investors and the opportunities available in the natural resources sector in the year ahead.

Key Issues

Fund managers were asked to identify the key issues that they believed would affect the asset class in 2016 and also the biggest challenge for their firm in the year ahead. In terms of the natural resources asset class as a whole, overall market conditions were the greatest concern. Fifty-seven percent of fund managers surveyed identified commodity prices as a key issue for the year ahead and 37% each cited the ongoing volatility and uncertainty in global markets and fundraising (Fig. 5.1). Other issues of importance were fundraising (37%), the exit environment (24%), public perception of the industry (19%) and performance (19%).

Interestingly, while commodity prices were the most commonly cited issue for the asset class as a whole, at individual firm level, the majority of fund managers indicated that fundraising was

Fig. 5.1: Key Issues Facing the Natural Resources Investment Industry in 2016



Source: Preqin Fund Manager Survey, January 2016

their greatest concern (Fig. 5.2). This is possibly due to concerns that low commodity prices and volatility in the global markets may discourage investors from committing capital and that extra fundraising efforts will be needed to ensure that fund managers can match the record sums of capital raised in 2015.

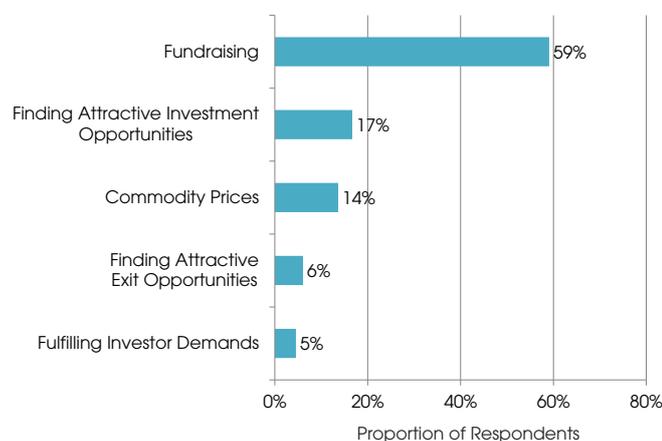
Deal Flow

2015 was a year of record fundraising for natural resources funds, and a number of fund managers have significant amounts of dry powder available to invest in the asset class. Across each natural

resources strategy, a large proportion of fund managers reported that they expect to invest more capital in 2016 than in 2015 (Fig. 5.3). The most significant growth is expected to be in energy investments, with 79% of fund managers reporting that they expect to invest more capital in energy assets in 2016 than 2015, including 29% that plan to invest significantly more capital.

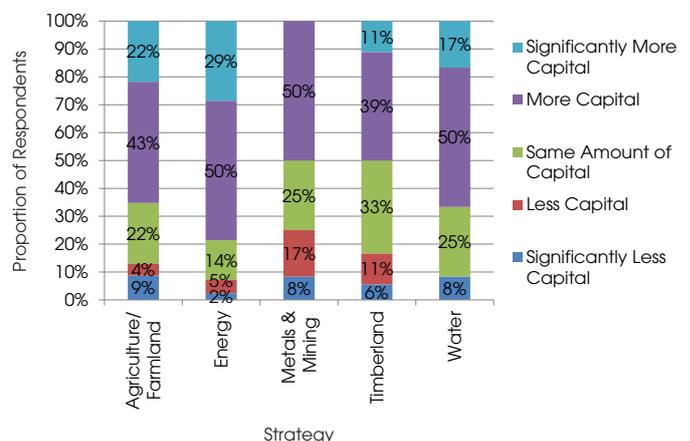
Fund managers' views differed most widely in their approach to metals & mining assets. Although 50% of fund managers investing in metals & mining expect to increase the amount of capital

Fig. 5.2: Biggest Challenge Facing Natural Resources Fund Managers in 2016



Source: Preqin Fund Manager Survey, January 2016

Fig. 5.3: Amount of Capital Fund Managers Plan to Deploy in Natural Resources Assets in the Next 12 Months Compared to the Past 12 Months by Strategy



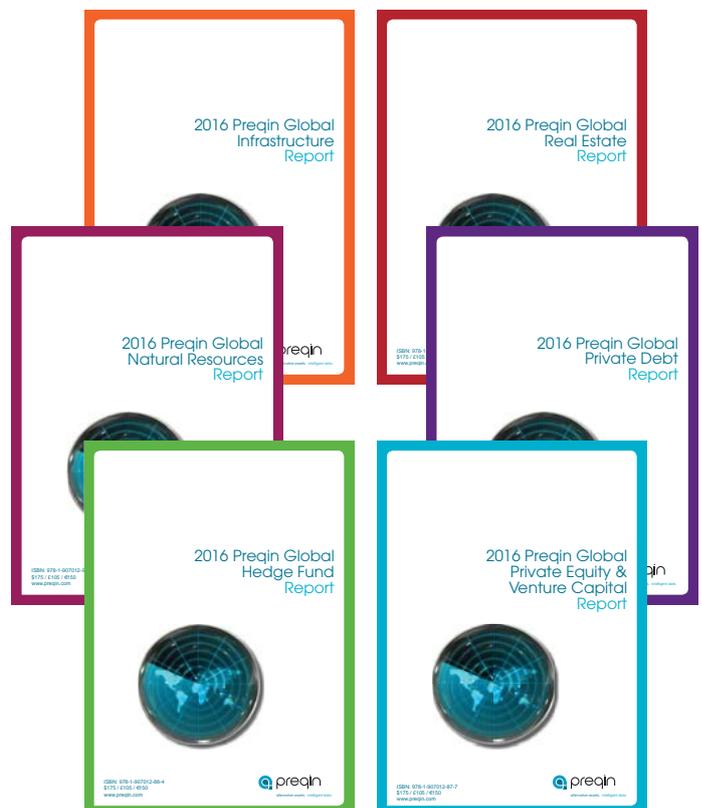
Source: Preqin Fund Manager Survey, January 2016

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Conferences Spotlight

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
AIMA Alternative Investment Management Summit	30 - 31 March 2016	Abu Dhabi	AIMA	Amy Bensted	–
Family Office & Endowment Investment Forum	4 - 5 April 2016	Toronto	Opal Finance Group	–	–
FundForum Asia	18 - 21 April 2016	Hong Kong	Informa	Amy Bensted	15% Discount - FKN2472PNWB
IFG Wealth Management Forum	18 - 19 April 2016	Scottsdale, AZ	International Forum Group	–	–
The Elite Summit	20 - 22 April 2016	Montreux, Switzerland	Marcus Evans Summits	–	–
Private Wealth Management APAC Summit	25 - 27 April 2016	Kuala Lumpur	Marcus Evans Summits	–	–
Latin Private Wealth Management Summit	12 - 13 May 2016	Panama City, FL	Marcus Evans Summits	–	–
ASK2016 Private Debt & Equity Summit	18 May 2016	Korea	IK Summit	–	–
Emerging Managers Summit	23 - 25 May 2016	Chicago, IL	Opal Finance Group	–	–
European Pensions and Investments Summit	23 - 25 May 2016	Montreux, Switzerland	Marcus Evans Summits	–	–
ILPA Exhibitor Showcase	2 June 2016	Chicago, IL	ILPA	–	–
Private Wealth Management Summit	5 - 7 June 2016	Palm Beach, FL	Marcus Evans Summits	–	–
The FundForum	6 - 8 June 2016	Berlin	Informa	Amy Bensted	15% Discount - FKN2454PNWB
SuperReturn Energy	6 - 7 June 2016	Boston, MA	Informa Global Finance	Mark O'Hare	15% Discount Code - FKR2426PRQW

SuperReturn Energy 2016

Date: 6 - 7 June, 2016

Information: <http://www.superreturnenergy.com/>
FKR2426PRQS

Location: Renaissance Boston Waterfront Hotel

Organizer: Informa Global Finance

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