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The Preqin Quarterly

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

Q1 2011 APRIL 2011

Content Includes....

Infrastructure Debt Fund Market

A growing number of managers are launching debt funds.

Latest Fundraising Figures and Future Predictions

Fundraising in Q1 2011 hit a new low, so what does the future hold for the asset class?

Deals

Q1 2011 sees a drop in the number of deals completed.

Cleantech Market

There are an increasing number of opportunities becoming available in the sector.

Q1 Special Guest Contributor: Bayo Ogunlesi, Global Infrastructure Partners

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Editor's Note

Despite a slow quarter for unlisted infrastructure fundraising and deal flow, our data hints at further improvements in terms of activity. Although only three infrastructure funds closed in Q1 2011 raising just $0.7bn, a further 11 funds reached an interim close during the quarter raising an additional $2.4bn towards their overall targets. This shows good momentum within the market and proves that fund managers are still attracting capital.

While the data presents cause for cautious optimism, 2011 fundraising is unlikely to match the levels seen in 2010 when a number of high profile funds such as Energy Capital Partners II and Alinda Infrastructure Fund II eventually held sizeable final closes after being in market for nearly two years. Much of this capital was committed prior to the financial crisis, while the majority of the current fundraising market is made up of funds that were launched after the downturn struck.

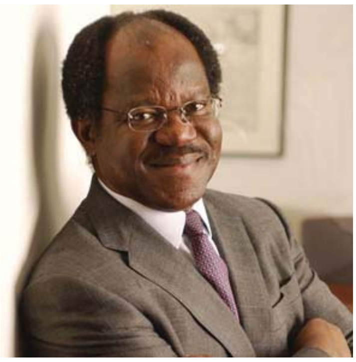
Future fundraising conditions will continue to be tough as investors look to maintain fewer relationships and invest capital more conservatively. While fund managers with strong past performance, an appropriate strategy and a well-primed and supportive investor base will enjoy success in the fundraising market, other firms may struggle. With the number of firms on the road at such high levels, managers will need to prepare for a prolonged fundraising period with more realistic expectations in terms of target size. It is clear that there is not enough capital to go around, and for the firms that have already spent a considerable time on the road, there may be some tough decisions ahead in 2011.

We give details of the latest events in the fundraising market on pages 6-8, for current funds on the road on page 9, and provide predictions for future fundraising conditions on page 10. Deals information can be found on pages 13-14, while we also take a look at the largest institutional investors currently active in the infrastructure space and the most popular infrastructure fund managers on page 15. Please see pages 11 and 12 for more detailed analysis of the infrastructure fund of funds and debt 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 Bayo Ogunlesi from Global Infrastructure Partners which provides further perspectives on the key trends affecting the infrastructure industry.

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



Bayo Ogunlesi,
Global Infrastructure Partners

Interview with Bayo Ogunlesi, Chairman and Managing Partner.
Conducted by Claire Wilson, March 2011.

We're seeing a lot of direct investment in infrastructure at the moment, do you think the unlisted model still has a role to play?

Yes, it always has and will continue to do so in the future. We believe that good fund managers bring a strong set of deal origination and structuring as well as asset management skills that are not easily replicated. As evidenced by our investment in Gatwick Airport, we also are seeing that investors who are interested in investing directly are doing so through co-investments with unlisted funds. So I think we'll see more and more combinations of unlisted and direct investments.

What are the key issues for investors at this point? What are they specifically looking for, or wanting to avoid?

First of all, they clearly hope to avoid mistakes of the past! There is considerable focus on fund manager track records in terms of how disciplined they have been in their investment processes. Have they bought assets at the right prices? Do they focus on and are they good at driving service quality and operational improvements in their portfolio companies? What is the quality, depth and composition of the team? Is there a mix of investment, operating and risk management capabilities? These are important keys to investing successfully in the large, complex infrastructure assets in which we invest.

Investors also are looking at fund managers' approach to leverage. One of the myths that had always been bandied around about infrastructure assets is that they are immune to underlying economic conditions, but as we've seen, there is no such immunity. For example, in the recent global recession, there was a two-year period in the US where electricity consumption actually declined. You wouldn't have thought the electricity sector would have been affected as a decline in usage is something that didn't even happen in the great recession in the Thirties. Additionally, airline passenger volumes were down, toll road use was down, and port volumes were off significantly. The message is that everything can be affected, so it's just not wise to buy assets and then put 95% debt on them.

What do you think makes for a successful infrastructure investment in the current market?

GIP looks to invest in three industry sectors – energy, transport and water/waste. We focus on these areas because they are consistent with the background of GIP's partners so we are familiar with and understand businesses in these sectors. Our strict industry focus helps us assess these assets – and their potential – with experienced eyes. We also have developed relationships which allow us to originate proprietary investments and often negotiate directly with the sellers of these assets. In addition to being focused on specific industry sectors, we take a relatively conservative view about how you should finance these investments. Our portfolio is 55% equity and 45% debt.

There are several other principles which are central to successful investing in these assets and generating attractive risk-adjusted returns for investors. You have to be disciplined about the prices and valuations at which you buy these businesses. There should be a focus on high-quality assets. We also look for investments with very strong market positions. An example of this is our airport investments in London. It is unlikely that a new airport will be built in London any time soon, if ever. We also look for significant growth potential. We like countries where the regulatory framework is relatively established and assets that have some kind of underlying inflation protection. That can mean prices that are indexed to inflation or situations where there's a regulatory or contractual provision that allows you to pass through inflation costs as part of your pricing structure. And we particularly look for businesses where there is scope for driving operational improvements.

We have 70 people on our team. They are a combination of investment professionals and operational specialists who have worked at large industrial companies operating in highly competitive environments. It's these guys that figure out whether we can improve the way the business has been run historically. A key improvement metric is customer service. We ask if we can improve how operations are managed, and look hard at the management of capital budgets and working capital. When we get the right answers to these questions, then we know an investment has real potential.

You mention that you seek investments in countries with established regulatory frameworks. What do you think of the opportunities in emerging markets?

We have investments in emerging market countries including India and Argentina. These markets can offer good opportunities, but there also can be disjunctions between these opportunities and the horizons of our fund. We have a 10-year fund, with a five-year investment period. Most opportunities in emerging markets involve building things from scratch. And that process involves acquiring permits and initiating so-called “greenfield” construction that frequently doesn’t fit with a 10-year time horizon fund like GIP. These may well be opportunities for other funds, but these probably will require a different approach in terms of how the fund is set up or operated or the types of assets it targets in order to make the specific opportunities viable.

Which particular regions do you feel are offering the best investment opportunities at the moment?

In our particular industries of interest there are attractive opportunities in North America in the energy sector in midstream oil and gas assets and renewable and conventional power generation. In Europe there are many transport-related opportunities. Similarly in Australia, there are interesting potential investments in airports and ports. It’s all about taking the right approach and employing discipline when it comes to sourcing interesting opportunities.

What are your thoughts on the growing PPP/PFI market?

It will continue to evolve. Much of what’s done in the sector isn’t what GIP invests in. But if you look around the world, central governments and regional and municipal governments are all under fiscal pressure, so harnessing private capital and combining it with public capital to build or refurbish infrastructure will be attractive for both the private and public sectors. Certainly in the UK, Europe and Canada there has been much more progress in this area. More and more opportunities will arise going forward.

What do you think the future holds for the infrastructure sector over the short, medium and long term?

It’s quite positive on all three horizons. The industry has been through a period of significant change over the last four or five years. Some of the inappropriate models in the business have been, or are in the process of being, eliminated. Going forward, you’re likely to find much more discipline on the part of fund managers and direct investors. Everyone has become much more realistic about the nature of these businesses; there used to be a mismatch because people would buy these assets on the presumption that they manage themselves. Now people understand that is not true.

To really create an attractive value proposition for all stakeholders - customers, employees, public sector/governments, and investors - who have an interest in how services are provided, you need to improve the quality of the product and its efficiency. Along with the focus on customer service there should be targets for improving service quality and operational efficiency.

The important thing to do is to improve the way the business is run. If you do that, and buy the right businesses at the right prices and finance them correctly, then all stakeholders will do well.

Fundraising Overview

In Q1 2011, three unlisted infrastructure funds reached a final close raising an aggregate $0.7bn in institutional investor capital (Fig. 1). This represented a 68% decrease from the amount raised in Q4 2010, when eight funds closed on an aggregate $2.2bn. These figures suggest that the infrastructure fundraising market remains challenging for fund managers currently seeking investor commitments. However, a further 11 funds reached an interim close in the first three months of the year, raising an aggregate $2.4bn, suggesting that final close figures may improve as the year progresses.

The direct infrastructure funds closed in Q1 2011 included the C$460mn Fiera Axium Infrastructure Canada, the €113mn Deutscher Solarfonds "Stabilität 2010" and the $100mn NK Energy Real I. Partners Group also held a final close on its latest infrastructure fund of funds vehicle, Partners Group Global Infrastructure 2009, on €500mn. The fund targets a diversified portfolio of infrastructure assets globally.

The length of time that funds closed over the past 12 months spent on the road is indicative of the difficult fundraising conditions faced by fund managers following the financial crisis. As shown in Fig. 3, only 5% of funds spent 12 months or less in market seeking capital. The largest proportion of funds (42%) had been on the road for between 19 and 24 months, while 37% had been fundraising for over two years.

Fig. 4 shows the 10 largest unlisted infrastructure funds to close over the past 12 months. These vehicles account for 88% of the total capital raised during the period, with the two largest funds, the $4.3bn Energy Capital Partners II and the $3.1bn GS Infrastructure Partners II, making up 35% of the total between them. In terms of geography, each of the 10 largest vehicles closed primarily focus on the developed North American or European markets, with North American funds more significant in terms of aggregate capital raised.

Fig. 1: Unlisted Infrastructure Fundraising by Year, 2004 - 2011 YTD

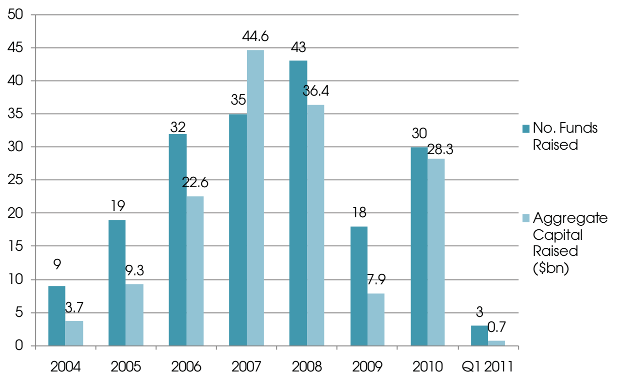


Fig. 2: Unlisted Infrastructure Fundraising by Quarter, Q1 2007 - Q1 2011

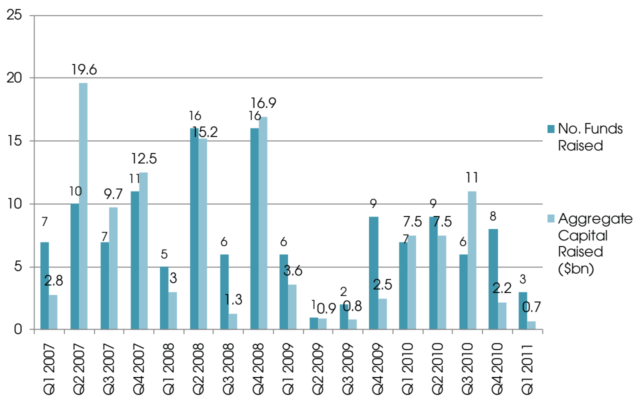


Fig. 3: Time Spent on the Road for Funds Closed in the Last 12 Months

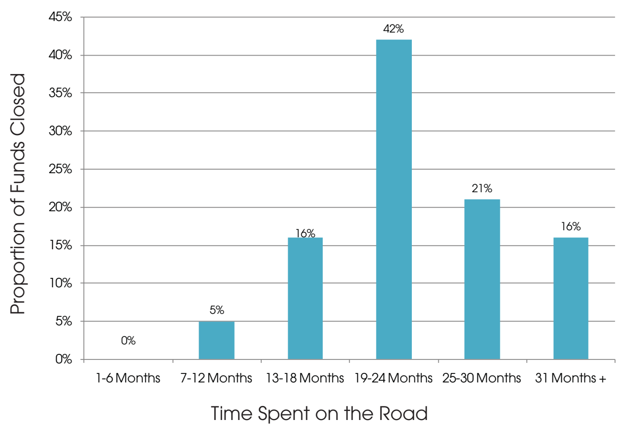


Fig. 4: Top 10 Funds Closed over the Past 12 Months

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
GS Infrastructure Partners II	GS Infrastructure Investment Group	3,100 USD	US	US	Apr-10
Brookfield Americas Infrastructure Fund	Brookfield Asset Management	2,655 USD	Canada	US	Sep-10
Macquarie European Infrastructure Fund III	Macquarie Infrastructure and Real Assets	1,200 EUR	Australia	Europe	Mar-10
Macquarie Infrastructure Partners II	Macquarie Infrastructure and Real Assets	1,600 USD	Australia	US	Apr-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
Barclays Integrated Infrastructure Fund	Barclays Infrastructure Funds	645 GBP	UK	Europe	Sep-10
EnCap Energy Infrastructure	EnCap Investments	792 USD	US	US	Apr-10
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 three funds that reached a final close in Q1 2011, two primarily invest in Europe, and one primarily invests in North America. In terms of aggregate capital raised, the two Europe-focused vehicles raised $254mn, and the North America fund raised $466mn.

Over the past 12 months, 26 unlisted infrastructure funds reached a final close raising an aggregate $21.5bn, as shown in Fig. 5. Europe was the most popular region in terms of the number of funds raised with 13 funds closed raising $7.2bn in investor capital. However, North America-focused funds were more significant in terms of aggregate capital raised, with nine funds raising $13.7bn. Infrastructure funds primarily focused on opportunities in Asia and Rest of World attracted $0.6bn from institutional investors.

Fig. 6 provides an annual breakdown of the aggregate capital raised by unlisted infrastructure funds by region since 2004. The developed North American and European markets dominate, with North America-focused vehicles representing 50% 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 17%. The only exception to this occurred in 2009, when Asia and Rest of World funds raised 61% of total capital. This was due to fund managers and investors looking outside of the developed markets for profitable opportunities during the financial crisis.

Fig. 5: Infrastructure Fundraising over the Past 12 Months by Primary Geographic Focus

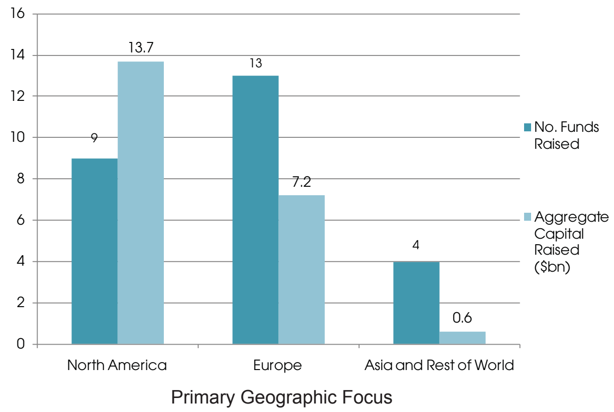
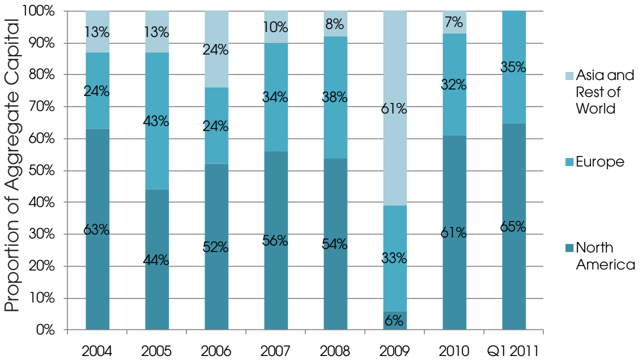


Fig. 6: Split of Aggregate Capital Raised by Region over Time



Funds on the Road

Q2 2011 sees the first successive quarter-on-quarter increase in the aggregate capital targeted by infrastructure funds on the road since Q1 2010. Throughout 2010 the aggregate target of infrastructure vehicles on the road had been in decline, but going into Q2 2011 there are 130 funds in market targeting $90.3bn, marking a 5.2% increase from the previous quarter in the total capital being targeted by infrastructure fund managers.

As shown in Fig. 7, the number of unlisted infrastructure funds on the road has increased steadily since Q2 2010 to a record 130 infrastructure funds currently seeking capital. This shows that fund managers are beginning to market new funds and/or resume fundraising for funds that had been put on hold. However, fund managers are setting more realistic fundraising targets following the financial crisis. As such, in Q2 2010 the average target size of infrastructure funds in market stood at $888mn; as of Q2 2011 it stands at $695mn. This shows that despite greater fund manager and investor optimism in the market, fundraising conditions remain tough.

In terms of primary geographic focus, more funds currently on the road are focused on Asia and Rest of World than either Europe or North America. As shown in Fig. 8, a total of 50 funds are focused outside of Europe and North America, illustrating the growing importance of emerging economies. 48 funds are focused on Europe and 32 on North America.

However, in terms of aggregate capital sought, North America and Europe-focused funds are more significant, targeting $30.6bn and $33bn respectively. Funds targeting North American and European infrastructure assets account for 62% of the total number of funds in market and 70% of the aggregate target capital. The average target size of a North America-focused fund is $1bn, significantly higher than the $0.5bn average for a fund targeting Asia and Rest of World.

Fig. 9 shows the five largest infrastructure funds currently in market. The largest fund currently raising capital 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. 7: Infrastructure Funds in Market by Quarter

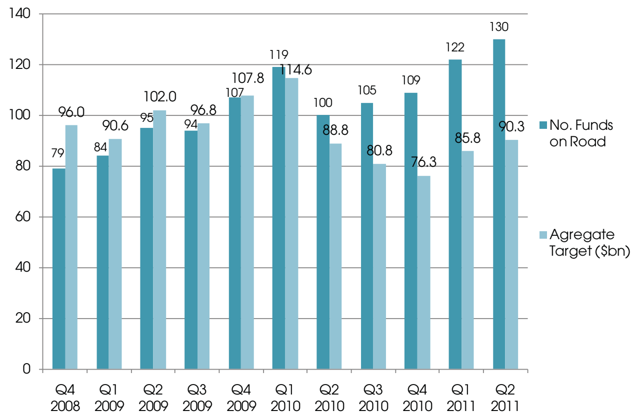


Fig. 8: Composition of Funds in Market by Primary Geographic Focus

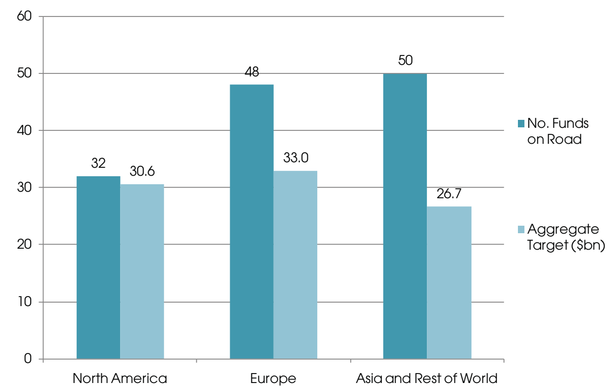


Fig. 9: Top Five Infrastructure Funds in Market by Target Size

Fund	Firm	Target Size (mn)	Manager Location
Global Infrastructure Partners II	Global Infrastructure Partners	5,000 USD	US
RREEF Pan-European Infrastructure Fund II	RREEF Infrastructure	3,000 EUR	UK
Highstar Capital Fund IV	Highstar Capital	3,500 USD	US
ArcLight Energy Partners Fund V	ArcLight Capital Partners	3,000 USD	US
Macquarie European Infrastructure Fund IV	Macquarie Infrastructure and Real Assets	2,000 EUR	Australia

Fundraising Future Predictions

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

Current final close figures show that the market is at a low point, but the number of infrastructure funds holding an interim close in Q1 2011 is encouraging. 11 funds held an interim close in the first three months of the year raising an aggregate $2.4bn, 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 Q1 was fresh capital committed in either 2010 or 2011, while much of the $28.2bn 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.

As a result, 85% of infrastructure funds currently on the road are of a 2010 or 2011 vintage, meaning the market is largely comprised of new vehicles targeting lower levels of capital. These funds will likely 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 life in the post-crisis marketplace.

Despite this, the results of our latest study of institutional investors show that 72% of investors expected to make new commitments to infrastructure funds in the following 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 a record 130 infrastructure funds on the road targeting $90.3bn from investors, the highest level of capital targeted by infrastructure fund managers since Q1 2010. Additionally, Preqin is tracking a further 46 possible new funds coming to market in the coming 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 improve throughout the remainder of 2011.

Fig. 10: Sample of Infrastructure Funds Closing On or Above Target

Fund	Firm	Target Size (mn)	Final Close Size (mn)
Energy Capital Partners II	Energy Capital Partners	USD 3,500	USD 4,335
Alinda Infrastructure Fund II	Alinda Capital Partners	USD 3,000	USD 4,097
Brookfield Americas Infrastructure Fund	Brookfield Asset Management	USD 1,500	USD 2,655
Antin Infrastructure Fund	Antin Infrastructure Partners	EUR 1,000	EUR 1,100
Cube Infrastructure Fund	Natixis Environnement & Infrastructures Luxembourg	EUR 1,000	EUR 1,080
EnCap Energy Infrastructure	EnCap Investments	USD 750	USD 792
DIF Infrastructure II	DIF	EUR 500	EUR 571
Lend Lease PFI/PPP Infrastructure Fund	Lend Lease Investment Management	GBP 220	GBP 220
Deutscher Solarfonds "Stabilität 2010"	Altira Group	EUR 100	EUR 113
NK Energy Real I	NK Funds	USD 100	USD 100

Infrastructure Fund of Funds Market

In Q1 2011, Partners Group closed its second infrastructure fund of funds vehicle, Partners Group Global Infrastructure 2009, having raised €500mn. The fund of funds was launched in June 2009 and spent 22 months on the road prior to closing in March 2011. It invests in a globally diversified portfolio of infrastructure assets, and will make direct investments in infrastructure assets as well as investments in third-party funds.

The closure of Partners Group Global Infrastructure 2009 took the total raised by infrastructure-specific fund of funds vehicles to $3.6bn since the first such vehicle was launched in 2006. Prior to this, two infrastructure funds of funds held a final close in Q4 2010: the $600mn Capital Innovations Labor-Sensitive Infrastructure Fund of Funds and the $357mn Pantheon Global Infrastructure Fund I.

By Q2 2011, 16 infrastructure funds of funds had entered the marketplace, nine of which had held a final close. The remaining seven vehicles were still on the road seeking to raise an aggregate $2.4bn. Of these, three had held an interim close in order to begin investing capital.

As shown in Fig. 11, the earliest infrastructure fund of funds is of a 2006 vintage. One vehicle is of a 2007 vintage, four 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.

Five of the seven infrastructure funds of funds currently on the road are primarily focused on Europe, with one primarily targeting opportunites in the US and one investing primarily in Asia and Rest of World. In terms of project stage focus, the majority of infrastructure fund of funds vehicles target a diversified portfolio. Global Energy Efficiency and Renewable Energy Fund, managed by European Investment Bank – Renewables, is the only vehicle pursuing a narrowed focus; it is targeting funds solely targeting greenfield assets.

Fig. 11: Number of Closed-End Infrastructure Funds of Funds by Vintage Year

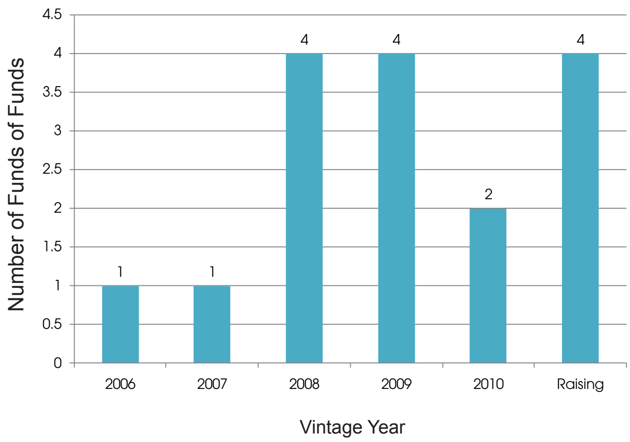


Fig. 12 shows the five largest infrastructure funds of funds currently on the road. Macquarie Infrastructure Fund of Funds I is the largest such vehicle, targeting $1bn in investor capital.

Fig. 12: Five Largest Infrastructure Funds of Funds on the Road

Fund	Firm	Target (mn)	Manager Location	Fund Status
Macquarie Infrastructure Fund of Funds I	Macquarie Funds Group	1,000 USD	UK	Raising
DB Global Infrastructure Fund	DB Private Equity	250 EUR	Germany	Raising
OFI Infrastructure Multi-Select	OFI Private Equity Multi Manager	250 EUR	France	First Close
Global Energy Efficiency and Renewable Energy Fund	European Investment Bank - Renewables	200 EUR	Luxembourg	First Close
RBC Diversified Infrastructure Fund	RBC Global Asset Management - Infrastructure Investment Group	250 USD	US	Raising

Infrastructure Debt Fund Market

A growing number of unlisted infrastructure fund managers are launching debt 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 32 infrastructure debt funds, 29 of which are traditional closed-ended vehicles, one of which is open-ended, one evergreen and one a listed vehicle.

14 of the closed-ended vehicles have reached a final close, raising an aggregate $5.5bn. The remaining 15 funds are currently raising capital, seeking a further $6.9bn in investor commitments. These debt funds account for 12% of all infrastructure funds currently on the road and 8% of the total capital being sought by infrastructure fund managers worldwide. Eight of the debt funds currently in market have held an interim close, having raised an aggregate $1bn.

Fig. 13 provides a breakdown of the closed-ended infrastructure debt fund market by vintage year. There are seven vintage 2006 funds, the most of any vintage to date. Five funds were confirmed as vintage 2010, while seven funds are currently raising capital and have yet to hold an interim close. Three of the 15 funds in market are expecting to hold a final close in Q2 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. 14, 47% of funds providing debt financing are solely debt-focused vehicles. Hastings Infrastructure Debt Fund III is one such fund and is seeking to raise €1bn. 53% of infrastructure debt funds will invest in the form of both debt and equity.

Nine of the 15 infrastructure debt funds actively raising capital are focused on investment in Asia and Rest of World and are seeking $3.1bn 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. 13: Number of Closed-Ended Infrastructure Debt Funds by Vintage Year

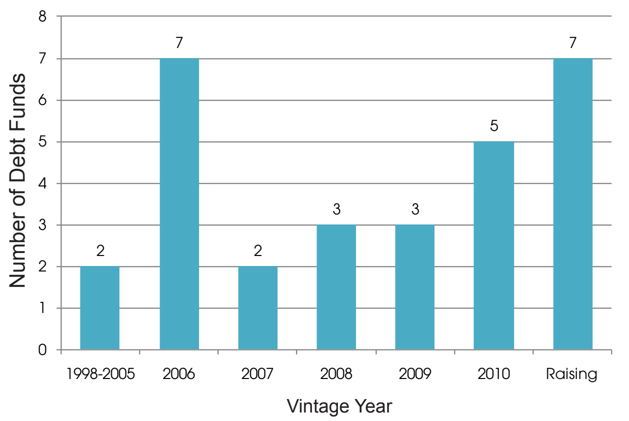
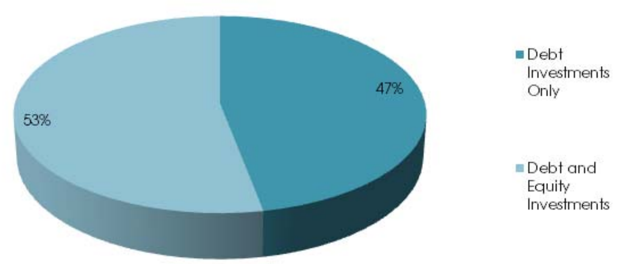


Fig. 14: Proportion of Infrastructure Debt Funds Making Only Debt Investments



Deals Overview

A total of 31 deals were reported by unlisted infrastructure fund managers in Q1 2011. As shown in Fig. 15, this represents a considerable drop from the 70 transactions completed in Q4 2010, and a 38% decrease from the number of deals completed in Q1 2010. Although the total number of deals completed in Q1 2011 is expected to rise as further information becomes available, the general drop in deal activity is indicative of the tough conditions facing fund managers in the current market.

Despite the drop in deal flow, the average infrastructure deal value remained strong in Q1 2011. As shown in Fig. 16, the average infrastructure deal in Q1 2011 amounted to $400mn, less than the $600mn average in 2010 but higher than the $300mn average seen in 2009. This shows that despite ongoing market difficulties, infrastructure fund managers are still successfully closing sizeable deals.

Fig. 17 provides a regional breakdown of deals completed by infrastructure fund managers in 2010 and in Q1 2011. Europe is the dominant region, accounting for 42% of deals completed during the period. 13 deals involving European infrastructure assets were finalized in Q1 2011, while 12 were completed in Asia and Rest of World and six were made in North American assets. In terms of industry, core sectors were the most prominent during this period. A total of 28 deals were made in the energy, transportation and utilities industries, equating to 90% of the total.

Fig. 15: Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers, Q1 2007 - Q1 2011

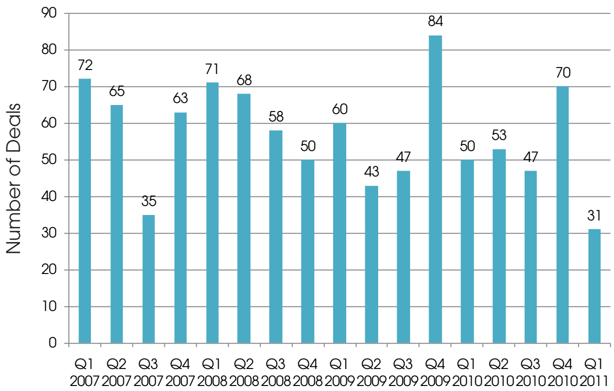


Fig. 16: Average Infrastructure Deal Size by Year, 2004 - Q1 2011

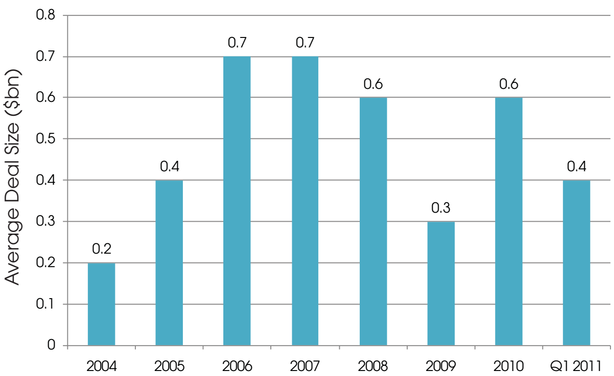
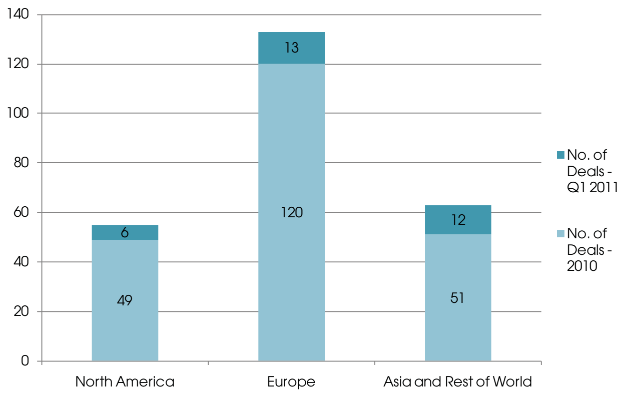


Fig. 17: Number of Infrastructure Deals by Region



Notable Deals and Fund Managers

A number of notable deals were made by unlisted infrastructure fund managers in Q1 2011, as illustrated in the table in Fig. 18.

Arcus Infrastructure Partners acquired all outstanding shares in Forth Ports, an owner and operator of commercial port terminals in the UK, in March 2011. It purchased the remaining 78% stake it did not already own for £760mn, having previously purchased a 22% stake in Forth Ports spread over two transactions in 2008. Other significant deals include Morgan Stanley Infrastructure Partners' €450mn purchase of a series of gas connection points in Madrid, and AXA Private Equity's acquisition of a 10% stake in CLH Group for €360mn.

Macquarie Infrastructure and Real Assets (MIRA) remains the most active infrastructure fund manager over the last 12 months, as shown in Fig. 19. MIRA has made 24 deals through its various unlisted infrastructure funds since Q1 2010, including a recent MXN 1.1bn investment in a wind power facility located in Oaxaca, Mexico, through its Macquarie Mexican Infrastructure Fund.

Fig. 18: 10 Notable Deals, Q1 2011

Asset	Location	Industry	Investor/s	Deal Size	Stake	Date
Forth Ports	UK	Sea Ports	Arcus Infrastructure Partners	GBP 760mn	78%	Mar-11
Madrid Gas Connection Points	Spain	Natural Resources	Morgan Stanley Infrastructure	EUR 450mn	100%	Mar-11
CLH Group	Spain	Natural Resources Pipelines	AXA Private Equity	EUR 360mn	10%	Mar-11
Eaga Solar	UK	Solar Power	Barclays Infrastructure Funds, Eaga, HSBC Specialist Investments	GBP 300mn	100%	Mar-11
Gharo Sindh Windfarms	Pakistan	Wind Power	CapAsia, Fauji Fertilizer Bin Qasim, Fouji Foundation, Tapal Group	USD 260mn	100%	Mar-11
Chongqing Energy	China	Energy	Swiss-Asia Financial Services	EUR 90mn	90%	Feb-11
Netivei Hayovel	Israel	Roads	Israel Infrastructure Fund	ILS 200mn	75%	Feb-11
Anuppur Thermal Power Plant	India	Power Plants	Macquarie Infrastructure and Real Assets, State Bank of India	INR 5.8bn	-	Jan-11
Oaxaca Wind Farm	Mexico	Wind Power	Macquarie Infrastructure and Real Assets, FEMSA	MXN 1.1bn	100%	Mar-11
Ind-Barath Energy	India	Power Plants	3i	USD 45mn	25%	Mar-11

Fig. 19: 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	24	USD 20.3
DIF	15	EUR 0.8
Innisfree	8	GBP 1.8
Morgan Stanley Infrastructure	7	USD 4.0
NIBC Infrastructure Partners	7	EUR 0.4
Barclays Infrastructure Funds	6	GBP 1.3
JPMorgan - Infrastructure Investments Group	5	USD 1.4
ArcLight Capital Partners	4	USD 6.8
Meridiam Infrastructure	4	EUR 0.7
HSBC Specialist Investments	4	USD 1.5

Dry Powder

The total amount of dry powder available to unlisted infrastructure fund managers stands at $57bn as of the end of Q1 2011, slightly less than the $58bn that was available at the start of the year. This reflects the relatively low levels of both fundraising and deal activity in the quarter.

Fig. 20 shows infrastructure dry powder levels over time by primary geographic focus, and demonstrates that more significant shifts in the levels of uncalled capital took place in 2010. Dry powder decreased by $7bn for North America-focused funds over the year and by $2bn for Europe-focused funds, but increased by 33% for Asia and Rest of World-focused funds.

Fig. 21 shows the top 10 unlisted infrastructure fund managers by the estimated amount of dry powder they have at their disposal. Two US-based firms, Energy Capital Partners and Alinda Capital Partners, top the list, followed by Macquarie Infrastructure and Real Assets. In total, five managers have in excess of $2.5 estimated to be available in uncalled commitments.

Fig. 20: Infrastructure Dry Powder by Primary Regional Focus, December 2003 - March 2011

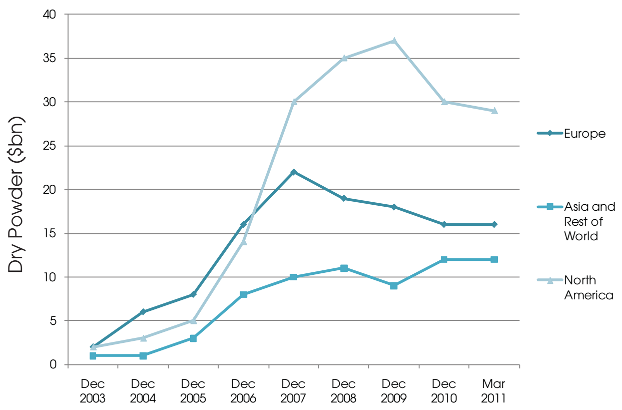


Fig. 21: Top 10 Infrastructure Fund Managers by Estimated Dry Powder

Firm Name	Estimated Dry Powder ($bn)	Firm Headquarters
Energy Capital Partners	3.4	US
Alinda Capital Partners	3.0	US
Macquarie Infrastructure and Real Assets	2.8	Australia
GS Infrastructure Investment Group	2.5	US
Brookfield Asset Management	2.5	Canada
F2i SGR	1.6	Italy
Innisfree	1.2	UK
ArcLight Capital Partners	1.2	US
Antin Infrastructure Partners	1.1	France
Citi Infrastructure Investors	1.0	US

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. More recent vehicles often still have dry powder available to invest or contain relatively immature assets, and as a result it is difficult to fully measure the performance of these funds.

Preqin currently holds performance data for 97 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 as to what investors can expect from younger funds, and to make comparisons with other private equity strategies.

As expected, median net IRRs for the most recent vintage years remain around the 0% 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 results.

Fig. 22 shows the median net IRRs since inception for infrastructure funds of vintages 1993-2007, as well as the maximum and minimum net IRRs for each vintage year. Infrastructure funds with vintages 1993-1999 – the most mature group in our sample with many having already been liquidated – have yielded a 9% median net IRR, which increases to 12% for funds of vintages 2000-2004.

Fig. 23 shows the median net IRRs achieved by infrastructure, buyout, venture and real estate funds of vintages 1993-2007. In comparison with these other strategies, infrastructure funds have performed well, with the median net IRR for funds of vintages 1993-1999 comparable to buyout, venture and real estate returns, and the median net IRR for vintages 2000-2004 well above that for venture and again comparable to 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.

Fig. 23 also demonstrates the defensive properties of infrastructure funds when compared to other private equity strategies. The median net IRRs for infrastructure funds of vintages 2005, 2006 and 2007 have remained positive, at 0.1%, 7.7% and 5.9% respectively, while the other fund types have median returns in the red for one or more vintages, with recent real estate funds suffering the most as a result of the sub-prime crisis and ensuing economic downturn.

The lower-risk nature of infrastructure funds is also shown by the standard deviation of infrastructure fund returns when compared to other strategies. The standard deviation of net returns for infrastructure funds of vintages 1993-2007 is 7.1%, much less than the 18.3% for buyout, 44.8% for venture and 19.1% for real estate. This shows that infrastructure funds are less risky than other strategies, although the potential for significant levels of return is reduced.

Fig. 22: Median, Maximum and Minimum Net IRRs for Infrastructure Funds by Vintage Year

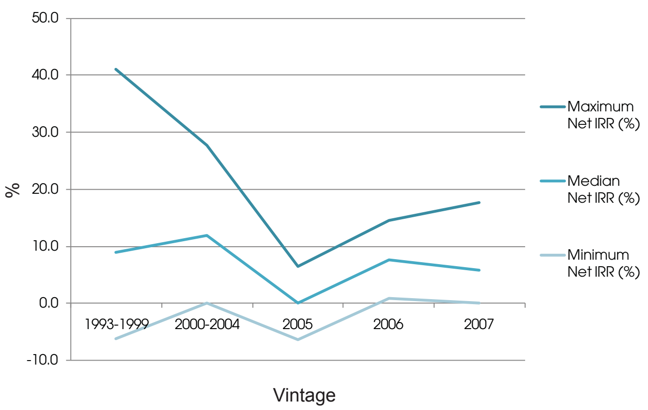
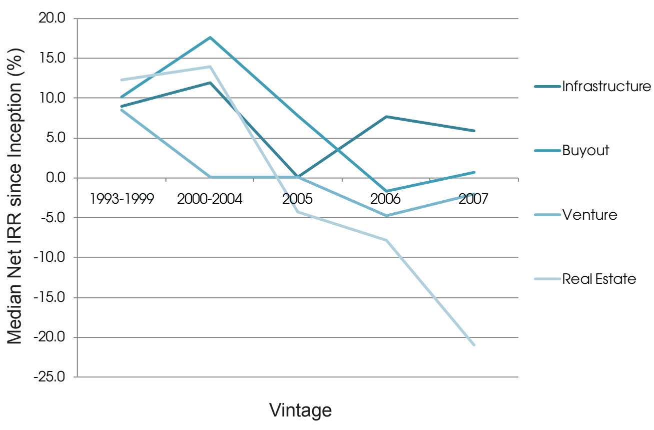


Fig. 23: Infrastructure vs. Other Private Equity Strategies - Median Net IRR by Vintage Year



Largest Investors and Popular Managers

Preqin's Infrastructure Online database currently tracks over 1,050 investors actively investing in the infrastructure asset class, and a further 137 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 16% and 7% of the total respectively, meaning the various types of pension plans account for 42% of all investors in the asset class.

Fig. 24 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 Q2 2011, MIRA managed 26 unlisted infrastructure funds and had raised $20.3bn in total capital.

As shown in Fig. 25, OMERS is the largest active investor, with $15.5bn 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 APG – All Pensions Group, with $9.6bn and $7.4bn invested in the asset class respectively.

Fig. 24: Most Popular Infrastructure Fund Managers

Fund Manager	No. of Investors
Macquarie Infrastructure and Real Assets	102
Energy Investors Funds	35
Henderson Equity Partners	33
Innisfree	31
Alinda Capital Partners	30

Fig. 25: Largest Infrastructure Investors - Global

Rank	Investor	Currently Committed to Infrastructure ($bn)	Investor Type	Investor Location
1	OMERS	15.5	Public Pension Fund	Canada
2	CPP Investment Board	9.6	Public Pension Fund	Canada
3	APG - All Pensions Group	7.4	Asset Manager	Netherlands
4	Corporación Andina de Fomento (CAF)	7.0	Government Agency	Venezuela
5	Ontario Teachers' Pension Plan	6.8	Public Pension Fund	Canada
6	Khazanah Nasional	6.6	Sovereign Wealth Fund	Malaysia
7	TIAA-CREF	5.6	Private Sector Pension Fund	US
8	CDP Capital - Private Equity Group	4.3	Asset Manager	Canada
9	AustralianSuper	3.9	Superannuation Scheme	Australia
10	ATP Lifelong Pension	3.5	Public Pension Fund	Denmark

Cleantech Infrastructure Funds

An increasing number of investment opportunities are becoming available in the clean technology and renewable energy sectors as governments worldwide attempt to address the issue of climate change. As a result, a growing number of unlisted infrastructure fund managers now focus on such opportunities to provide another route for institutional investors to gain exposure to cleantech and renewable energy assets.

As shown in Fig. 26, the number of cleantech and renewable energy infrastructure funds closed increased relatively steadily between 2004 and 2008, when 20 funds reached a final close raising an aggregate $16.8bn. The cleantech infrastructure market responded positively in 2010 following the global financial crisis with 17 funds reaching a final close attracting an aggregate $15.5bn in investor capital. Two of the unlisted infrastructure funds to close in Q1 2011 are purely focused on renewable energy assets: NK Energy Real I and Deutscher Solarfonds "Stabilität 2010".

There are 64 infrastructure and natural resources funds currently in market targeting cleantech and renewable energy opportunities, seeking $44.2bn in institutional investor capital. 55% are pure cleantech funds, while the remaining 45% target these assets as part of a diversified investment strategy. Europe-focused funds are the most significant in terms of number and aggregate capital sought. As shown in Fig. 27, there are 25 Europe-focused cleantech and renewable energy infrastructure funds in market targeting $15.6bn, representing 35% of aggregate capital being targeted. The largest pure cleantech infrastructure fund in market is Europe-focused ECP Renewable Energy Fund I, targeting commitments of €750mn. There are 21 cleantech infrastructure funds primarily focused on Asia and Rest of World currently on the road and 18 North America-focused funds seeking $13.6bn and $15bn respectively.

In terms of project stage, the majority of cleantech infrastructure funds on the road invest in both the greenfield and brownfield stage of development. This is unsurprising due to the increasing demand for new development in the sector. 73% of funds in market invest in greenfield projects, 72% make brownfield investments, and 43% target more established secondary stage opportunities.

Fig. 26: Cleantech Infrastructure Fundraising, 2004 - March 2011

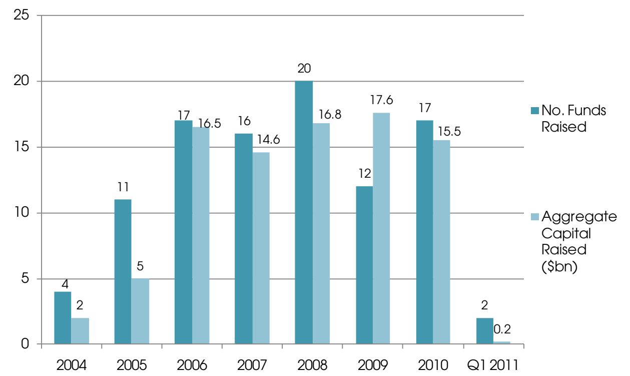
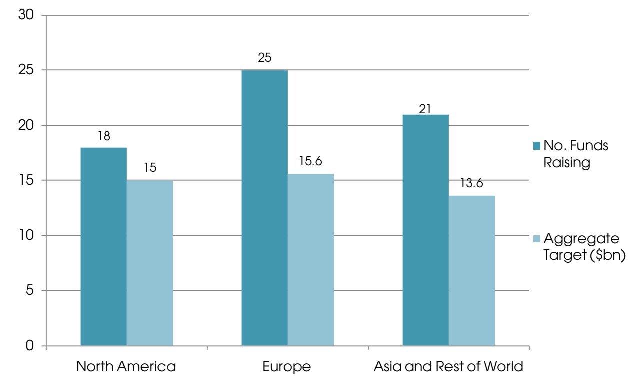


Fig. 27: Cleantech Infrastructure Funds on the Road by Primary Geographic Focus



Sovereign Wealth Funds in Infrastructure

Across 2010-2011, the collective influence of sovereign wealth funds (SWFs) as a global group of large investors has once again increased. The aggregate value of SWF assets under management has increased from $3.59 trillion in 2010 to $3.98 trillion in 2011.

SWFs are increasingly turning their focus towards infrastructure investment. In 2010 approximately 47% of all such funds were known to have allocations to infrastructure investment; however over the past year this proportion has risen to 61%, as shown in Fig. 28. As some funds have a mandate for promoting domestic improvement, it is natural that providing capital for the creation and development of local infrastructure would be attractive for such institutions.

Of the SWFs that invest in infrastructure, almost half have exposure to the asset class solely through direct investments, while 14% only make fund commitments, and 38% have exposure through both direct and fund commitments. Direct investment can be an effective method for SWFs to deploy significant amounts of capital to the asset class, and can also act as an inflation hedge, as well as providing a steady income stream.

All SWFs that are known to actively invest in infrastructure currently invest in or are looking to gain exposure to economic infrastructure assets and many funds remain interested in the core economic industries, such as transport. Of those SWFs known to have exposure to infrastructure, 58% are interested in investing in social infrastructure assets.

All SWFs that invest in infrastructure are known to be interested in greenfield-focused investments, and many seek investment opportunities across all three project stages in order to diversify their portfolios. Over three-quarters of the SWFs that invest in infrastructure are known to consider brownfield stage projects, while two-thirds invest in or would consider investing in secondary stage projects.

The most popular region for infrastructure investment by SWFs is Asia, with 69% of SWFs that invest in the asset class stating a preference for the area, as shown in Fig. 29. 41% of SWFs will also consider investments on a global scale, indicating that infrastructure often forms part of a broader strategy for portfolio diversification. Similar proportions of SWFs have preferences for infrastructure investment in North America, Europe and Asia. Many of those SWFs investing in the MENA region are domestic investors, such as Mubadala Development Company, which tends to focus on projects that will benefit the wider UAE region.

Fig. 28: Proportion of Sovereign Wealth Funds Investing in Infrastructure

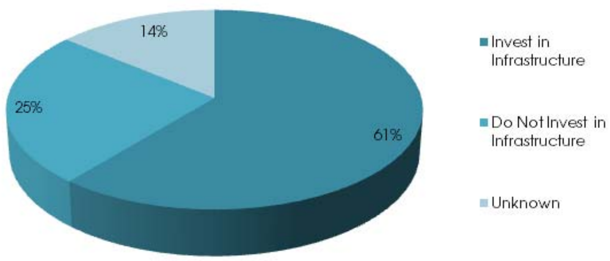
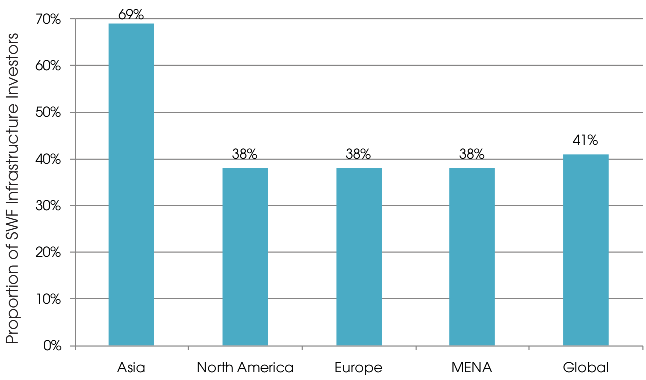


Fig. 29: Proportion of Sovereign Wealth Funds Investing in Infrastructure That Invest in Each Region



Infrastructure is becoming an increasingly important asset class for many SWFs, evidenced by the fact that out of all asset classes, infrastructure saw the largest proportional increase in number of sovereign wealth funds investing out of all asset classes over 2010. As SWFs, and particularly the larger institutions, continue to diversify their investment portfolios, it is likely that the proportion investing in infrastructure will continue to increase over the next 12 months.

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