

FUNDTRACKER TRENDWATCH

Energy funds dominating market

Nearly all infra funds launched YTD 2015 have an energy focus

According to the World Economic Forum, the world's population will hit 9 billion by the year 2030. To support this population level, an estimated \$5 trillion per year needs to be invested in global infrastructure. This is about \$100 trillion over the next two decades.

Unfortunately, not all infrastructure needs are equal in the eyes of investors. While a growing population might need clean water and efficient transportation systems, investors are focused on energy — renewables, pipelines, grids and other power infrastructure. In the past three years, 57 percent of infrastructure activity, as measured by the launching and closing of funds, focused on

energy infrastructure.

Even the remaining 43 percent was heavily influenced by energy. Diversified and Other funds come in second and third, respectively, behind energy-focused funds in both launched and closed funds for the past three years. When looked at closely, however, nearly all diversified funds have an energy component, as do "other"

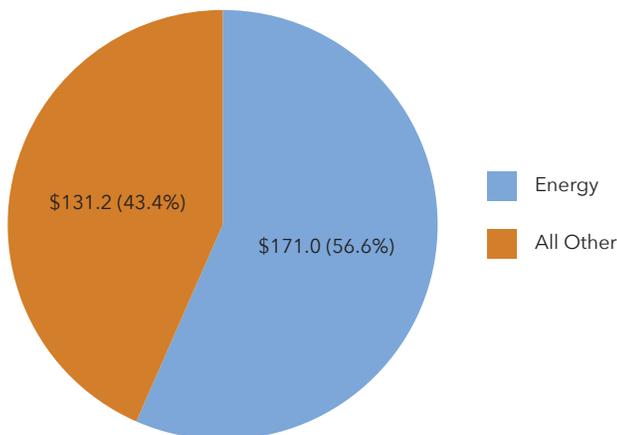
funds, which are often made up of an energy infrastructure focus plus a utility component or even a real estate component. Energy investments really are crushing the competition.

Although energy and diversified vehicles dominated funds launched and closed in 2014, the year also saw a variety of sector-specific funds launched. Water, transportation and social infrastructure were offered, at least giving investors a small choice when looking at the risk-return profile of different infrastructure sectors. YTD 2015, however, has seen capital aggregating almost entirely in the energy sector. Only one fund launched this year excludes energy completely. All others are either energy focused or include energy as one of their diversified possibilities.

What does this mean for the infrastructure market? It pretty much means that government entities looking to the private sector to solve their infrastructure needs will have to look elsewhere. Investors simply do not see an appropriate risk-adjusted return in transportation, utilities or social infrastructure. Of course, economics can change and so can investor focus, but funding that needed \$5 trillion per year via private investment looks pretty unlikely — unless all that is needed is energy.

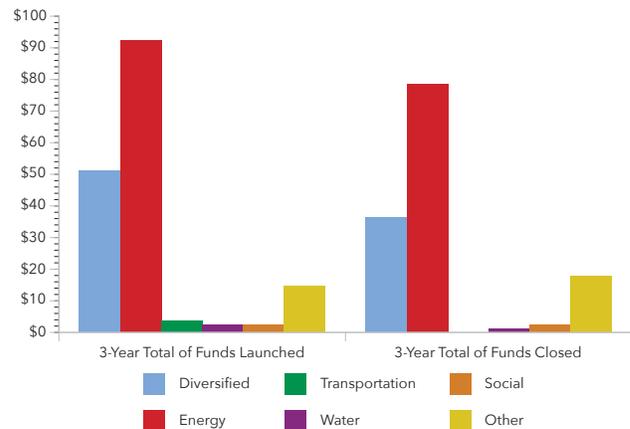
- Energy funds account for 57 percent of capital since 2013
- Transportation and water funds have hardest time closing
- Energy fund targets increase each year

Total capital raised 2013–2015 by sector (\$B)



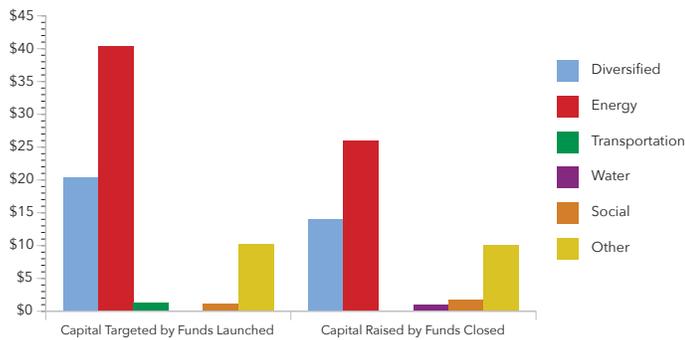
Source: IREI FundTracker

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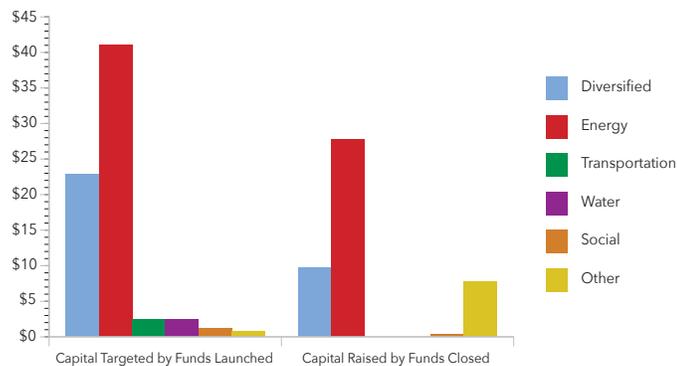
Source: IREI FundTracker

2013 sector focus by capital raised or targeted (\$B)



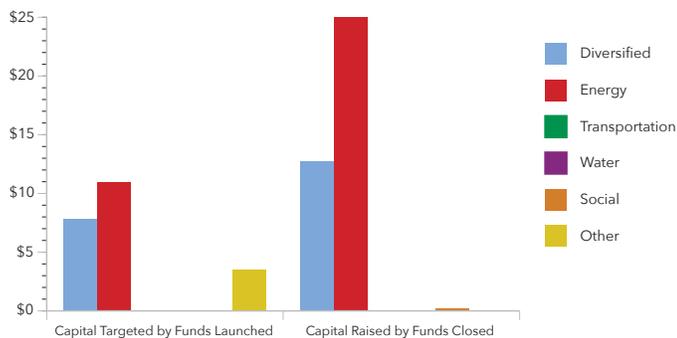
Source: IREI FundTracker

2014 sector focus by capital raised or targeted (\$B)



Source: IREI FundTracker

2015 sector focus by capital raised or targeted (\$B)



Source: IREI FundTracker

from the IREI NEWS CLOUD

- **Bluefield European Solar Fund (BESF)**, a new solar investment vehicle to be advised by Bluefield Partners, has announced its intention to list on the London Stock Exchange and raise €200 million (\$220 million) for PV acquisitions.
- **Wind farming in Australia** suffered another setback with the government banning its A\$10 billion (\$7.4 billion) renewable energy fund from investing in the industry.
- **Indian PE unit** to launch \$500 million infrastructure fund.
- **KKR** has announced the final closing of KKR Global Infrastructure Investors II, raising \$3.1 billion in equity commitments.
- **Copenhagen Infrastructure Partners** has held a €2 billion (\$2.21 billion) final close for its new investment fund, Copenhagen Infrastructure II K/S.
- Nearly four years after **George Osborne** announced a flagship scheme to persuade pension funds to invest billions of pounds in hundreds of new transport and energy projects, it has raised just £1 billion (\$1.55 billion).
- **China halted power flows** from solar panels for the first time as congestion on its electricity grid prevented renewable energy from reaching customers.

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