Institutional Investing in

Infrastructure

2012–2013

I3 Investor Survey

Summary Report

Supporting Sponsors:

B CAPITAL PARTNERS

CAMPBELL LUTYENS
LONDON • NEW YORK • HONG KONG

2012–2013 I3 Investor Survey Summary Report

Conducted by

INSTITUTIONAL REAL ESTATE, INC.
2274 Camino Ramon
San Ramon, CA 94583 USA
Phone: +1 925-244-0500 • Fax: +1 925-244-0520 • Email: irei@irei.com • www.irei.com

With support from

B Capital Partners
Campbell Lutyens
Kingsley Associates

TABLE OF Contents

INSTITUTIONAL REAL ESTATE, INC.

Founded in 1987, Institutional Real Estate, Inc. (IREI), is an information company focused on providing institutional infrastructure and real estate investors with decision-making tools through its publications, conferences and consulting. IREI provides infrastructure and real estate investment fiduciaries with information and insights on the people, issues, ideas and events driving the global infrastructure and real estate investment marketplaces. The firm publishes a number of special reports and directories, as well as nine regular news publications. The firm's flagship publication, *The Institutional Real Estate Letter – Americas,* has covered the commercial real estate industry for more than 24 years. In 2008, IREI launched its *Institutional Investing in Infrastructure* publication. The company's other titles include *The Institutional Real Estate Letter – Europe, The Institutional Real Estate Letter – Asia Pacific, The Institutional Real Estate Letter – Australia, The Asian REIT Report, European Real Estate Quarterly, Institutional Real Estate Newsline* and *Institutional Real Estate FundTracker*.

In 2006, the firm launched a conference and seminar division. IREI's events have quickly gained an excellent reputation and solid following within the industry. The firm's events include Dealmakers Debt & Equity, Institutional Investing in Infrastructure, and the Visions, Insights & Perspectives conferences in the Americas, Europe and Asia, as well as the Market Navigator Series of workshops led by president and CEO Geoffrey Dohrmann.

On the consulting side, IREI has two decades of experience providing research and advice to the investment-management, brokerage, development and technology communities. Services include strategic information and advice on presentations, organizational structures, product development, proposal responses, and design and implementation of market research projects.

For more information on IREI, its products and services, and the industry firms that help to underwrite its numerous publications, visit www.irei.com.

B CAPITAL PARTNERS

B Capital Partners, founded in 2003 by Dr. Barbara Weber as Bibs Capital in Zürich, is an independent, investment adviser and asset manager focused on infrastructure only, including public-private partnerships. The firm provides full investment services in the area of infrastructure equity and debt, advising not only on funds but most importantly directs, co-investments, secondary portfolios and secondary LP-interests.

CAMPBELL LUTYENS

Campbell Lutyens is an independent private equity advisory firm founded in 1988 focused on private equity and infrastructure fund placements and provides specialist advice on the sale or restructuring of portfolios of private equity fund or direct investments. The firm has offices in London, New York City and Hong Kong and comprises a team of more than 65 international executives, advisers and staff with global and broad-ranging expertise in the private equity and infrastructure sector.

This year's survey is our third annual effort to identify and understand investment trends driving the most influential tax-exempt infrastructure investors.

Introduction

Institutional Real Estate, Inc. (IREI), publishers of *Institutional Investing in Infrastructure (I3),* and its partners and consultants — B Capital Partners, Campbell Lutyens and Kingsley Associates — are pleased to present the results of the third annual *I3 Investor Survey,* a survey of 41 global investors and consultants active in or investigating infrastructure investment.

Each firm that helped us, with the exception of Kingsley Associates, distributed the survey and solicited responses from a global universe of investors and consultants. IREI collected and aggregated responses and, with the help of Kingsley Associates, analyzed the data.

The purpose of the *I3 Investor Survey* is to provide relevant data and analysis that help tax-exempt funds and other institutional investors, as well as the investment advisers and consultants that serve them, identify and understand the meaning of important investment trends that are likely to drive the market during the year ahead.

This report is prepared for the investment managers and other infrastructure investment organizations that sponsor IREI publications, and for the non-sponsoring Editorial Advisory Board members of *Institutional Investing in Infrastructure,* who support us with their time and advice. As a special thank you to the people and firms who contributed their time and effort, we also will be sharing results with the many plan sponsors and other institutional investors as well as consultants whose participation makes the *I3 Investor Survey* possible.

The following report summarizes information and data about topics such as investor interest in infrastructure, capital flows and target allocations, reasons for investing, risk and return expectations, preferred durations and investment structures, favored sectors and geographies, and expectations for fees and carried interest.

Although the information and analysis presented in this report are based on data that its publishers believe to be reliable, its accuracy cannot be guaranteed.

Drew Campbell
Senior Editor
Institutional Real Estate, Inc.

Executive Summary

For readers of our annual *I3 Investor Survey,* this year's results might seem familiar; many are similar to the previous year's survey, and while at first that might not seem ground breaking, in fact, it could be. The consistency between years could be anecdotal evidence that institutional infrastructure investing is becoming routine and customary for many investors, and where not long ago learning about infrastructure and answering the question of whether or not to invest in the asset class were at the top of the list for many investors, perhaps now many are more concerned with decisions such as how much to invest and with whom, where and what sectors.

We set out to gauge investors' perceptions of and appetites for infrastructure investment starting in early July and ending in mid-September of 2012.

The *I3 Investor Survey* covers such topics as investor interest in infrastructure, capital flows and target allocations, reasons for investing, risk and return, preferred durations and investment structures, and preferred sectors and geographies. Survey participants included global investors and consultants.

Institutional investor sentiment as expressed by *I3 Investor Survey* responses tracks a general increase in interest and activity in infrastructure markets. Investors and consultants indicated their commitments to infrastructure in 2012 and 2013 would be similar to the healthy levels committed in 2011, and allocations — both target and actual — have generally held steady between the two periods, with a persistent gap between the target and actual allocations, suggesting substantial capital flows to infrastructure investment in the near to medium term.

The broader infrastructure market, meanwhile, seems to have adopted the motto "more, more, more": more P3 and public-to-private investment such as the Ohio University parking assets transaction; expanded TIFIA capacity in the United States; the launch of several platforms to facilitate public pension investment including the United Kingdom's Pension Infrastructure Platform, the Chicago Infrastructure Trust and the West Coast Infrastructure Exchange; and large multimillion-dollar commitments from new U.S. investors such as the California State Teachers' Retirement System, the Virginia Retirement System and the Florida State Board of Investment as well as Swiss Re in Europe.

The net takeaway is that infrastructure as an asset class is progressing, and this year's *I3 Investor Survey* results echo several findings present in the previous year's survey, suggesting investor and consultant opinions about infrastructure investment could be solidifying. With that being said, several results provided new insights into what investors and consultants believe about infrastructure investing.

Participant Profile

Investors and consultants representing most sectors of the institutional investor market and some of the largest and most influential representatives of each category completed the *I3 Investor Survey*. Participants had varying levels of experience in the asset class (see "Survey Participant Profile," below).

The aggregate total assets under management of the 35 survey participants that supplied this information is nearly $1.1 trillion, with average assets under management (AUM) of $30.6 billion. When adjusted for outliers, investors' AUM range from nearly $1.1 billion to $150 billion with a median of $17 billion, indicating a participant bias toward larger investors.

For comparison, investors with assets under management of more than $10 billion represent nearly 1 percent of the 10,700 investors in the Standard & Poor's 2011 *Money Market Directory,* or 92 investors.

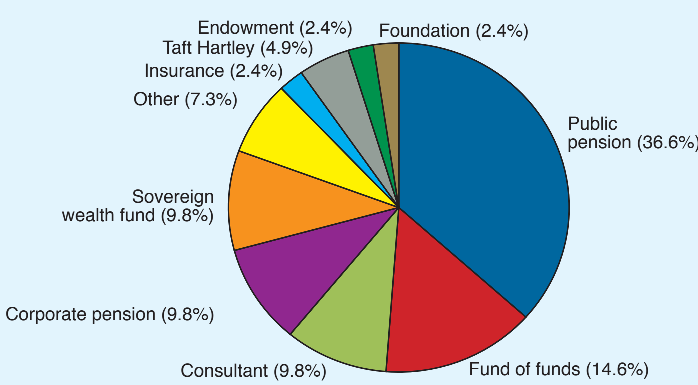
Participants' aggregate infrastructure assets under management (equity and debt) were $46.7 billion with an average equity portfolio size of more than $1 billion and an average debt portfolio size of more than $410 million (see "Survey Participant Assets Under Management," page 4).

The composition of the 2012–2013 *I3 Investor Survey* participants is similar to the make-up of our 2011–2012 participants — they typically have high total assets under management, they are generally experienced infrastructure investors, and they are from around the globe (see "Survey Participant Profile," below).

Readers should keep in mind that 51 participants provided data for the previous year's *I3 Investor Survey* and in this year's version 41 provided information — the decline in survey participants influences the results and comparisons between years. That said, the make-up of the participant pool — discussed above — is nearly identical. In other words the *I3 Investor Survey* consistently surveys the same pool of investors, and so there are several places in this year's survey where we can make meaningful comparisons and confirm results from the previous year.

We are delighted that we have been able to attract many large and influential investors to participate in our survey, and readers should be aware of the bias toward larger institutions when reviewing the results of the survey. These participants represent a particular segment of the market, and their opinions and expectations for infrastructure investing as well as their ability to

Survey Participant Profile



Source: Institutional Real Estate, Inc.

Investor Type	Count	Percent
Corporate Pension	4	9.8%
Public Pension	15	36.6%
Taft-Hartley	2	4.9%
Insurance	1	2.4%
Endowment	1	2.4%
Foundation	1	2.4%
Fund of Funds	6	14.6%
Sovereign Wealth Fund	4	9.8%
Consultant	4	9.8%
Other	3	7.3%

n = 41

execute a strategy are influenced by their size. Based on conversations with active fundraisers in the market, we estimate the total universe of investors making commitments to infrastructure in any given year to be between 200 and 350.

Infrastructure Capital Flows on the Rise

Survey participants indicated 2012 and 2013 commitments to infrastructure will be about in line with the expectations of 2011–2012 survey participants (see “Capital Commitments and Investments,” page 5).

The commitments question is asked each year, and although some of the survey participants change year-to-year, the aggregate participant pool profile — by total AUM, infrastructure AUM and allocation sizes — remains statistically consistent, and the two pools are similar enough to provide interesting year-to-year comparisons.

The table on page 5 includes results from both this year’s survey as well as the previous year’s survey, resulting in two data sets for 2012.

These are the results from 2011–2012 survey participants — who when they were surveyed in 2011 were giving a forward projection for expected commitments in 2012 — and the results from this year’s (2012–2013) survey participants — who when they were surveyed in 2012 were giving a current year projection for expected commitments in 2012.

It is important to note the change in expectations between these two groups of participants — 2012 participants said they expected to commit more in 2012 ($261 million) than 2011 participants expected they would commit in 2012 ($231 million). In other words, investors answering this question in the year in which the commitments would be made indicated larger commitments for that year compared with those investors answering this question for a year in advance.

Of course, the participant pool make-up changes year to year, so this also could play a role in this finding, but if we accept that the two participant pools are statistically similar, then this data can be a good indicator.

If participants do in fact have a better understanding of how much capital they will commit in any given year in the year they will make those commitments, then next year’s survey participants could indicate average commitments of greater than $198 million in 2013. It is important to keep this in mind when trying to understand expected commitments in 2013.

I3 Investor Survey participants are generally larger investors, so if we start with a universe of 92 investors — the 1 percent of the 10,700 investors in the *Money Market Directory* with AUM of $10 billion or more — and multiply these by an average capital commitment of

Survey Participant Assets Under Management ($M)

	Total Assets ($B)	Infrastructure Equity Assets ($B)	Infrastructure Debt Assets ($B)
Sum	1,072.0	38.9	7.8
Mean	30.6	1.1	0.4
Median	17.0	.30	N/A
Minimum	1.3	0	N/A
Maximum	150.0	6.5	7.2
	n = 38	n = 37	n = 19

Capital Commitments and Investments 2011, 2012, 2013 ($M)

	Invested	Committed
2013	159	198
2012	125	261
2012*	188	231
2011*	230	263

** Results from the 2011–2012 I3 Investor Survey given for comparison; the 2012 comparison includes participant opinions shared in the 2011–2012 survey and the 2012–2013 survey*

$261 million, then we can estimate that $24 billion was committed to infrastructure investment in 2012, and if we multiply by an average capital commitment of $198 million, then we can estimate that $18.2 billion will be committed to infrastructure investment in 2013.

Our 2012–2013 survey participants indicated their expected commitments will decline in 2013 from 2012, and it will be interesting to learn from next year's results whether that expectation is met or if, similar to this year's results, investors raise their expectations for commitments in 2013.

The key takeaway for now is that expected commitments to infrastructure remain healthy: $18.2 billion estimated for 2013 (with the caveat noted above) and $24 billion in commitments in 2012.

Interest in Infrastructure Remains Strong

Another finding of this year's results that track with the previous year is infrastructure allocations. A majority (62.5 percent) of survey participants indicated their target allocations to infrastructure remained the same in 2012 compared with 2011, while a plurality (37.5 percent) of participants reported their target allocations to infrastructure investment increased during the same period. Actual allocations, meanwhile, were reported to increase by 48.4 percent of survey participants, and 51.6 percent said their actual allocations remained the same compared to the previous year's survey. These are signs that interest in infrastructure investing is stable among a large portion of survey participants and growing in popularity among a substantial number of participants.

Furthermore, of the survey participants without an infrastructure allocation, 71.4 percent said they were planning to adopt an infrastructure allocation in the next one to two years.

Finally, with survey participants reporting average target allocations to infrastructure of 4.6 percent and average actual allocations of 2.9 percent, a 1.7 percentage point gap exists between those two parameters. In other words, investors must continue a steady pace of commitments to infrastructure to reach their targets, indicating steady capital flows to infrastructure investment.

Another important question to ask about allocations is what type of program do investors use to make their infrastructure allocations — different allocation types will have different risk-return objectives. This year's results generally track with the past year's findings; however, one small but notable change is that zero participants indicated making infrastructure commitments from a real estate allocation, compared with 7 percent that indicated such in the previous year's survey.

We are pleased with all the detailed and illuminating results of our third annual *I3 Investor Survey.* The complete survey results are discussed in detail in the Findings section beginning on page 7.

Survey Methodology

Institutional Real Estate, Inc. worked together with its partners — Campbell Lutyens, B Capital Partners and Kingsley Associates — to design and implement the 2012–2013 *I3 Investor Survey*. The process began with a review of a questionnaire developed by IREI, and feedback was incorporated from our partners, who suggested potential changes to the survey design. The questionnaire included categorical, quantitative and open-ended questions focusing on the following issues:

- Respondent position, plan type and fund size
- Reasons for investing in infrastructure
- Future plans for infrastructure investments
- Allocations and risk-return assumptions for investment vehicles
- Allocations and risk-return assumptions for infrastructure investments
- Expected capital flows to infrastructure
- Preferred investment sectors and geographies
- Preferred investment durations and structures
- Preference for development-oriented investments
- Management fee and carried interest expectations

A pool of 300 potential respondents was developed independently among the *I3 Investor Survey* partners. In July 2012, the survey was distributed by an invitation email with a link to a Web survey. In July and August reminder emails were distributed to those who had not yet responded to the survey. As the survey responses were collected, IREI verified the responses. Survey responses were received through mid-September 2012.

IREI and its partners received 41 responses to the 2012–2013 survey. Upon completion of the survey efforts, IREI cleaned the data and reviewed the results with Kingsley Associates to ensure the validity of responses.

Findings

Capital Flows: Target Allocations, Money Committed and Invested

Commitments to and investments in infrastructure remain healthy

Survey participants indicated 2012 and 2013 commitments to infrastructure will be in line with the expectations of 2011–2012 survey participants. The key takeaway for now is that expected commitments to infrastructure remain healthy, with $18.2 billion estimated for 2013 (with the caveat noted previously) and $24 billion in commitments in 2012.

Reasons for Investing in Infrastructure

Inflation protection most desirable; high income and lower risk remain attractive

For a second year, survey participants (based on 41 responses) listed inflation protection, current income and long-term income, and a risk profile similar to low-risk real estate and other real assets as the most desirable attributes of infrastructure investment (see "Infrastructure Portfolio Risk Profile" and "Infrastructure Cash-Flow Profile," page 8). Participants could select as many choices as they wanted. These results reinforce what survey participants told us in our previous survey, with high income and a lower-risk profile receiving strong marks.

Inflation protection was a new choice for survey participants beginning with the previous year, and respondents for the second consecutive year ranked it as the most desirable cash flow characteristic infrastructure investing offers.

I3 Investor Survey participants overwhelmingly indicated that lower risk and income are the most desirable attributes for infrastructure investing; however, sizable numbers said they also want capital appreciation (56.1 percent), and they are willing to invest early in a project and wait for income to be generated (48.8 percent). These results also are similar to what the previous year's respondents indicated. In a related question, nearly 78 percent of participants said they are willing to make investments with development risk. These results confirm that most *I3 Investor Survey* participants have accepted infrastructure development as part of their portfolio strategy, and they blend lower and higher risk/return infrastructure strategies.

Risk and Return: Investor Expectations

Survey participants want infrastructure to be a lower risk/return investment

I3 Investor Survey participants indicated they are targeting IRRs of 11.9 percent gross (24 responses) and 9.8 percent net (31 responses), which is virtually the same as the previous year's findings. A majority of participants (59 percent) also indicated they have different return targets for their core (yield-driven) investments and their higher return (IRR-driven) investments, suggesting they combine these two types of investments in their portfolios. This helps to explain the total return target result above — it is higher than a typical core investment but not quite high enough to be considered a value-added investment and perhaps is best described as being in a core-plus range.

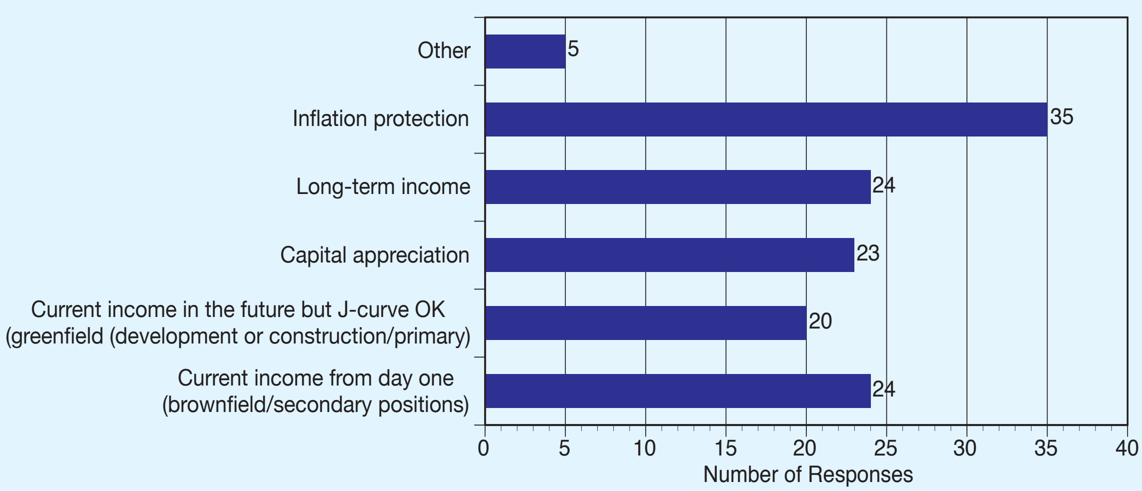
This result is surprising when you consider the majority of participants indicated a preference for a infrastructure risk/return profile similar to low risk real estate and low risk debt, which are certainly below 11.9 percent gross and 9.8 percent net returns.

Having said this, the explanation for these relatively high target IRRs might be that they reflect the target IRR not only for low risk infrastructure, but for a blended portfolio of core assets as well as higher-returning strategies — a core-plus profile.

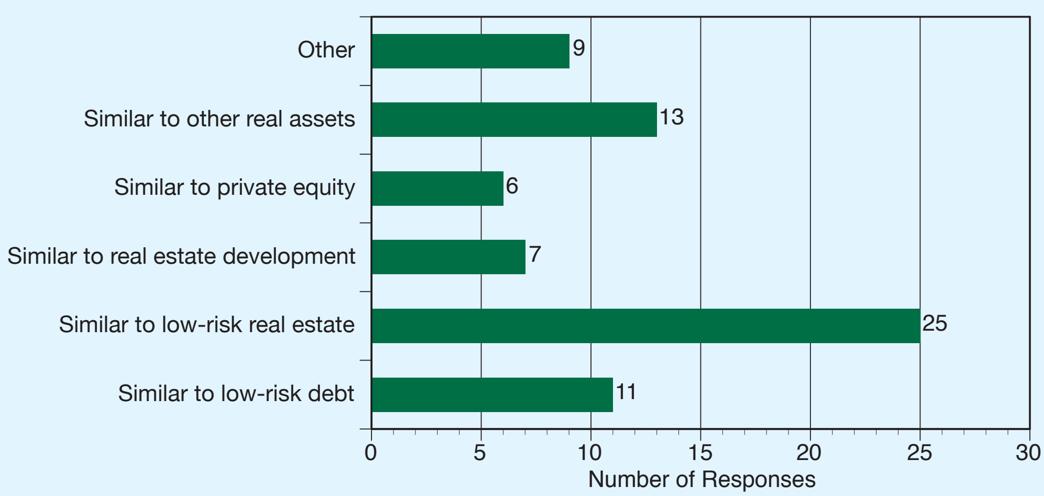
Target yield/income return expectations were 6.4 percent gross and 5.5 percent net compared with 6.8 percent gross and 5.4 percent net in the previous year's results. Target multiples, meanwhile, were 1.9 percent gross and 1.7 percent net. In the previous year those results also were 1.9 percent gross and 1.7 percent net.

An interesting note about preferred risk profiles is that 11 survey participants (26.8 percent) indicated they want infrastructure investments to have a risk profile similar to low-risk debt, compared with five respondents (11.6 percent) in the previous year's survey. Infrastructure debt investing has grown in popularity recently, and this result could reflect that trend. Otherwise, the year-to-year comparison of preferred risk profiles shows they are nearly equal.

Infrastructure Cash-Flow Profile



Infrastructure Portfolio Risk Profile



Preferred Investment Durations

Longer-term investments favored

In the previous year's survey, nearly 70 percent of participants told us they prefer 10- to 20-year durations for their infrastructure investments. This year we asked the question in a different way: What are the preferred durations for equity and for debt infrastructure investments? For equity investments, 10- to 20-year durations were preferred by 55 percent of participants, while 20 years or more was selected by 47.5 percent of participants, and three- to 10-year durations were preferred by 32.5 percent of respondents. (Participants could select more than one preference.) This result shows participants like a variety of durations for equity investments and clearly prefer durations of 10 years or more.

Participants also indicated they prefer debt investments of three- to 10-year durations (12.5 percent). Only 2.5 percent of respondents indicated a preference for debt investments of 10- to 20-year durations and durations of 20 years or more.

Some participants also indicated their preferred durations apply to both equity and debt investments. For example, 15 percent indicated they prefer durations of 10- to 20-years for both equity and debt investments. The full results are in the tables on page 19.

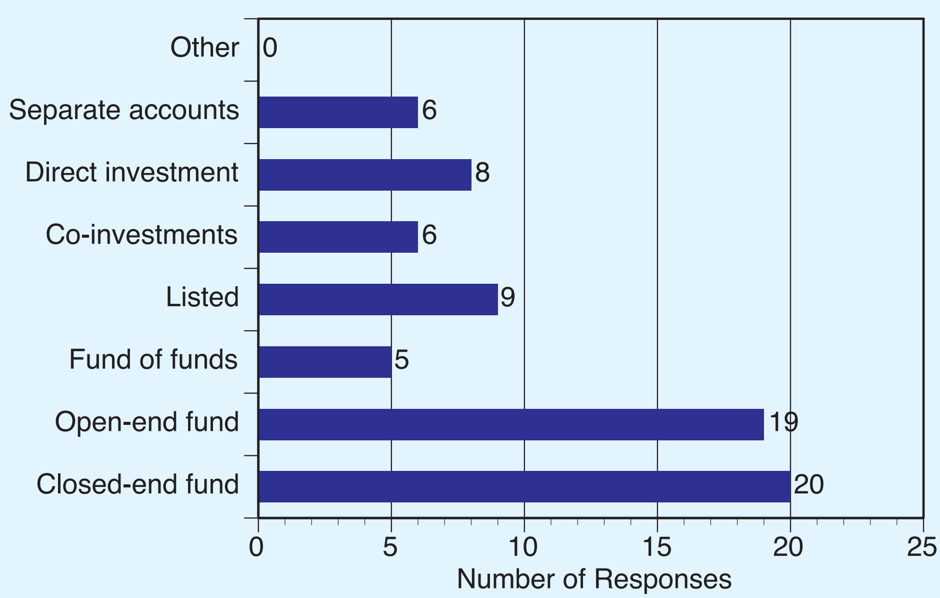
Infrastructure Products

Closed-end funds remain popular, and interest in open-end funds is increasing

We asked participants their preferred structures for equity and debt investments. For equity investments, there is a clear preference for fund structures — 50 percent like the closed-end fund and 47.5 percent like the open-end structure. Participants also indicated interest, albeit lesser interest, in the fund structure for debt investments — 22.5 percent indicated they like closed-end funds for both equity and debt investments and another 7.5 percent said they prefer open-end funds for both equity and debt investments.

Other notable results are listed infrastructure — preferred by 22.5 percent of participants this year compared with 11.5 percent in the previous year — and investments that offer more direct involvement such as co-investment and direct investments. Co-investment and direct investment can help investors reduce fees

Preferred Investment Vehicles and Structures (Equity Only)



and bring greater involvement with the investment. This year, a total of 45 percent indicated interest in infrastructure co-investments, whether equity or debt. This tracks identically with the previous year's result — 45 percent indicated interest in co-investments in the prior survey. Direct investments also remain a popular choice, with 40 percent indicating interest in equity and debt direct investments, a decrease of only 1 percent compared with the previous year. (Again, participants could choose more than one answer.)

This year's results build on our previous two surveys, which also indicated sizable interest in co-investment and direct investment, confirming a growing desire on the part of investors to be more actively involved in a portion of their infrastructure investments.

Keep in mind that *I3 Investor Survey* participants generally have significant assets under management with substantial allocations to the infrastructure asset class, and typically these investors are better resourced to make co-investments and direct investments.

Based on conversations with infrastructure consultants, we believe many investors view core infrastructure as the best place to use direct and co-investment strategies largely because they are typically less complicated and management intensive. This is a logical place to reduce fees as well as a gain control over the use of leverage and exit timing.

In contrast, the fund structure is suited to investments that require greater management skill and that perhaps are outside an investor's domestic market where the political and financial environments are less well understood; investors are more apt to pay for this investment and management expertise.

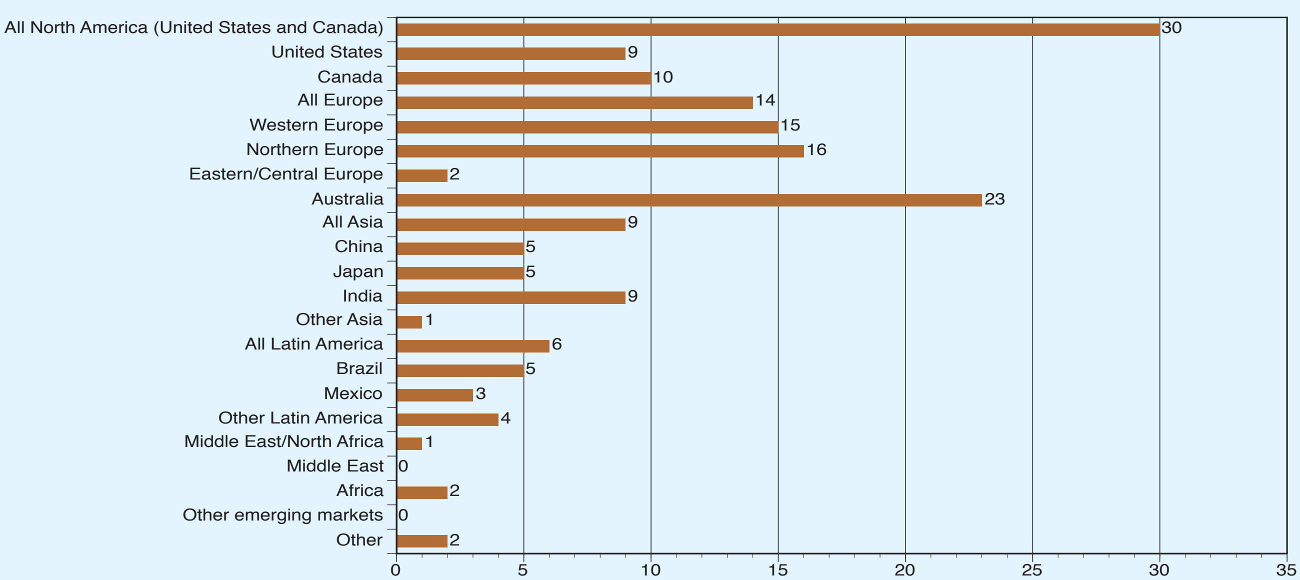
We said in the 2011–2012 survey analysis and say again this year that these results are not a rejection of the opportunity in fund investments as clearly indicated by the results for these structures. A more accurate statement is that investors want to use a mix of all types of strategies and select the vehicle best suited for the job, opening doors to more opportunities and with it diversification across structures, durations and relationships.

Greenfield or Brownfield

Investors remain comfortable with development risk

Survey participants again indicated a healthy appetite for development risk as 77.5 percent do want to invest in development strategies, while 22.5 percent indicated they do not; in the previous survey the figures were 70 percent

Preferred Geographies



and 30 percent, respectively. One takeaway is investors may not want their total infrastructure portfolio to be high risk and high return, but these results confirm investors do make investments in development strategies.

Preferred Sectors and Geographies

Investors favor utilities, transportation, water and the developed world

For a third year, energy transmission, distribution and storage was the most preferred infrastructure sector with 90 percent of participants indicating interest compared with 93 percent a year ago and 89 percent in the previous year. Investments in this sector provide opportunities for stable yields early on, in which participants have indicated strong interest.

The water/wastewater and transportation sectors also remain popular with respondents, with 77.5 percent and 70 percent, respectively, compared with more than 83 percent (transportation) and 81 percent (water and wastewater) in the previous year. Clean energy generation and communications infrastructure were each preferred by 60 percent of participants, compared with 40.5 percent and 42.9 percent indicating interest a year ago.

The focus of the *I3 Investor Survey* is global infrastructure investors and consultants, and participants in this year's survey told us they are targeting investments worldwide, with North America receiving interest from 75 percent of participants, 57.5 percent indicating Australia as a preferred market and between 35 percent and 40 percent targeting either Western Europe, Northern Europe or Europe as a whole (see "Preferred Geographies," page 10). (Participants could select multiple geographies.)

Infrastructure Management Fees and Carried Interest

The fees behind the headline numbers

A new question was added to the previous year's survey: "What is an acceptable level of fee erosion from the gross to the net return?"

The question was included to better understand how investors judge the fairness of fees charged for services rendered as well as to highlight a tendency for discussions about fees to focus on the "headline" numbers such as the management fee while losing sight of other costs such as transaction fees, advisory fees, and tax-related fees or expenses. In general, respondents indicated they expect higher fees on shorter-term investments, which presumably are more "active" investments. The full results are on page 21.

We also asked survey participants about their target management fees, carried interest and yield. We changed the construction of this question this year, and so cannot compare year-to-year results. What participants told us this year mirrors what we found in the fee erosion question — as duration extends, fee expectations decline. These results also are available on page 21.

Regulations and Infrastructure

New regulations are not hindering infrastructure investment

We added a new set of questions about financial regulations to this year's survey to measure how investors are reacting to Solvency II, Basel III and other regulations enacted in the wake of the recent financial crisis. Surprisingly, survey participants by and large indicated they are not that concerned with the regulations as they relate to infrastructure investments. Nearly 75 percent of survey participants indicated new regulations do not change the attractiveness of infrastructure debt or equity investments, and they said the regulations generally will not alter their plans to invest in infrastructure.

We were surprised by these results. It could be these regulations have yet to make their impact on infrastructure investors, or it could be they are not in fact burdensome to investors. However, we can't help but wonder if investors are aware of the impact of some of these regulations. For instance, we trust that investors are mindful of the capital charges required for different kinds of investments. Given infrastructure debt and equity have different capital requirements, the decision to invest in either one of them is — at least to some extent — affected by such requirements and not only by their risk/return profiles.

Alternatively, it could be that our question construction was not clear; we will examine additional ways to present this topic in our next survey, and we look forward to the results.

Conclusions: Growth and Maturity

Aligning interests — open-end funds grow in popularity

In 2012, investors and consultants who took part in the *I3 Investor Survey* indicated their interest in the infrastructure asset class is stable and potentially growing. The market for institutional investment seems to be adapting to investor preferences for structures and markets. For example, the open-end fund structure is a popular choice for a second consecutive year. In 2010, only 31 percent of survey participants indicated interest in the open-end structure, compared with 45.5 percent in 2011 and 47 percent the 2012–2013 survey.

The desire for the open-end structure is possibly a response to investor preference for longer-dated infrastructure investments. Survey participants say they prefer durations of 10- to 20-years, as well as 20 years or more, including holding an investment in perpetuity.

Open-end funds, as the name suggests and unlike their closed-end fund cousins, generally do not have a finite end date — investors can decide if and when to liquidate a position, the caveat being that open-end funds sometimes force sales in order to meet redemption requests.

Similar to the previous year's *I3 Investor Survey,* participants clearly indicated their expectation for infrastructure investment is a lower risk/return profile, core-like investment, but they also remain open to some exposure to higher risk/return investments.

Fund structures also remain popular as do co-investment and direct investment. Listed infrastructure, meanwhile, enjoyed nearly a double-digit increase in interest compared with the previous year's results. Another notable finding is the strong interest in infrastructure as an inflation hedge, confirming the same result from the previous year's survey.

The consistency of results between years could be anecdotal evidence that investor tastes and attitudes toward infrastructure are reaching consensus.

We are hopeful the information and data in this summary report will prove valuable in improving product offerings and will help to better match those products to investor appetites as well as to increase the understanding of institutional infrastructure investing across the entire market.

Survey Data Tables

Investor Profile

Question #1: Organization name (see page 23)

Question #2: Investor type:

Investor Type	**Count**	**Percent**
Corporate pension	4	9.8
Public pension	15	36.6
Taft-Hartley	2	4.9
Insurance	1	2.4
Endowment	1	2.4
Foundation	1	2.4
Fund of funds	6	14.6
Sovereign wealth fund	4	9.8
Consultant	4	9.8
Other	3	7.3

Number of Responses = 41

Question #3: Total assets under management:

Total Assets Under Management ($ Millions)	
Sum	$1,072,960
Mean	$30,656
95% Confidence Interval for Mean	
Lower Bound	$18,733
Upper Bound	$42,579
Median	$17,000
Minimum	$1,260
Maximum	$150,000
Range	$148,740

Number of Responses = 35

Question #4 (a): Total infrastructure assets under management (Equity):

Total Infrastructure Assets Under Management ($ Millions)	
Sum	$38,913
Mean	$1,052
95% Confidence Interval for Mean	
Lower Bound	$503
Upper Bound	$1,601
Median	$300
Minimum	$0
Maximum	$6,500
Range	$6,500

Number of Responses = 37

Question #4 (b): Total infrastructure assets under management (Debt):

Total Infrastructure Assets Under Management ($ Millions)	
Sum	$7,830
Mean	$412
95% Confidence Interval for Mean	
Lower Bound	N/A
Upper Bound	$1,153
Median	N/A
Minimum	$0
Maximum	$7,200
Range	$7,200

Number of Responses = 19

Question #5 (a): Target Allocation (If you already have an infrastructure allocation):

Target Allocation	**Count**	**Percent**
Increased compared to last year	12	37.5
Decreased compared to last year	0	0.0
The same compared to last year	20	62.5
Not applicable	9*	

Number of Responses = 41
**Excluded from percentage calculation*

Question #5 (b): Actual Allocation (If you already have an infrastructure allocation):

Actual Allocation	**Count**	**Percent**
Increased compared to last year	15	48.4
Decreased compared to last year	0	0.0
The same compared to last year	16	51.6
Not applicable	10*	

Number of Responses = 41
**Excluded from percentage calculation*

Question #5 (c): If you do not already have an infrastructure allocation:

If you do not already have an infrastructure allocation	Count	Percent
We are planning to adopt an infrastructure allocation in the next 1-2 years	5	71.4
We are not planning to adopt an infrastructure allocation in the next 1-2 years	2	28.6
We are not interested in infrastructure investment	0	0.0

Number of Responses = 7

Question #6 (a): Target allocation to infrastructure (estimate if under consideration):

Target Infrastructure Allocation (%)	
Mean	4.6
95% Confidence Interval for Mean	
Lower Bound	3.2
Upper Bound	6.1
Median	3.0
Minimum	0.0
Maximum	15.0
Range	15.0

Number of Responses = 33

Question #6 (b): Actual allocation to infrastructure:

Actual Infrastructure Allocation (%)	
Mean	2.9
95% Confidence Interval for Mean	
Lower Bound	1.7
Upper Bound	4.1
Median	1.4
Minimum	0.0
Maximum	13.0
Range	13.0

Number of Responses = 34

Question #7 (a): From what allocation do you make infrastructure investments?

From what allocation do you make infrastructure investments?	Count	Percent
Fixed income allocation	2	5.0
Real estate allocation	0	0.0
Real assets allocation	7	17.5
Real return allocation	0	0.0
Private equity allocation	6	15.0
Infrastructure allocation	21	52.5
Other	4	10.0

Number of Responses = 40

Question #7 (b): Are you considering creating a dedicated infrastructure allocation to manage your infrastructure investments?

Considering Dedicated Allocation	Count	Percent
Yes	5	45.5
No	6	54.5

Number of Responses = 11

Question #8: Total capital planned for commitment and investment to infrastructure in 2012:

Target Capital Planned 2012 ($ Million)	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of responses*
		Lower Bound	Upper Bound					
Committed	261	126	395	100	0	2000	2,000	*36*
Invested	125	32	217	30	0	1050	1,050	*31*

Question #9: Total capital planned for commitment and investment to infrastructure in 2013:

Target Capital Planned 2013 ($ Million)	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of responses*
		Lower Bound	Upper Bound					
Committed	198	122	274	100	0	800	800	*34*
Invested	159	77	242	68	0	800	800	*26*

Question #10: How do evolving financial regulations (Solvency II, the Volcker Rule, Basel III, etc.) influence your investment decisions?

a. Do new regulations make infrastructure equity structures more or less attractive?	Count	Percent
More	6	15.4
Less	4	10.3
Neither	29	74.4

Number of Responses = 39

b. Do new regulations make infrastructure debt structures more or less attractive?	Count	Percent
More	8	21.1
Less	2	5.3
Neither	28	73.7

Number of Responses = 38

c. 1) Make more infrastructure equity investments?	Count	Percent
Yes	8	22.9
No	27	77.1

Number of Responses = 35

c. 2) Make more infrastructure debt investments?	Count	Percent
Yes	6	17.6
No	28	82.4

Number of Responses = 34

c. 3) New regulations (______) influence my infrastructure investment decisions about equity or debt structures.	Count	Percent
do	9	25.0
do not	27	75.0

Number of Responses = 36

Question #11 (a): What characteristics of infrastructure are important for your portfolio cash-flow profile?

Characteristics	Count	Percent
Current income from day one (brownfield/secondary positions)	24	58.5
Current income in the future but J-curve OK (greenfield development or construction/primary)	20	48.8
Capital appreciation	23	56.1
Long-term income	24	58.5
Inflation protection	35	85.4
Other	5	12.2
None	0	0.0

Number of Respondents = 41

Question #11 (b): What characteristics of infrastructure are important for your portfolio risk profile?

Characteristics	Count	Percent
Similar to low risk debt	11	26.8
Similar to low risk real estate	25	61.0
Similar to real estate development	7	17.1
Similar to private equity	6	14.6
Similar to other real assets	13	31.7
Other	9	22.0
None	0	0.0

Number of Respondents = 41

Question #12: Which sectors are attractive?

Sectors	Count	Percent
Transportation (roads, bridges, tunnels, rail, waterways, seaports, airports)	28	70.0
Energy transmission, distribution (electricity and gas) and storage (oil and gas)	36	90.0
Energy generation (oil and gas refining, exploration and exploitation)	23	57.5
Clean energy generation (wind, solar, thermal, hydro, biomass, etc.)	24	60.0
Water/waste (water treatment, water distribution, waste management)	31	77.5
Communications (broadcast towers, cellular towers, copper wiring, fiber optic cable, satellites)	24	60.0
Social (hospitals, schools, prisons, courthouses, police and fire stations, parks)	19	47.5
Other	3	7.5

Number of Respondents = 40

Question #13: Do you make investments with development exposure?

Do you make investments with development exposure?	Count	Percent
Yes	31	77.5
No	9	22.5

Number of Responses = 40

Question #14: Which geographies are attractive?

Geographies	Count	Percent
All North America (United States and Canada)	30	75.0
United States	9	22.5
Canada	10	25.0
All Europe	14	35.0
Western Europe	15	37.5
Northern Europe	16	40.0
Eastern/Central Europe	2	5.0
Australia	23	57.5
All Asia	9	22.5
China	5	12.5
Japan	5	12.5
India	9	22.5
Other Asia	1	2.5
All Latin America	6	15.0
Brazil	5	12.5
Mexico	3	7.5
Other Latin America	4	10.0
Middle East-North Africa	1	2.5
Middle East	0	0.0
Africa	2	5.0
Other emerging markets	0	0.0
Other	2	5.0

Number of Respondents = 40

Question #15 (a): Which investment vehicles and structures do you prefer?

Structure	Equity		Debt		Both		Neither		***Total Responses***
	Count	Percent	Count	Percent*	Count	Percent*	Count	Percent*	
Closed-end fund	20	50.0	0	0.0	9	22.5	2	5.0	31
Open-end fund	19	47.5	0	0.0	3	7.5	4	10.0	26
Fund of funds	5	12.5	0	0.0	1	2.5	11	27.5	17
Listed	9	22.5	0	0.0	3	7.5	6	15.0	18
Co-investments	6	15.0	2	5.0	10	25.0	3	7.5	21
Direct investment	8	20.0	1	2.5	7	17.5	6	15.0	22
Separate accounts	6	15.0	2	5.0	7	17.5	3	7.5	18
Other	0	0.0	0	0.0	0	0.0	3	7.5	3

Number of Respondents = 40
** Percentage of Respondents*

Question #15 (b): Which investment vehicles and structures are found in the market?

Structure	Equity		Debt		Both		Neither		*Total Responses*
	Count	Percent	Count	Percent*	Count	Percent*	Count	Percent*	
Closed-end fund	5	14.3	0	0.0	21	60.0	0	0.0	26
Open-end fund	13	37.1	0	0.0	7	20.0	1	2.9	21
Fund of funds	9	25.7	0	0.0	3	8.6	2	5.7	14
Listed	8	22.9	0	0.0	4	11.4	1	2.9	13
Co-investments	7	20.0	0	0.0	10	28.6	1	2.9	18
Direct investment	4	11.4	1	2.9	11	31.4	6	17.1	22
Separate accounts	1	2.9	0	0.0	13	37.1	2	5.7	16
Other	0	0.0	0	0.0	0	0.0	2	5.7	2

Number of Respondents = 35
**Percentage of Respondents*

Question #16 (a): What is your preferred duration for infrastructure investments?

Duration	Equity		Debt		Both		Neither	
	Count	Percent	Count	Percent*	Count	Percent*	Count	Percent*
3 to 10 years (private equity-like)	13	32.5	5	12.5	7	17.5	2	5.0
10 to 20 years (hybrid private equity/longer-term hold)	22	55.0	1	2.5	6	15.0	1	2.5
20 years or more (long term hold/in perpetuity)	19	47.5	1	2.5	1	2.5	4	10.0
Other	0	0.0	0	0.0	0	0.0	1	2.5

Number of Respondents = 40
**Percentage of Respondents*

Question #16 (b): Is your preferred duration available in the market?

Duration	Equity		Debt		Both		Neither	
	Count	Percent	Count	Percent*	Count	Percent*	Count	Percent*
3 to 10 years (private equity-like)	7	20.6	2	5.9	13	38.2	0	0.0
10 to 20 years (hybrid private equity/longer-term hold)	18	52.9	0	0.0	6	17.6	0	0.0
20 years or more (long term hold/in perpetuity)	18	52.9	0	0.0	3	8.8	2	5.9
Other	0	0.0	0	0.0	0	0.0	1	2.9

Number of Respondents = 34
**Percentage of Respondents*

Question #17 Part 1: What are your return expectations for infrastructure investments? (%)
Do you have different return targets for core (Low risk, yield driven) and higher return (IRR-driven investments)?

Investor Type	Count	Percent
Yes	23	59.0
No	16	41.0

Number of Responses = 39

If yes, what are your expectations for each?

Core	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of Responses*
		Lower Bound	Upper Bound					
Core target allocation	39.62	24.65	54.59	40.00	1.00	100.00	99.00	*21*
Net return target	9.27	8.69	9.85	10.00	6.00	11.00	5.00	*24*

Higher Return	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of Responses*
		Lower Bound	Upper Bound					
Higher return allocation	24.44	14.64	34.25	17.00	1.50	70.00	68.50	*18*
Net return target	13.79	12.03	15.54	14.00	7.00	22.50	15.50	*19*

Question #17 Part 2: What are your return expectations for infrastructure investments? (%)

Total Infrastructure Portfolio Target IRR Return	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of Responses*
		Lower Bound	Upper Bound					
Gross	11.85	10.73	12.98	12.00	8.00	20.00	12.00	*24*
Net	9.77	9.02	10.53	10.00	6.00	15.00	9.00	*31*

Total Infrastructure Portfolio Target Yield/Income Return	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of Responses*
		Lower Bound	Upper Bound					
Gross	6.41	5.62	7.20	7.00	3.00	9.00	6.00	*17*
Net	5.48	4.91	6.04	5.75	3.00	8.00	5.00	*24*

Total Infrastructure Portfolio Target Multiple	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	*Number of Responses*
		Lower Bound	Upper Bound					
Gross	1.91	1.67	2.16	1.90	1.20	3.00	1.80	*12*
Net	1.65	1.53	1.76	1.60	1.10	2.00	0.90	*15*

Question #18: What is an acceptable level of fee erosion from the gross to the net return?

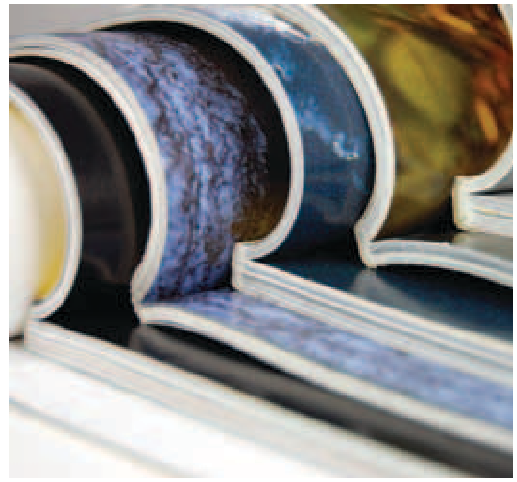
Core	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	Number of Responses
		Lower Bound	Upper Bound					
3-10-year (private equity-like)	1.46	1.25	1.66	1.25	0.75	2.50	1.75	29
10-20-year (hybrid)	1.19	1.04	1.34	1.25	0.75	2.50	1.75	29
20-year/plus (long term)	0.94	0.83	1.05	0.75	0.75	1.75	1.00	29

Question #19: What are your target management fees, carried interest, and yield?

3–10-year (private equity-like)	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	Number of Responses
		Lower Bound	Upper Bound					
Fee (%)	1.24	1.11	1.36	1.25	0.50	1.50	1.00	25
Carry (%)	14.79	13.05	16.53	15.00	5.00	20.00	15.00	24
Yield (%)	5.60	3.93	7.26	5.00	0.00	17.00	17.00	21

10–20-year hybrid	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	Number of Responses
		Lower Bound	Upper Bound					
Fee (%)	1.05	0.92	1.18	1.00	0.50	1.50	1.00	24
Carry (%)	13.41	11.33	15.49	15.00	5.00	20.00	15.00	22
Yield (%)	7.00	6.21	7.79	6.00	5.00	11.00	6.00	22

20-year/plus (long term)	Mean	95% Confidence Interval for Mean		Median	Min	Max	Range	Number of Responses
		Lower Bound	Upper Bound					
Fee (%)	0.86	0.63	1.10	0.75	0.25	3.00	2.75	22
Carry (%)	10.75	8.23	13.27	10.00	0.00	20.00	20.00	20
Yield (%)	7.00	6.25	7.75	6.75	5.00	11.00	6.00	20



Personnel

Institutional Real Estate, Inc.

Drew Campbell, Senior Editor
Project management, survey design, analysis, writing and editing

Susan Sharpe, Art Director
Design, layout and production

Alan Chen, IT Manager
Web survey development and quality control

Ashlee Lambrix, Data Services Manager
Survey distribution and participation management

Justin Galicia, Data Services Assistant
Survey distribution and participation management

Larry Gray, Editorial Director
Proofreading

Loretta Clodfelter, Copyeditor
Copyediting and proofreading

B Capital Partners

Barbara Weber, Principal
Survey design and distribution

Campbell Lutyens

Brian Chase, Principal
Survey design and distribution

Kingsley Associates

Brandon Campen, Vice President
Survey design and analysis review

List of Respondents

Auda Private Equity

Australian Government Future Fund

AustralianSuper

BMO Bank of Montreal

Caledon Capital Management Inc.

California Public Employees' Retirement System

California State Teachers' Retirement System

Callan Associates

CRPNPAC (Pension Fund Personnel Navigant Professional Civil Aviation)

Dallas Police & Fire Pension System

Employees Retirement System of Texas

Feri Trust GmbH

Helaba Landesbank Hessen-Thüringen

HESTA Super Fund

Laborers International Union of North America (LIUNA)

Maine Public Employees' Retirement System

Nationale Suisse Group

National Treasury Management Agency (Ireland)

New Mexico Educational Retirement Board

New Mexico State Investment Council

Norwegian Hydro Pension Fund

OFI Group PE Multi Managers

Portfolio Advisors LLC

Quartilium Fund of Funds

Queensland Investment Corp. (QIC)

Retraites Populaires

Saudi Aramco

State of Michigan Retirement Systems

Swiss Re Private Equity Partners

Texas Scottish Rite Hospital

Texas Teachers Reitrement System

Timeos Pension Services

The Townsend Group

Tredje AP-fonden

Unigestion

Utah Retirement Systems

Valtion Eläkerahasto (The State Pension Fund/Finland)

Virginia Retirement System

Western Conference of Teamsters Pension Trust

YIELCO Investments

Zurich Invest AG

I3 Investor Survey Questionnaire

1. Organization name: _________

2. Investor type (Select one):

Corporate pension
Public pension
Taft-Hartley
Insurance
Endowment
Foundation
Fund of funds
Sovereign wealth fund
Consultant
Other (please specify): _________

3. Total assets under management: __________ ($ Million, U.S. dollar)

4. Infrastructure assets under management (actual):

a. Equity __________ **($ Million, U.S. dollar)**
b. Debt __________ **($ Million, U.S. dollar)**

5. Infrastructure allocation:

Part 1: If you already have an infrastructure allocation:

a. Has your target allocation increased, decreased or remained the same compared to last year?
Increased compared to last year
Decreased compared to last year
The same compared to last year
Not applicable

b. Has your actual allocation increased, decreased or remained the same compared to last year?
Increased compared to last year
Decreased compared to last year
The same compared to last year
Not applicable

Part 2: If you do not already have an infrastructure allocation

We are planning to adopt an infrastructure allocation in the next 1-2 years
We are not planning to adopt an infrastructure allocation in the next 1-2 years
We are not interested in infrastructure (skip to the end of survey)

6. Allocation to infrastructure:

a. What is your target allocation to infrastructure (estimate if under consideration): __________ (%)
b. What is your actual allocation to infrastructure: __________ (%)

7. From what allocation do you make infrastructure investments?

Fixed income allocation
Real estate allocation
Real assets allocation
Real return allocation
Private equity allocation
Infrastructure allocation
Other:

Part 2: If your infrastructure investments are made from other than an infrastructure allocation, are you considering creating a dedicated infrastructure allocation to manage your infrastructure investments?

Yes

No

8. Total capital planned for commitment in and investment to infrastructure in 2012:

Committed __________ ($ Million, U.S. dollar)

Invested __________ ($ Million, U.S. dollar)

9. Total capital planned for commitment in and investment to infrastructure in 2013:

To be committed __________ ($ Million, U.S. dollar)

To be invested __________ ($ Million, U.S. dollar)

10. How do evolving financial regulations (Solvency II, the Volker Rule, Basel III, etc.) influence your investment decisions?

a. Do new regulations make infrastructure equity structures more or less attractive?

More

Less

Neither

b. Do new regulations make infrastructure debt structures more or less attractive?

More

Less

Neither

c. Are new regulations driving you to:

Make more infrastructure equity investments?

Yes

No

Make more infrastructure debt investments?

Yes

No

New regulations (do)/(do not) influence my infrastructure investment decisions about equity or debt structures.

Do

Do not

11. What characteristics of infrastructure are important for your portfolio?

a. Cash-flow profile (select as many as you want):

Current income from day one (brownfield/secondary positions)

Current income in the future but J-curve OK (greenfield development or construction/primary)

Capital appreciation

Long-term income

Inflation protection

Other (please specify):

None

b. Risk profile (select as many as you want):

Similar to low risk debt

Similar to low risk real estate

Similar to real estate development

Similar to private equity

Similar to other real assets

Other (please specify):

None

12. Which sectors are attractive? (select as many as you want)

Transportation (roads, bridges, tunnels, rail, waterways, seaports, airports)

Energy transmission, distribution (electricity and gas) and **storage** (oil and gas)

Energy generation (oil and gas refining, exploration and exploitation)

Clean energy generation (wind, solar, thermal, hydro, biomass etc.)

Water/waste (water treatment, water distribution, waste management)

Communications (broadcast towers, cellular towers, copper wiring, fiber optic cable, satellites)

Social (hospitals, schools, prisons, courthouses, police and fire stations, parks)

Other (please specify): __________

13. Do you make investments with development exposure?

Yes

No

14. Which geographies are attractive? (select as many as you want)

All North America (United States and Canada)

United States

Canada

All Europe

Western Europe

Northern Europe

Eastern/Central Europe

Australia

All Asia

China

Japan

India

Other Asia (please specify):

All Latin America

Brazil

Mexico

Other Latin America (please specify):

Middle East-North Africa

Middle East

Africa

Other emerging markets (please specify):

Other (please specify):

15. Which investment vehicles and structures do you prefer, and are these available in the market? (select as many as you want)

	Found in the market (yes/no):
Closed-end fund	___
Open-end fund	___
Fund of funds	___
Listed	___
Co-investments	___
Direct investment	___
Separate accounts	___

Other (briefly explain): ______________

16. What is your preferred duration for infrastructure investments, and are these options available in the market? (select as many as you want)

	Found in the market (yes/no):
3 to 10 years (private equity-like)	___
10 to 20 years (hybrid private equity/longer-term hold)	___
20 years or more (long term hold/in perpetuity)	___
Other (briefly explain): __________	___

17. What are your return expectations for infrastructure investments? (%)

Part 1: Do you have different percent target allocations for core (low risk, yield driven) and higher return (IRR driven) investments? If yes, what are your expectations for each?

Core target allocation: __________%

Net return target: __________%

High-return target allocation: __________%

Net return target: __________%

Part 2:

Our overall infrastructure portfolio target gross/net IRR return is:

Gross: __________%

Net: __________%

Our total infrastructure portfolio target gross/net current yield/income return is:

Gross: __________%

Net: __________%

Our total infrastructure portfolio target multiple is:

Gross: __________%

Net: __________%

18. What is an acceptable level of fee erosion from the gross to the net return for the different kinds of investment strategies?

	Percent
3-10-year (private-equity like)	___
10-20-year (hybrid)	___
20-year/plus (long term)	___

19. What are your target management fees and carried interest for different kinds of investment strategies?

	Fee (%)	Carry(%)	Yield(%)
3-10-year (private-equity like)	______	______	______
10-20-year (hybrid)	______	______	______
20-year/plus (long term)	______	______	______