

Sovereign Fund Investment Trends in Infrastructure

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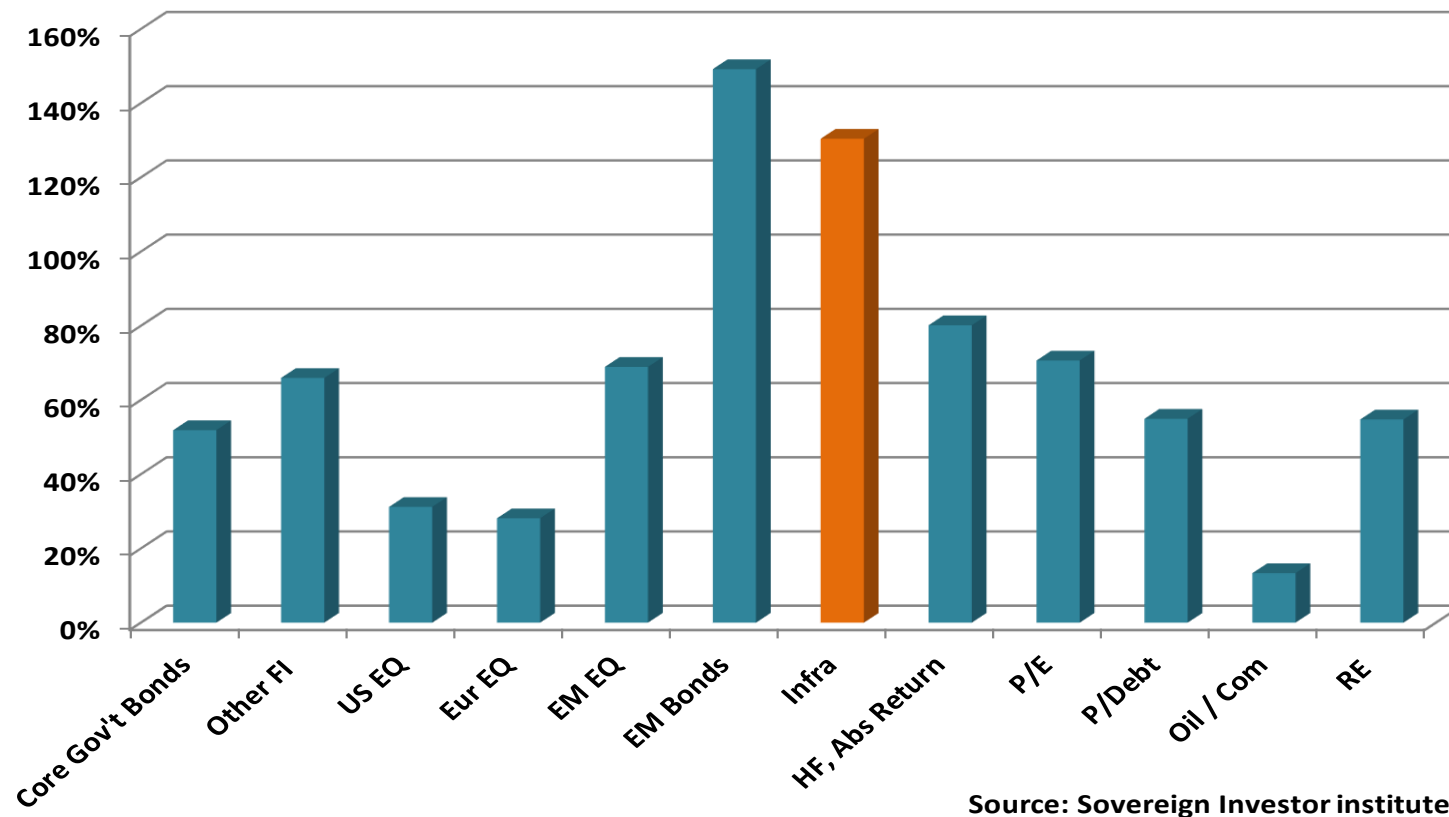


Key Points

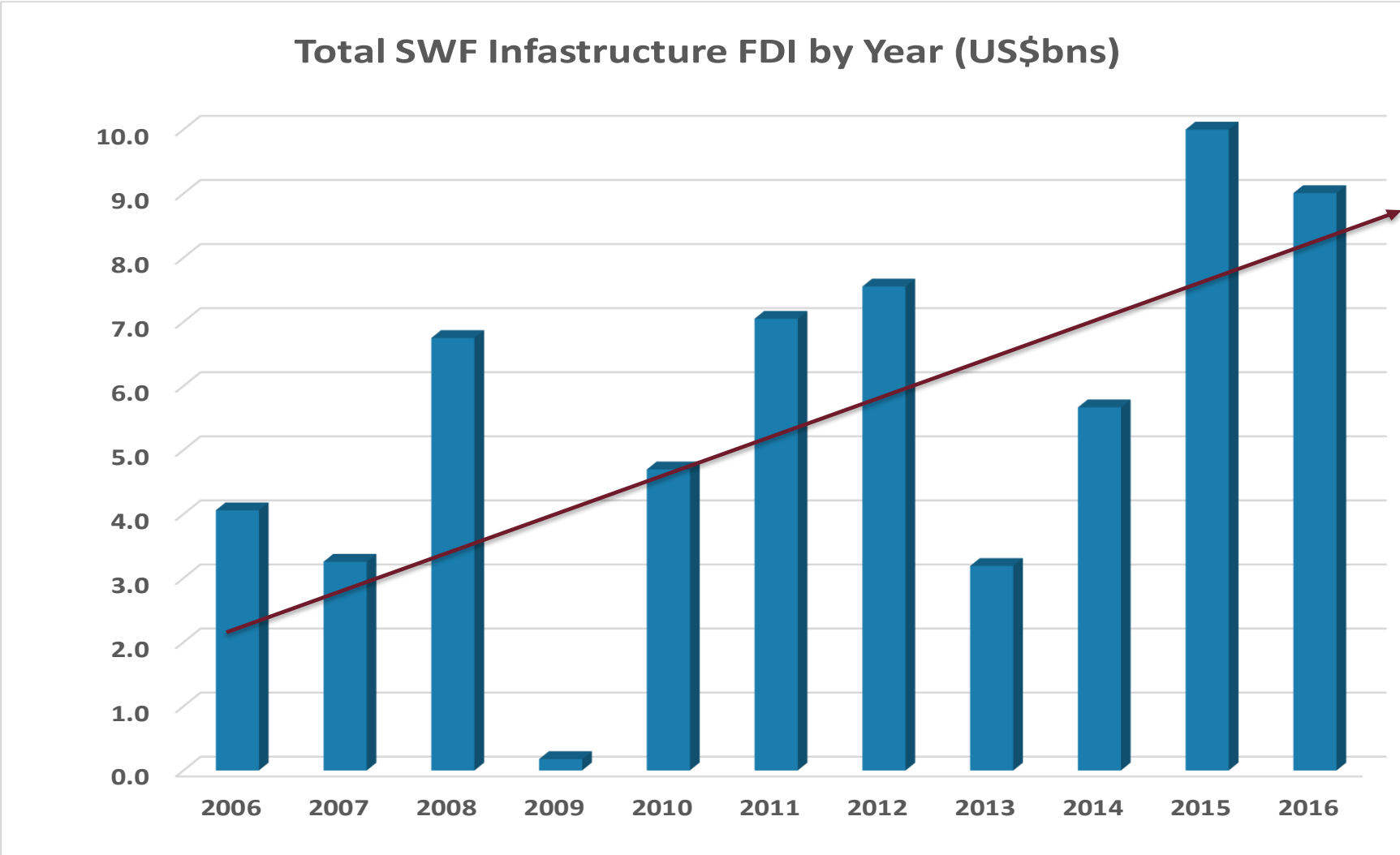
- Over 200 SWF/GPF with average assets under management of \$100bn each
- Total AUM of SWF/GPF allocating to infrastructure estimated at \$12tn. Allocation estimated at 3-5%, equals \$360bn to \$600bn invested.
- As stewards of long-term capital, infrastructure is a natural asset class for SWF/GPF. They invest directly and through unlisted funds. Demand is growing.
- However, complexity of infrastructure investing remains a big challenge

SWF/GPF want to invest in infrastructure

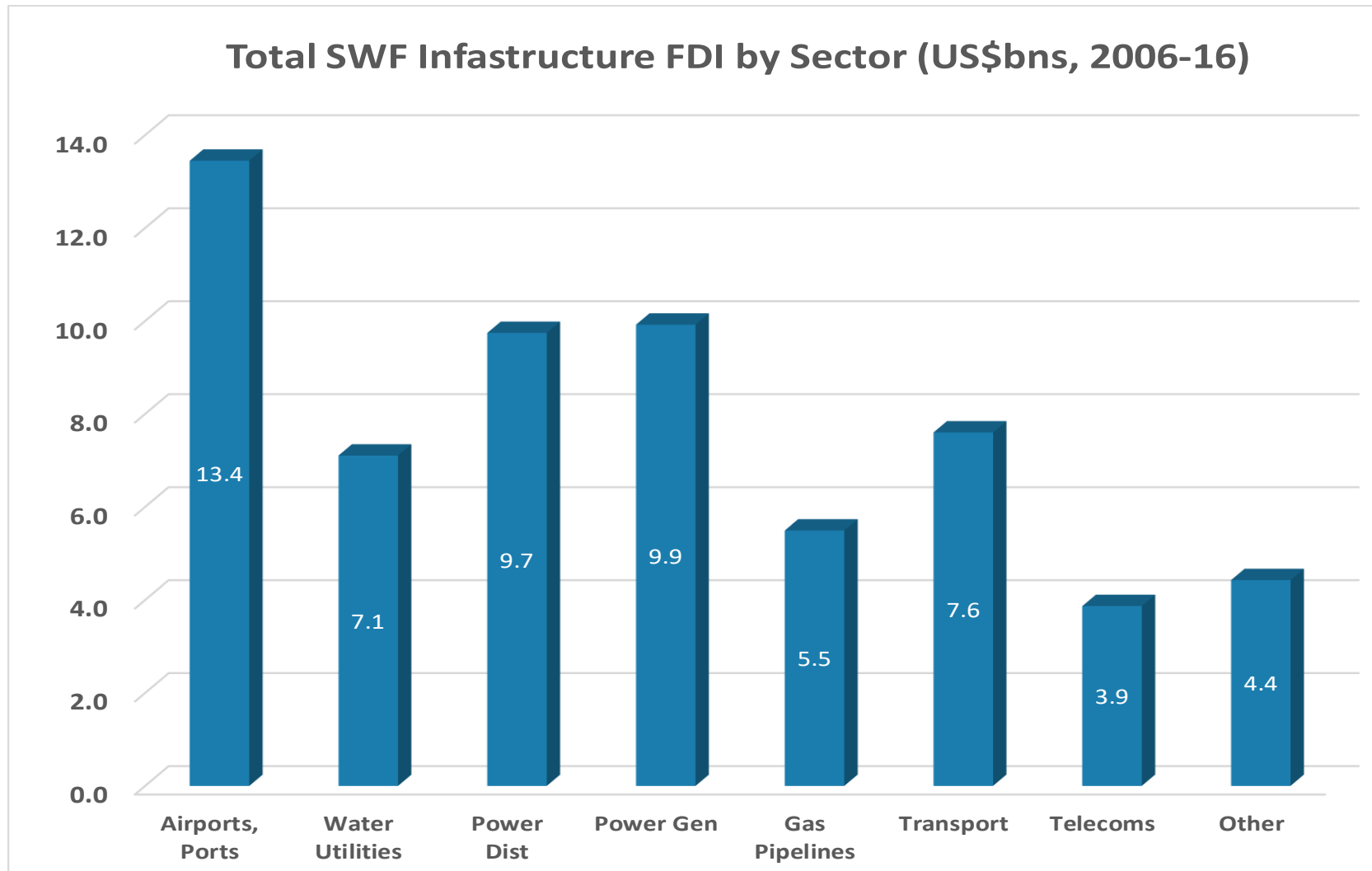
Most attractive asset class?
(asked of 221 sovereign funds during 2016)



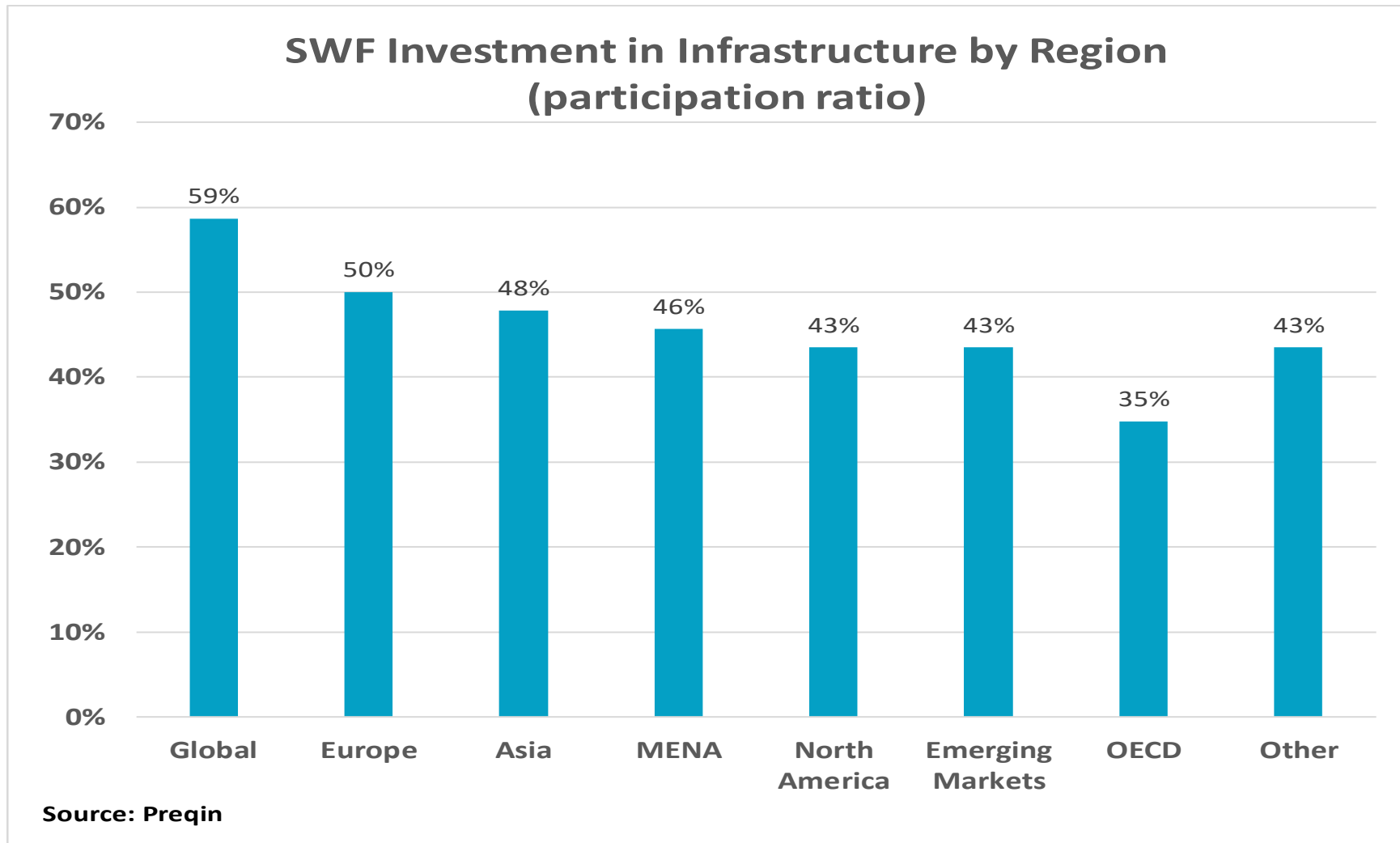
SWF infrastructure FDI growing steadily last decade



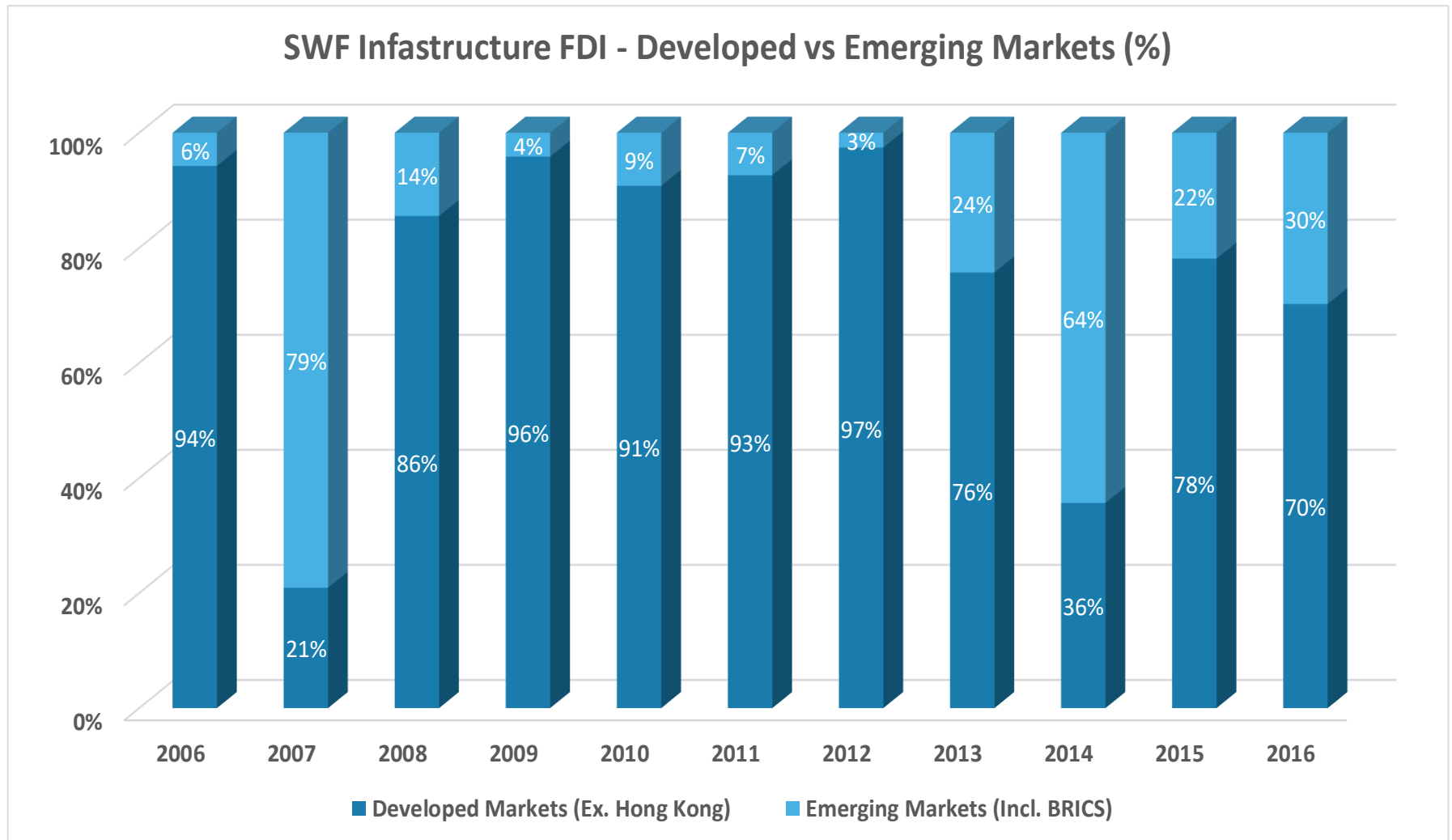
SWF infrastructure FDI cuts across sectors



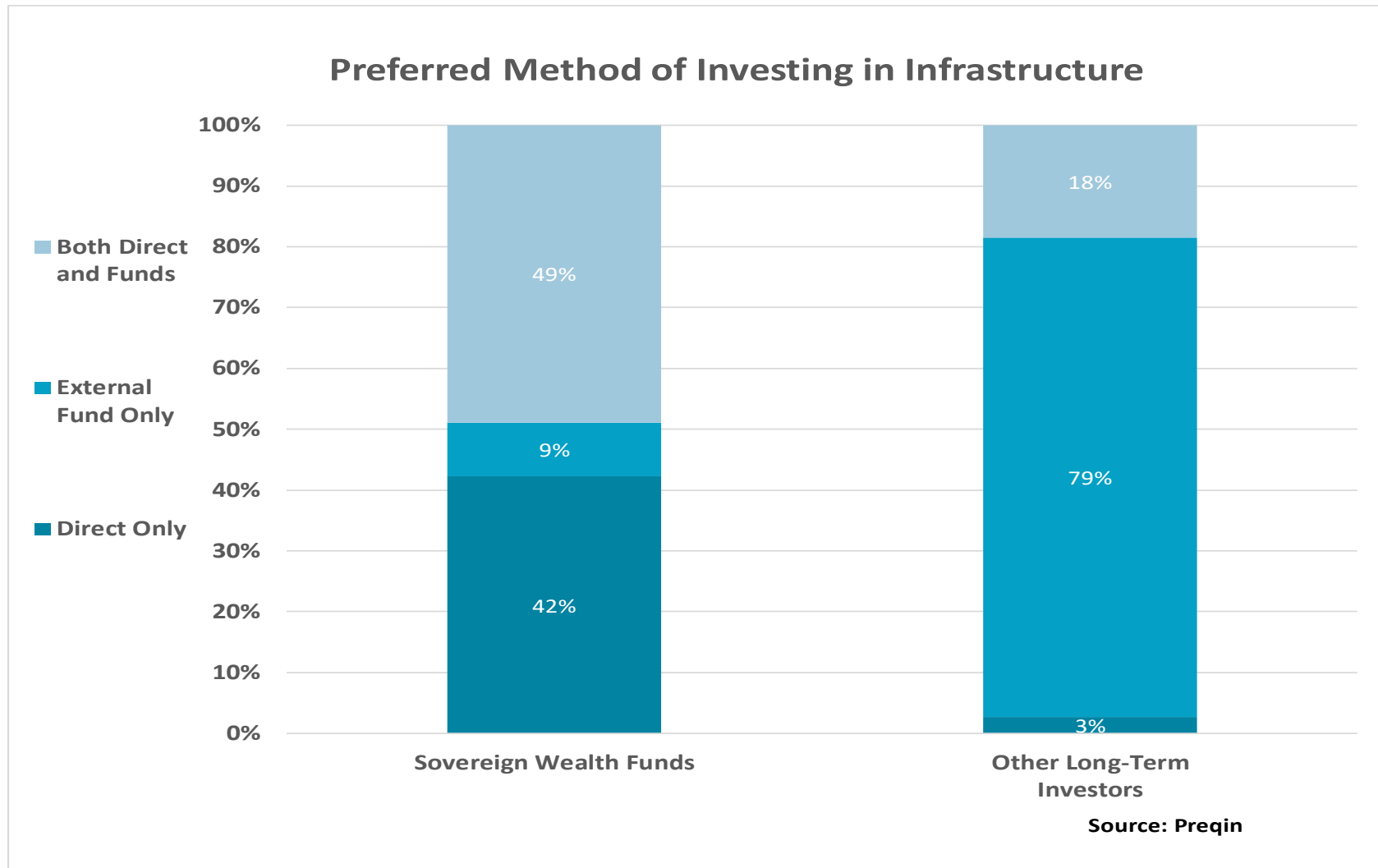
SWF invest in infrastructure across regions



SWF infrastructure FDI in EM is growing



SWF not limited to funds for infrastructure investing



Sample of SWF investing in Infrastructure

Investor	Location	Assets under Management (\$mn)	Geographic Focus	Route(s) to Market
Abu Dhabi Investment Authority	UAE	773,000	Global	Direct, Listed, Unlisted
China Investment Corporation	China	746,730	Global	Direct, Unlisted
State Admin. of Foreign Exchange	China	599,510	Europe	Direct
Kuwait Investment Authority	Kuwait	592,000	Global	Direct, Listed, Unlisted
GIC	Singapore	344,000	Global	Direct, Listed, Unlisted
National Social Security Fund - China	China	274,595	Greater China	Direct, Unlisted
Qatar Investment Authority	Qatar	256,000	Global	Direct, Listed, Unlisted
Temasek Holdings	Singapore	189,797	Global	Direct, Listed, Unlisted
Abu Dhabi Investment Council	United Arab Emirates	110,000	Global	Direct, Unlisted
Future Fund	Australia	85,598	Global	Direct, Listed, Unlisted

Sample of recent SWF infrastructure transactions

Asset	Location	Industry	Investor(s)	Deal Size (mn)	Total Stake (%)	Date
ITC Holdings Corp.	US	Power Distribution	GIC	1,230 USD	20.0	Apr-16
TransGrid	Australia	Power Distribution	ADIA, CDPQ, Hastings AM, Spark Infrastructure, Wren House	10,300 AUD	100.0	Nov-15
Kumport	Turkey	Shipping	CIC, China Merchants Group, COSCO Corp Singapore	940 USD	65.0	Sep-15
Tank and Rast	Germany	Motorway Service Stations	ADIA, Allianz Capital Partners, MEAG Munich Ergo AM, OMERS	3,500 EUR	100.0	Aug-15
RetireAustralia	Australia	Senior Homes	H.R.L Morrison & Co, New Zealand Superannuation Fund	640 AUD	100.0	Dec-14

Recommendations

To attract SWF/GPF, make sure infrastructure project:

- Is commercially “fit for purpose”
- Has strong regulatory and legal framework
- Addresses long-term sustainable (non-financial) risks.

Make use of:

- PPP
- IFC emerging market green bond fund (launched May 2017)

Recommendations

Infrastructure Investment Policy Blueprint (World Economic Forum, 2012)

