



Global Infra Fund of Funds

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Collaboratory for Research on Global Projects

Opportunity for HRJ

*Offer a **globally and sectorally diversified infra FoF***

*Cater to **pension funds that have infra allocations but lack internal talent & expertise***

*Position product as **top-tier** based on **HRJ track record and research at Stanford***

*Position for growth in burgeoning **\$1-2 trillion per year global infra industry***

*With market in paralysis and flight to quality infra is now king on Wall St.– **seize the opportunity!***

What is infrastructure?

Long-lived fixed physical assets that provide essential services to industry & society



Why do investors like infrastructure?

- Substitute for long-duration fixed income, but with considerable equity upside
- High quality, long-term, income-oriented investments that match long duration liabilities (liability offsetting is important with baby boom bulge b/c of need to match & payout)
- Massive global market driven by population growth trends
- Strong demand even in times of sluggish economic growth
- Some jurisdictions face a tight supply of government bonds
- Attractive risk adjusted yields

Why the fund format for infra?

- Funds are well-positioned to participate in very large projects through minority investments in “**club**” **consortia** that dilute risk exposure
- Infrastructure investing requires **specialist due diligence and management skills** that may not be readily at hand within the investment team of a pension fund or insurance co. & these skills may be aggregated in infrastructure funds
- The **decision timeframe** to invest in a deal is usually **tight** and inflexible and involves significant sunk due diligence costs – infrastructure funds are set up to **investigate opportunities quickly and efficiently** and can commit large amounts of capital in a short time-frame

Why the FoF format for infra?

- **Mass diversification** is extremely important for infra investing
 - Arguably the greatest threat to the success of most infrastructure investments is **political risk**
 - While investors have limited influence over the likelihood that they will face expropriation or creeping expropriation on a single project, they can use the fund of funds format & **large-scale diversification across sectors & geographies** to mitigate at the portfolio level consequences of political risk
- Pension funds have **committed allocations** to infra, but lack infra teams & face **shortage of infra investing skills** in market
- Most infra funds have a very **short record of performance**, and the FoF format will support diversification at a time when it is **not clear who is in the top-tier**

Benchmarking Global Infrastructure Funds

Objective	<ul style="list-style-type: none">• Identify top tier global infrastructure funds
Output	<ul style="list-style-type: none">• Scoring matrix for infrastructure funds• 45 key variables in six different thematic areas• Rating and ranking of funds• Appendix document and basis for white paper
Sample Universe	<ul style="list-style-type: none">• 45 – 50 global infrastructure funds currently in the market actively fundraising• Focus on utilities, transport, social, energy, core assets, other
Methodology	<ul style="list-style-type: none">• Review of funds' management presentations, PPMs, and other materials• Interviews with funds' principals
Team	<ul style="list-style-type: none">• 12 Stanford University graduate students from Engineering and Graduate School of Business led by Ryan Orr
Expected Completion	<ul style="list-style-type: none">• Research – July 2008• Appendix Document /Presentation – September/October 2008