

# CBRE CALEDON

**As we come to the end of another winter, CBRE Caledon Capital would like to take this opportunity to provide an update on the firm and some of its recent developments.**

**Partnership with CBRE Global Investors  
Infrastructure Opportunities Fund First Close and Capital Raised  
Deals Done  
The Maturation of Infrastructure Funds  
We've Expanded our Team  
Speaking Engagements**

## Partnership with CBRE Global Investors

**O**n August 9th, 2017, CBRE Group completed the acquisition of a majority interest in Caledon Capital. Caledon now operates as CBRE Caledon Capital Management Inc., a separate business unit within CBRE's independently operated investment management subsidiary, CBRE Global Investors. The Caledon management team continues to manage the business and will maintain significant long-term ownership.

CBRE Group, Inc. (NYSE:CBG) is the world's premier full-service commercial real estate services company with more than 75,000 employees in approximately 450 offices worldwide. CBRE Global Investors is one of the world's largest real asset investment management firms with US \$98 billion in assets under management.





# Infrastructure Opportunities Fund First Close and Capital Raised

CBRE Caledon has continued to grow its infrastructure and private equity investment platforms and the Firm raised over \$800 million in 2017. As part of this successful year, the Firm completed a first close of its inaugural pooled fund, the Infrastructure Opportunities Fund.

Along with a Canadian separate account

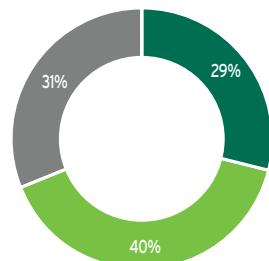
and a U.S. separate account (expected to close this month) that will deploy capital in parallel with the Fund, CBRE Caledon will have over \$270 million of capital to invest in the Fund's strategy of building a globally diversified portfolio of infrastructure investments. The Firm also closed on its first pooled private equity vehicle of US \$180 million.

## Deals Done

CBRE Caledon's investment team has been busy and has invested over \$600 million into infrastructure and private equity assets in the last 12 months. Additionally, the Firm has committed over \$1.5 billion to infrastructure and private equity funds during the year. A breakdown of CBRE Caledon's infrastructure and private equity investment activity is included below:

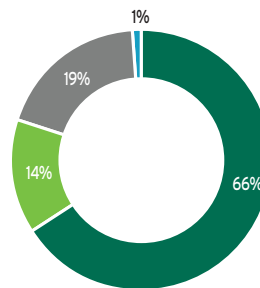
### Infrastructure Investments

Investments by Geography



■ Global ■ North America ■ Europe

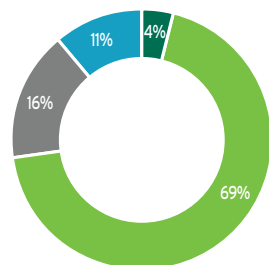
Investments by Sector



■ Diversified ■ Transportation ■ Telecommunications ■ Energy

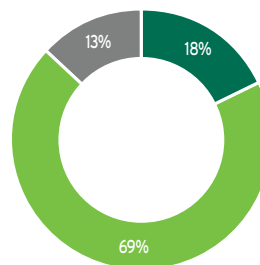
### Private Equity Investments

Investments by Geography



■ Global ■ North America ■ Europe ■ Asia

Investments by Strategy



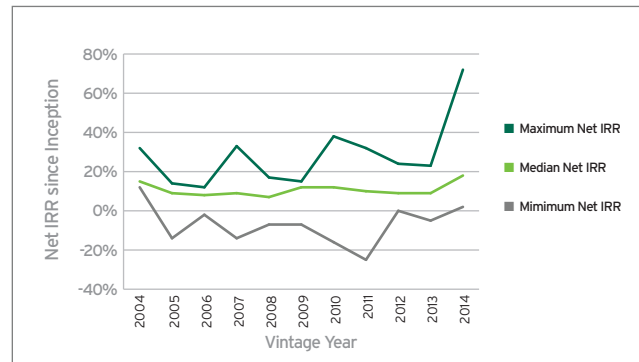
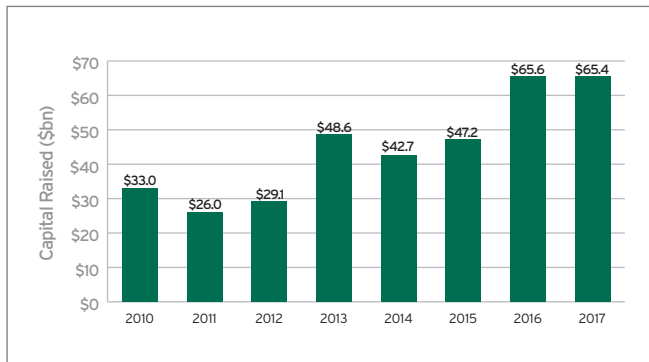
■ Distressed ■ Buyout/Growth ■ Secondary

Note: All Figures are in CAD unless otherwise noted



## The Maturation of Infrastructure Funds

Investments in private infrastructure have steadily grown buoyed by existing and new investors entering the asset class. The most common method of accessing infrastructure investments is through commitments to private infrastructure funds, which have raised US \$358 billion since 2010 (including US \$65 billion in 2017)<sup>1</sup>. The strong demand for infrastructure funds confirms the appeal of infrastructure assets and the specialized skills required to access them.



Source: Preqin 2017 Private Capital Fundraising Update, Preqin Q3 2017 Infrastructure Quarterly Update

Early adopters of the infrastructure asset class have been rewarded by the strong performance of earlier vintage infrastructure funds. As these “first generation” infrastructure funds approach the end of their fund terms, there is an opportunity for sophisticated buyers to acquire secondary interests in their remaining assets.

Like private equity and real estate, secondary investments in infrastructure funds have grown in recent years as dedicated secondary fund buyers and other entrants seek to invest in these opportunities. However, unlike in private equity or real estate, the infrastructure secondary market has been slower to develop due to the relatively younger age of the asset class, in addition to the lack of supply and lower return expectations. For example, Ardian Secondary Fund VII Infrastructure surpassed its US \$1.5 billion target in 2017, which was the largest amount ever targeted by an infrastructure secondary fund<sup>2</sup>. As a comparison, there are approximately 25 private equity secondary funds that have each raised at least US \$2 billion since 2015<sup>3</sup>.

As the asset class continues to mature, there should be additional secondary deal flow. According to Preqin, many of the infrastructure secondary interests originate from funds with vintage years

between 2006 and 2009. Preqin reports that the value of infrastructure assets in those vintages is approximately US \$82 billion, providing a significant supply of secondary market volume going forward. As several funds are approaching the end of their fund lives, managers are devising ways of providing end of life liquidity to investors who would otherwise trade their stakes via the secondary market. Fund recapitalizations represent one way for managers to achieve such a purpose.

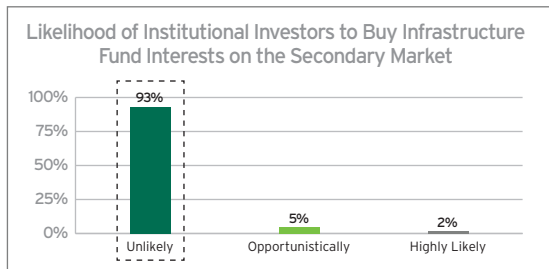
In several transactions since 2014, managers have been seeking liquidity for their investors through fund recapitalizations. These secondary deals are being pursued instead of the conventional liquidity path of discreet sales processes for individual assets. The emergence of these deals is well underway on the back of several completed transactions with more transactions expected in the near future.

Fund recapitalizations involve a fund manager transferring ownership of several assets to a new vehicle funded by new investors. This type of transaction can provide liquidity to fund investors, while also providing an option for other investors to maintain their ownership going forward. The benefits of these transactions for new investors can include immediate exposure to a portfolio of assets with an experienced

<sup>1</sup>Preqin 2017 Private Capital Fundraising. <sup>2</sup>Inframation News. <sup>3</sup>Preqin Data.



manager, mitigation of the J-curve effect, a lower fee option, broader portfolio diversification and an ability to build a new relationship with a fund manager.



Source: Preqin 2017 Global Infrastructure Report

Despite the attraction of fund recapitalization transactions, these opportunities are difficult to access. Successful investors require unique skill-sets to execute the transactions, including the ability to

perform due diligence on several assets at once and work with fund managers through a complex restructuring. Navigating the challenges provides an opportunity for sophisticated investors to gain attractive exposure to multi-asset infrastructure portfolios.

CBRE Caledon is an active participant in the infrastructure primary and secondary fund markets and expects several more fund recapitalization deals to become available as earlier vintage infrastructure funds approach the end of their fund lives. Experienced infrastructure investors who are willing to work with fund managers to invest in multi-asset portfolios will be well positioned to access these opportunities.

To learn more about infrastructure fund recapitalizations, please refer to CBRE Caledon's "Infrastructure Fund Recapitalizations" paper.

## We've Expanded Our Team

**Chelsea Ruiter (Vice President, Client Services):** Chelsea is spearheading all aspects of CBRE Caledon's client service initiatives. Prior to joining CBRE Caledon, Chelsea spent five years at AMP Capital where she held a similar role.

**Robin Stanton (Vice President, Business Development):** Robin is actively involved in all aspects of CBRE Caledon's business development initiatives. Prior to joining CBRE Caledon, Robin was Vice President, Investments at AGF Investments Inc, where he was actively involved in institutional business development for AGF Investments and InstarAGF.

**Angel Liang (Associate):** Angel is actively involved in all aspects of the CBRE Caledon's private markets investment process. Prior to joining CBRE Caledon, Angel was an Analyst in the Investment Banking Division of BMO Capital Markets.

**Matthew Ryan (Associate):** Matthew joined CBRE Caledon from the Global Banking and Markets group of Scotiabank. He

is activity involved all aspects of the Firm's private markets investment process.

**Matthew Minicola (Manager, Corporate Accounting):** Matthew is the newest member of the finance team and is included in all aspects of CBRE Caledon's corporate reporting. Prior to joining CBRE Caledon, Matthew was a Manager at Indigo Books and Music, working primarily on financial reporting, tax and accounting policies.

**Jason Wan (Analyst, Portfolio Monitoring and Reporting):** Jason is actively involved in all aspects of CBRE Caledon's monitoring and reporting efforts. Prior to joining CBRE Caledon, Jason worked at Royal Bank of Canada as a Derivative Valuations Analyst.

**Annie Lin (Financial Analyst):** Annie is a key member of the CBRE Caledon Finance and Accounting team. Prior to joining CBRE Caledon, Annie was a Senior Fund Accountant at SGGG Fund Services.

## Speaking Engagements

Canadian Investment Institute, November, 2017  
Stephen Dowd presented on "The role of PPP's in an Infrastructure Portfolio"

2018 Alternative Investments - Breakfast Series, February, 2018  
Justin Kusinskis and Martin Day participated on a panel discussing "Private Capital: Debt vs. Equity"  
Stephen Dowd participated on a panel discussing "Infrastructure Funds vs. Platforms"

Infrastructure Investor Tokyo Summit, April, 2018  
Stephen Dowd will present on the "Choosing the Right Investment Platform for the Japanese Investor" panel

2018 Visions, Insights & Perspectives (VIP) Infrastructure, June, 2018  
Stephen Dowd will present on the "Evolution of Infrastructure" panel



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