



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
QUARTERLY GLOBAL INFRASTRUCTURE  
MARKET UPDATE**

**(AS OF MARCH 31, 2012)**

***July 23, 2012***

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**M E K E T A I N V E S T M E N T G R O U P**

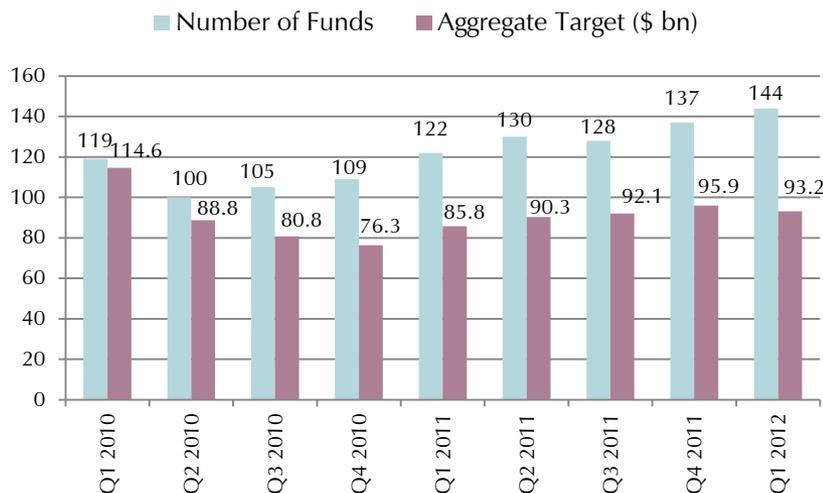
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**Fundraising – Marketing**



Source: Preqin

**Fundraising – By Region**

Funds in The Market	North America	Europe	Asia	Rest of World
Number	33	60	28	29
Target Value (\$ bn)	28.4	41.0	12.3	13.5
Average Size (\$ mn)	860	683	439	466

Source: Preqin

Fundraising is one indicator of investor interest in the infrastructure asset class. According to data from Preqin, infrastructure fundraising activity during the first quarter was mixed. Five unlisted infrastructure funds reached financial close during the quarter, raising an aggregate \$2.6 billion, compared with 11 funds raising \$3.5 billion during the same period in 2011. In the first quarter of 2012, 144 funds were in the market, which represents a higher number of sponsors compared to prior years. Despite this high number, the aggregate fundraising target actually declined over the previous quarter, indicating less ambitious goals.

When viewed by region, Europe was most prominent in terms of both the number of funds in the market and aggregate fundraising targets in March. Examples of recent European infrastructure transactions are presented on the following page.

Many of the key infrastructure transactions during 1Q 2012 occurred in Europe.

- In January, Global Infrastructure Partners entered into a strategic partnership with Fluxys G (“Fluxys”) for the acquisition from Fluxys of a 44.9% joint controlling interest in Fluxys Switzerland. Fluxys Switzerland holds an interest in and the right to market most of the transmission capacity of Transitgas, an approximately 300 kilometer pipeline that crosses central Switzerland and connects markets in Germany and France to Italy. The transaction is expected to close in May.
- In February, a consortium including CPP Investment Board (CPPIB), Allianz Capital Partners and Abu Dhabi Investment Authority announced the acquisition of a 24.1% stake in the Gassled Joint Venture (“Gassled”) from Statoil ASA. The total value of the transaction was NOK 17.35 billion (approximately C\$3.18 billion). Established in 2003, Gassled is a joint venture between the major oil and gas companies operating in the North Sea and owns the majority of the gas transport infrastructure on the Norwegian Continental Shelf. Gassled is expected to benefit from the growth in European gas demand and Norway’s long term position as a key supplier of gas to Europe.
- Also in February, Vattenfall, Europe’s fifth largest generator of electricity and the largest producer of heat, completed the sale of its heating and electricity distribution assets in Finland for €1.54 billion to a consortium of 3i Infrastructure, Goldman Sachs Infrastructure Partners, and the Finnish Ilmarinen Mutual Pension Insurance Company.

In March, Macquarie Infrastructure Partners II ("MIP II") completed its acquisition of WCA Waste Corporation, a vertically integrated, non-hazardous solid-waste services company providing collection, transfer and disposal services to commercial, industrial and residential customers. MIP II paid approximately \$526 million, which was equal to approximately \$6.50 per share, a 30% premium over WCA's closing price on December 20, 2011, when the transaction was announced.

Although activity in the U.S. public infrastructure market remained limited during 1Q 2012, two states advance proposed P3 projects in March.

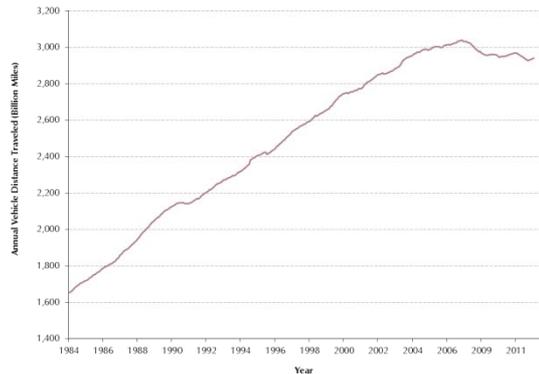
- North Carolina shortlisted four groups for the conversion and expansion of existing high occupancy vehicle ("HOV") lanes along the I-77 corridor to high-occupancy toll ("HOT") lanes. The selected group will develop, design, construct, finance, operate, and maintain the project. The project is expected to be awarded by the end of 2012.
- The Indiana Finance Authority and Indiana Department of Transportation published a Request for Qualifications for a private partner to design, build, finance, operate and maintain the East End Crossing (Louisville-Southern Indiana Ohio River Bridges Project), Indiana's \$2.6 billion portion of the Ohio River Bridges Project. The toll road concession will be structured using an availability payment concession. The four shortlisted teams selected in April include: (1) SNC-Lavalin Capital, John Laing Investments LTD, and Zachary Resources; (2) ACS Infrastructure Development, Hochtief PPP Solutions North America, and Skanska Infrastructure Development; (3) InfraRed Capital Partners, Balfour Beatty Capital, and Kiewit Development Company; and (4) Walsh Investors, VINCI Concessions S.A.S, and Bilfinger Berger PI International Holding. The final selection is expected by the end of 2012.

Transaction activity since the end of 1Q includes:

- In May, a consortium of investors including Macquarie European Infrastructure Fund 4, Abu Dhabi Investment Authority, British Columbia Investment Management Corporation, and Munich Re, agreed to acquire Open Grid Europe (“OGE”), for €2.9 billion. Based in Essen, Germany, OGE owns and operates the longest regulated regional gas transmission network in Germany. The transaction is expected to close in September 2012, subject to the approval of the German Federal Cartel office and the German Federal Ministry of Economics and Technology.
- In June, Ohio State University (“OSU”) accepted a bid of \$483 million in exchange for a 50-year lease to operate campus parking facilities. The winning bid came from a consortium led by Queensland Investment Corporation Global Infrastructure, based in Australia, and LAZ Parking, based in Hartford, CT. Consortia led by Macquarie and Industry Funds Management (“IFM”), respectively, were also selected as finalists. The agreement is expected to take effect in October 2012.
- Also in June, Global Infrastructure Partners completed its acquisition of Edinburgh Airport from BAA, in a deal for a cash price of £807.2 million (approx. US\$1.3 billion). The airport was the busiest in Scotland in 2011.

## California Public Employees' Retirement System

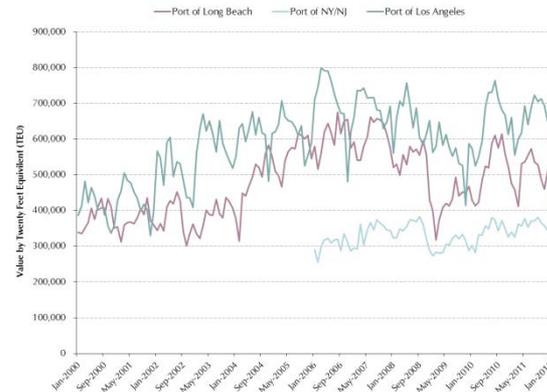
### U.S. Roads – Vehicle Miles Travelled



Source: U.S. Department of Transportation

During the first quarter of 2012, vehicle miles travelled on U.S. roads totaled approximately 692.3 billion miles, representing a modest increase of 1.4% over the same period in 2011. However, this increase is only relative; according to Federal Highway Administration data, miles travelled during the first quarter of 2011 were down by 1.2 percent compared to the prior year. Weak consumer and employment markets, and high gas prices continued to put pressure on miles travelled. Gas prices in 2011 were the highest on record, and prices jumped approximately 18% during 1Q 2012. According to INRIX data, of the top ten most congested routes in the U.S., none were tollroads.

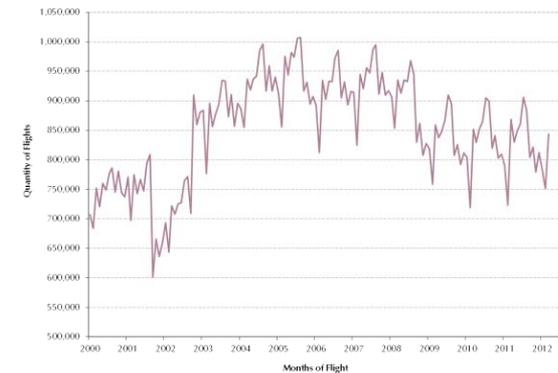
### U.S. Ports – Container Volumes in TEUs



Source: Port of Long Beach, Port of NY/NJ, and Port of Los Angeles

The chart above represents the top three U.S. ports by container volume, as measured by Twenty-foot Equivalent Units (“TEUs”). Data from the three ports offer a fair representation of the volume of activity at ports in the U.S. During the first quarter of 2012, volumes at the top three U.S. Ports increased by 1.1% over same period in 2011. West coast ports were impacted by the Chinese New Year, particularly in February, as Asian factories typically close for a week or more around the holiday, yet moved towards recovery in March. Building upon record volumes in 2011, the Port of New York/New Jersey volumes grew by 2.5% during the first quarter.

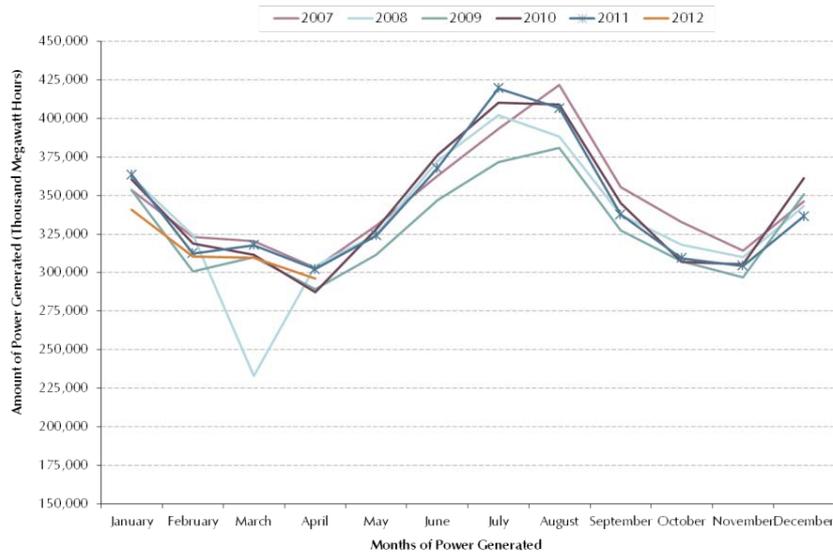
### U.S. Airports - Total Flights



Source: Bureau of Transportation Statistics

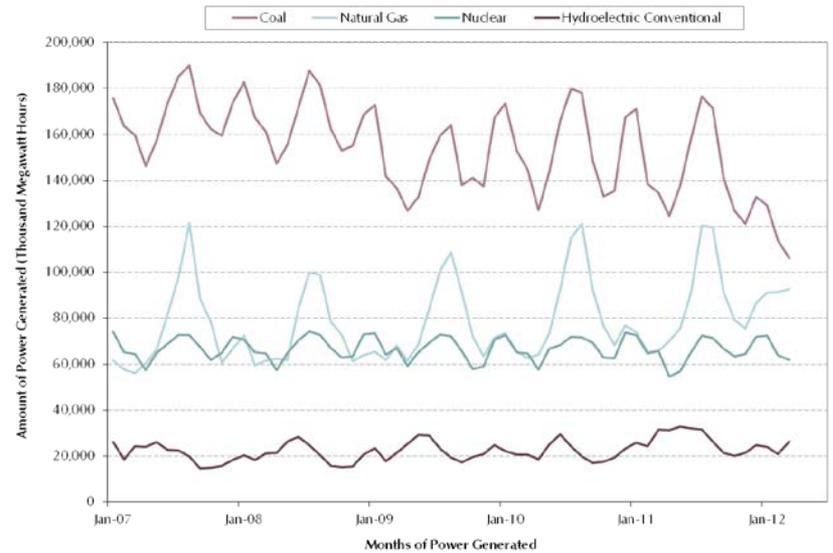
The chart above represents all U.S. domestic and international flights, but does not include foreign point-to-point flight totals. As illustrated above, air traffic is cyclical, with peaks in the summer months and declines in the winter months. Flight activity during the first quarter of 2012 continued the 2011 trend of high load factors. According to the Bureau of Transportation Statistics, capacity on domestic flights increased by 0.9% during 1Q 2012 compared to the prior year, while revenues increased by 2.6%. Overall, the number of passengers on scheduled U.S. airline flights increased by 8.9% on quarter over quarter basis.

Total Power Generation (U.S.)



Source: U.S. Energy Information Administration

Power Generation by Source (U.S.)



Source: U.S. Energy Information Administration

Net energy generation in the U.S. was down 3.3% during the first quarter, when compared to the same period in 2011. This decrease was largely due to an unseasonably warm winter where the number of heating days was approximately 22% less than the previous year. Also for the period, both residential and commercial energy sales experienced a decrease of approximately 9.9% and 1.5%, respectively.

When comparing individual generation sources in the US, natural gas generation was up 42.2% during the first quarter as compared to the same period in 2011. Compared to the same period in 2011, coal and nuclear generation were down by 21.5% and 6.0%, respectively. The sharp increase in natural gas generation and the decline in coal generation can be attributed to a decrease in natural gas prices of approximately 45.7% from March 2012 year over year. Coal remained the single largest source of power generation in March, accounting for 34.2% of U.S. power generation. Natural gas and nuclear generation represented 29.9% and 19.9%, respectively, while conventional hydroelectric power was 8.5% of total U.S. power generation.

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