

**November's
HOT TOPIC**

**Infrastructure
equity funds**

A WAY OUT OF RECESSION

All may be doom and gloom, but one sector of the world economy that is likely to benefit during the global recession is infrastructure. An increasing number of Governments in both the developed and emerging economies are planning to pump money into public works in an effort to stimulate their economies. Prior to the recent financial crisis the rise in infrastructure spending had already led to a rapid growth in the number of specialist equity funds focusing on this area. During the current year there have been 15 new infrastructure fund launches in Europe bringing the total to 47. Three years ago there were just four funds. In 2007 sales of infrastructure funds boomed with inflows of €5.5bn. This year has been a different picture with sales, and assets under management, suffering from the general downturn in markets. But recent Government announcements could reverse this trend.

PRIMING THE PUMP

The amount of state spending on infrastructure is set to increase dramatically. US President-elect Obama has already declared his intention to spend around US\$25bn on projects such as roads, bridges and school repairs with the aim of protecting jobs. In the UK, the Government has announced it is bringing forward £3bn of spending on major schemes such as road building, social housing and new schools and Germany has also stated that it will boost its infrastructure spending. Other European countries are expected to follow suit.

EMERGING MARKET STIMULUS

Most of the infrastructure funds available are actively managed and have a global remit. A handful focus on Europe and around a quarter specialise in Asia and the Emerging Markets. These include the largest and best selling fund this year, Invesco Asia Infrastructure. Infrastructure is seen by some investors as a good way of gaining exposure to emerging markets in the current environment as spending in this area is expected to remain robust. China has announced a mammoth €466bn spending programme on a wide range of projects in order to stimulate its slowing economy. Mexico and South Korea are going to inject more into public works, while India and Russia also have significant infrastructure spending in the pipeline. Funds should benefit from these developments.

IN BRIEF

Infrastructure funds have tripled since 2006 from 10 to 47.

Most infrastructure funds are sold cross border. The top country domiciles are Germany and Finland.

The UK has seen the strongest annual growth in assets in this sector over the past year.

Invesco is by far the largest player with 44% of total assets.

Groups launching their first infrastructure funds in 2008 were Deutsche/DWS, KBC, AXA, JPMorgan, Kaiser Ritter and Robeco.

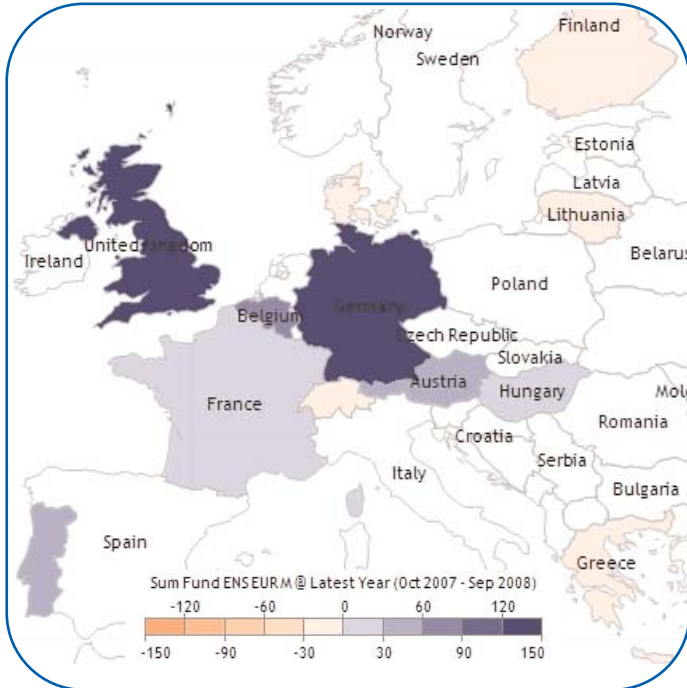
Equity infrastructure has been one of the top ten selling equity sectors this year.

Five ETFs offer infrastructure exposure on a Global, European or Emerging Markets basis.

HOT TOPICS



European map of Eq Infrastructure latest year sales (€m)



Market ranking by assets (€m)

Fund market	# funds	Assets Sept 08	Annual gth %
International	19	3,692.6	-9.2
Germany	6	156.7	151.9
Finland	5	139.1	-34.6
United Kingdom	3	132.3	1,033.9
Switzerland	4	127.2	-20.2
Portugal	1	59.8	384.6
Austria	3	56.5	-13.5
Belgium	1	51.5	757.8
Greece	1	20.7	-54.3
France	1	12.4	153.1
Denmark	1	6.6	-42.7
Lithuania	1	3.1	-42.1
Hungary	1	1.9	-10.9
Total	47	4,460.3	-4.2%

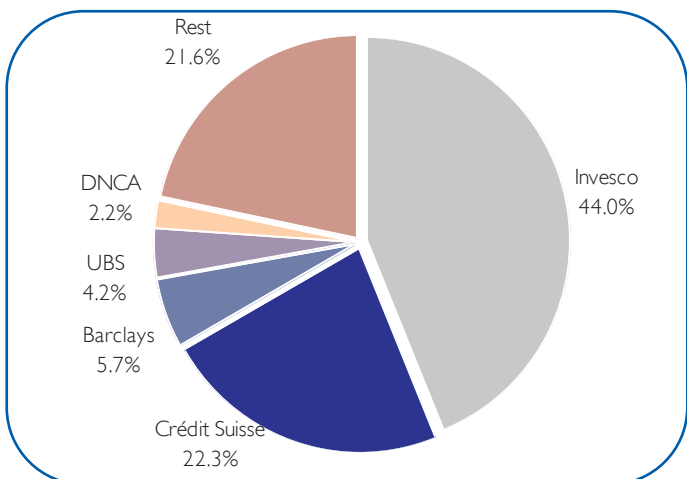
Top Master Groups by latest year sales (€m)

Master Groups	Prov	Sales	Mkt Share %
Invesco	UK	1,142.1	44.2%
UBS	CH	335.3	13.0%
Crédit Suisse	CH	245.1	9.5%
DNCA	FR	123.9	4.8%
First State	AU	109.0	4.2%
Rest		631.29	24.4%
Total		2,586.6	

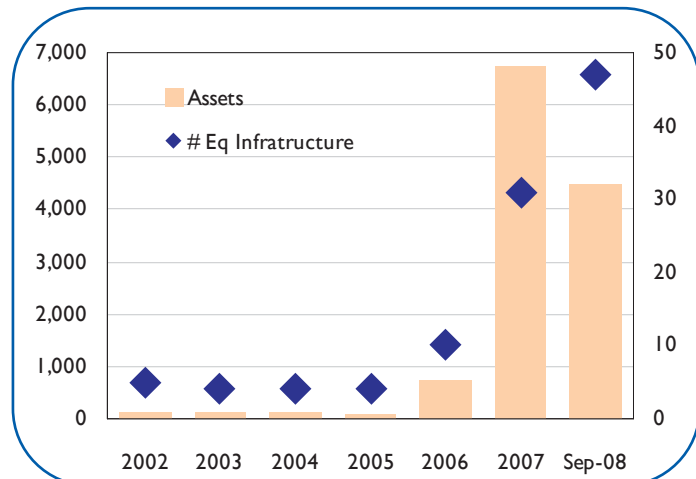
Best Equity Infrastructure by latest year sales (€m)

Fund	Dom	Sales
INVESCO Asia Infrastructure	Lx	1,142.1
UBS Equity - Emerging Markets Infrastructure	Lx	321.0
Crédit Suisse Equity (Lux) Infrastructure	Lx	127.5
Leonardo Invest - Infrastructure Europe	Lx	123.9
Clariden Leu (Lx) Infrastructure B	Lx	103.8
Rest		-1,312.5
Total		505.8

Top 5 Eq Infrastructure groups by assets - Sept 2008 (€m)



Growth of Equity Infrastructure by number and assets (€m)



Notes: Sales are estimated net sales. Latest year is the period Oct 07-Sept 08