



**Asia-Pacific
Economic Cooperation**

2015/FMP/WKSP2/015

Session 3.3

Philippine Investment Alliance for Infrastructure (PINAI): Private Equity Investments in Traditional Infrastructure Assets in the Philippines

Submitted by: Philippines



APEC
PHILIPPINES
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**Workshop on Infrastructure Financing and Capital
Market Development
Iloilo, Philippines
23-24 July 2015**

Philippine Investment Alliance for Infrastructure (PINAI): PE Investments in Traditional Infrastructure Assets in the Philippines

Presentation to the APEC Philippines 2015

23 July 2015



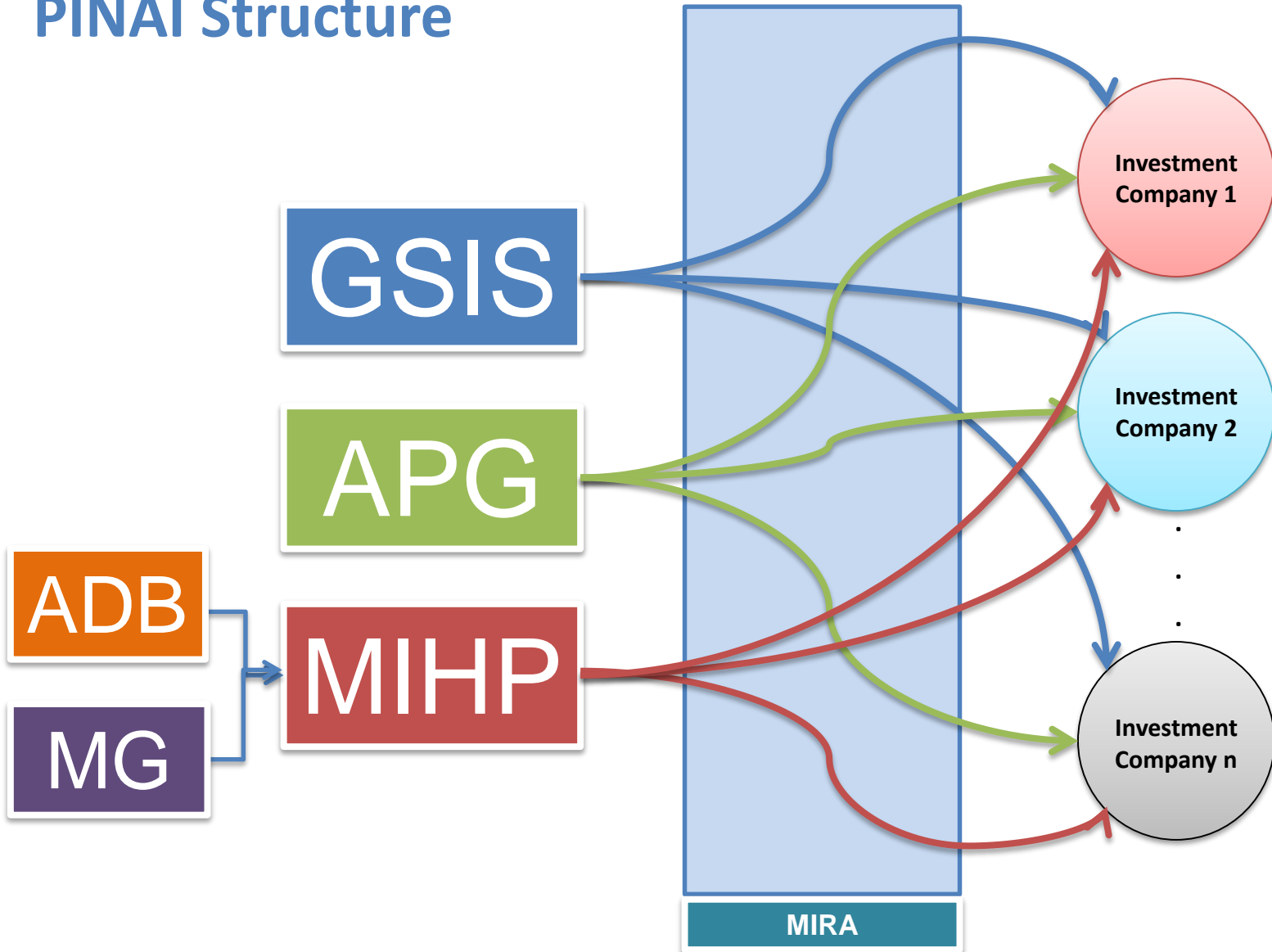
Government Service Insurance System

- Defined benefit pension fund established in November 1936 under Commonwealth Act No. 186
- Mandated to provide social security to public sector employees
- Social Insurance Fund comprises the contributions of members including earnings and accruals therefrom
- GSIS also manages and administers other funds (General Insurance Fund, Employees' Compensation Fund, Optional Life Insurance Fund, etc.)
- Current GSIS membership
 - 1.5Mn active members
 - 0.4Mn old age and survivorship pensioners
- During the last 5 years beginning 2010, GSIS' total assets have grown, on average, by 12.5% annually
- Current total assets is at PhP910Bn

Philippine Investment Alliance for Infrastructure (PINAI)

- In November 2011, the GSIS Board of Trustees approved the investment of GSIS in a fund that would participate in Philippine infrastructure and development projects
- GSIS partners in PINAI
 - Langoer Investments Holding B.V. (APG)
 - Asian Development Bank (ADB)
 - Macquarie Group (MG)
 - Macquarie Infrastructure and Real Assets (MIRA) selected as fund manager
- PINAI is a 10-year, PhP denominated, closed-end fund
- First and final close in July 2012
- Total committed capital of approximately PhP28Bn (US\$625Mn)
- GSIS committed capital of approximately PhP18Bn (US\$400Mn) , or 64% of total committed capital

PINAI Structure



Rationale for Investing in Infrastructure Projects through PINAI

- Search for higher yield
- PE investments in infrastructure provide diversification benefits
- Long-term nature of PE investments in infrastructure matches with long duration of GSIS liabilities
- Investments in domestic infrastructure projects are in line with the mandate of GSIS and supports the Philippine Government's PPP initiatives

Current Status of PINAI Investments

- PINAI projects
 - 81MW wind farm in Caparispisan, Ilocos Norte
 - Storage and pipeline facilities in Subic Bay Freeport Zone, Olongapo City
 - Operation and extension of Light Rail Transit 1
 - 414MW coal-fired power plant in Kauswagan, Lanao del Norte
 - 45MW solar plant in San Carlos, Negros Occidental
- GSIS has invested approximately PhP12Bn (US\$266Mn), or 67% of its total committed capital
- The 3-year investment period will end this month but was approved to be extended for another year

Major Considerations to Private Equity Investments in Infrastructure

- PE investment in infrastructure should fit the investment requirements of the whole portfolio
- Partnering with multilateral organizations and experienced investors
- Hiring a qualified fund manager with both depth and breadth of experience in investing in infrastructure projects
- Requiring the fund manager to co-invest

THANK YOU

