

EdRAM UK was introduced to Liberty Partners by Olivier Colom with a view of jointly setting up a platform for investments in the infrastructure sector in the Emerging Asia region, with a focus on Mongolia.

**Fund Rationale:** Forecasted demand for infrastructure assets is expected to require investments of at least an additional USD 1tr. a year through 2020 solely in developing markets based on current growth rates. BEA is seeking to address the potential lack of traditional sources of funding for infrastructure investments by providing a pocket of alternative liquidity. According to PWC the geographical shift in infrastructure spending from West to East has already started and is advancing steadily. Developing economies, most notably China and other parts of Asia, account for nearly half of all infrastructure spending.

**Liberty Partners** (“Liberty”) was established in 2010 and is based in Mongolia. The company provides financial advisory, structuring and arranging of debt and equity financing enabling clients in Mongolia to grow their businesses by accessing global capital and loan markets. They are backed by the Mongolian authorities and their Managing Director is an established infrastructure project financier with international banking experience.

**EdR Rationale:** The proposed Fund would provide EdR with the opportunity to act as an early mover in project finance in countries such as Mongolia and Kazakhstan as well as expanding the BRIDGE platform beyond the current European focus. The partnership with Liberty would enable to optimise/ minimise EdRAM UK’s management team resources usage required as Liberty would handle most of the local origination and relationships with sponsors and public authorities as well as support locally the structuring of assets.

### **Possible Structure**

- Cost effective and timely as BEA would use the Bridge SCA structure (GP: Bridge Management S.a.r.l.; AIFM: EdRAM Luxembourg; Investment Manager: EdRAM UK).
- Liberty would act as Sub-Advisor to EdRAM UK. Sub-Advisory Agreement between Liberty and EdRAM UK to be drafted.
- BEA would be a Sub-Fund of Bridge SCA SICAV-SIF.
- SPVs (100% subsidiaries of the Sub-Fund) would be established in Austria, Mongolia and Hong Kong to ensure tax efficient investing.
- The Sub-Fund would be closed-ended and established for a term of 20 years commencing with the first closing date as it would extend various financing instruments from senior to junior debt/ quasi equity.
- Sidley Austin LLP, a leading global law firm with extensive expertise in structuring investment funds, dealing with institutions and Sovereign Wealth Funds would act as legal advisor.

### **Investment strategy / pipeline**

- Target geographies: Mongolia, Kazakhstan, Kyrgyzstan, Cambodia, Laos, Myanmar and Vietnam with a focus on Mongolia (the “Target Markets”).
- Contemplated target sectors: transport, social, energy, telecoms, utilities, oil & gas.
- Pipeline for opportunities in Mongolia has been provided mainly by Liberty.
- Investment opportunities identified so far amount to ca. USD 17.4bn, split ca. 60 / 40 senior debt / junior debt & quasi-equity.
- Indicative yields from 8-11% for senior debt to 15-20% for junior/ quasi equity instruments + performance fee mechanism TBD.
- Need to determine which projects in the pipeline will meet the Fund’s timeline for funding.
- Proposal from Liberty to partner with Kazkommertsbank to source opportunities in Kazakhstan. EdRAM UK has already identified a sizeable investment; the Almaty toll road PPP.

### **Investment documents needed to approach Institutions**

- One-pager to distribute to key contacts – almost finalised.
- Info Memo & Teaser – in progress.
- Term Sheet - first draft.

## Target Investors

### Key contacts identified for market soundings

- Government / public entities/ SWF: Japan Bank for International Cooperation, Kuwait Investment Authority, Qatar Holding, Temasek, GIC, ADIA, Malaysia (EPF) and Brunei (BIA), Nordic names.
- DFIs / Multilaterals: EBRD, Asia Infrastructure Investment Bank.
- Funds: Aabar, Silk Road Fund (China).
- Commercial Banks: Kazkommertsbank.

### Marketing plan

- Initial call took place with Liberty and Marcus Money-Chappelle (EDRAM UK Head of SWF) to gauge the potential for BEA and agree on some of the above names as initial targets.

## Development Costs

Our current internal estimate of legal costs amounts to ca. £400,000 to be shared 50:50 with Liberty.

## Contemplated Timetable

- Q3/Q4 2015 – Structuring of the fund and offering documents
- Q1 2016/ Q3 2016 – Roadshow
- Q3 2016 – Constitution of the Sub-Fund
- Q4 2016/ Q1 2017 – First investments

## Initial Outline Budget

Amounts in USD '000

### Projected EdRAM UK fees

|                         | Year 1 | Year 2 | Year 3 | Year 5 | Year 10 | Year 15 | Year 20 |
|-------------------------|--------|--------|--------|--------|---------|---------|---------|
| Structuring Fees        | 802    | 802    | 802    |        |         |         |         |
| Management Fees         | 596    | 1,192  | 1,788  | 3,557  | 3,271   | 2,717   | 1,788   |
| Potential Placement Fee | 1,192  | 2,383  | 3,575  |        |         |         |         |

Structuring Fee split 50/50 between Investors and Fund

Management Fee split 50/50 between sales force and Fund during investment period (3 years herein)

Estimate of the Placement Fees provided on the basis of 3 years of Management Fee sharing - full fees to be adjusted according to what EDR places

Management Fees received by Fund split 50/50 between EdRAM and Liberty

Projections based on a USD 550m fund size

## Selective Advisory

- Two advisory opportunities are available in advance of Fund launch. They can: i) increase credibility and awareness of Liberty and EdR in the market via provide a concrete track record (as for BRIDGE Europe), iii) generate fees which can also offset the development costs
  - Sainshand Industrial Park: majority stake sale.
  - Chandgana Power Plant project finance.
- No mandate acquired to date

### Current EDR Deal Team

Sponsor: Olivier Colom (EdR Group)

Structuring / Investment strategy/ Origination: Jean-Francis Dusch, Alain Porchet, Ada Cerne (EdRAM UK)

Legal / Fund structuring / Middle office: Stephane Kuzmin (EdRAM UK), Elizabeth Horner (EdR UK)

Market sounding: Marcus Money-Chappelle (EdRAM UK)