# Tertiary market to be a "supplementary source" of PFI deals, says JLIF

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Tertiary transactions in the UK private finance initiative (PFI) equity market will prove a "supplementary source" of deal flow for financial investors, according to John Laing Infrastructure Fund (JLIF).

Relatively few PFI projects have been contracted in the years since the Coalition government came to power, leading developers and investors to complain of an arid pipeline in social infrastructure.

But JLIF fund manager Andrew Charlesworth told IJ News he was confident the "tertiary" market would bear fruit as first-generation private funds with a finite life looked to exit their portfolios and realise value.

"The proliferation of private funds from 2003 to 2006-7 with 10 or 15-year lives means as they come to an end in 2013 through to 2022 they will be looking to realise value wholesale by selling a portfolio, or by extending the life of a fund.

"There's still a significant deal flow coming through developers. We see that pipeline being sustained but if there is any lull due to the supply of primary projects we see it as supplemented through the re-emergence of projects in what we call the tertiary market."

London-listed JLIF, which was launched in 2010 and invests in public-private partnership (PPP) concessions in the UK, northern Europe and North America, has an agreement giving it first right of refusal on assets to be disposed by its namesake developer. Nevertheless, nearly three-quarters of its deals in since the start of last year were sourced from third parties.

In one such transaction, it paid £123 million for a roster of 11 UK schools, street lighting and health projects from Investors in the Community earlier this month.

Brushing off concerns about the slowdown in PFI procurement, Charlesworth said any dip would be unlikely to directly affect JLIF, who like its quoted rivals International Public Partnerships (INPP), HICL infrastructure fund and Bilfinger Berger Global Infrastructure, invests chiefly in operational projects. All have raised additional equity this year to fund new acquisitions.

"The [dearth of new projects in the] primary market is of interest rather than direct concern," he commented. "The massive advantage we have is that by looking at post-construction assets they have been in operations for more than a year.

"The types of [PFI] contracts we are buying even at their earliest points were signed three, four, five years ago. So any change in the primary market we won't see for a few years. But there are still plenty of projects closed in 2008-10 that are still going through.

"The northern European market is still going strong procuring projects and the Netherlands has accelerated its programme. Canada continues to announce new rounds and the US market is beginning to gather pace."