



**PASEGURUHAN NG MGA NAGLILINGKOD SA PAMAHALAAN
(GOVERNMENT SERVICE INSURANCE SYSTEM)**
Financial Center, Pasay City, Metro Manila 1308

20 January 2012

Mr. DENNIS LORNES S. NACARIO

Executive Director

Government Procurement Policy Board

Unit 2506, Raffles Corporate Center, F. Ortigas Jr. Road,
Ortigas Center, Pasig City 1605

Subject: **Government Service Insurance System (GSIS)
Selection of Local Fund Managers through
Limited Source Bidding**

Gentlemen:

In compliance with the GPPB Resolution No. 05-2011 and the guidelines set by RA 9184 and its Revised Implementing Rules and Regulations for Limited Source Bidding, please be informed that the GSIS, through its Investment Bids and Awards Committee, conducted a pre-selection process for Local Fund Managers.

In connection therewith, we are pleased to submit the list of pre-selected Local Fund Managers:

1. ATR-Kim Eng Capital Partners, Inc.
2. Bank of the Philippine Islands
3. Deutsche Bank AG
4. Philippine Bank of Communications
5. Philippine National Bank
6. Rizal Commercial Banking Corporation
7. Security Bank Corporation
8. Union Bank of the Philippines
9. United Coconut Planters Bank

We look forward for your early acknowledgement of this letter.

Thank you for your assistance in this undertaking.

Very truly yours,

ROBERT G. VERGARA
President and General Manager and
Head of Procuring Entity



PASEGURUHAN NG MGA NAGLILINGKOD SA PAMAHALAAN
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Financial Center, Pasay City, Metro Manila 1308

19 January 2012

CERTIFICATION

This is to certify that in line with the GSIS mandate as defined by R.A. 8291 (GSIS Act of 1997), the GSIS Board of Trustees has approved the hiring of an Infrastructure Fund Manager to manage the GSIS' initial investment of US\$ 300Mn in Philippine infrastructure projects, subject to existing laws, policies, rules and regulations.

This is to certify further that limited source bidding is being used as the method of procurement because the services to be obtained are highly-technical and can be procured only from a limited number of fund management firms with experience in infrastructure-focused private equity fund management in Asia. Also, due to the substantial amount of money involved, dealing with a fund manager requires trust and confidence which can be attained only by hiring a well-known and reputable company that is a prerogative of the GSIS Board of Trustees by exercising its sound business judgment. To go through the process of public bidding may compromise the trust and confidence required of the transaction.

This is to certify finally that the GSIS has approved the five (5) Infrastructure Fund Managers pre-selected and endorsed by the Asian Development Bank (ADB) through limited source bidding, based on the relevant provisions of GPPB Resolution No. 05-2011 and of R.A. 9184 and its Revised Implementing Rules and Regulations. ADB was tasked to lead the pre-selection of fund managers given its extensive experience and expertise in investing in private equity funds, including structuring and selecting fund managers.



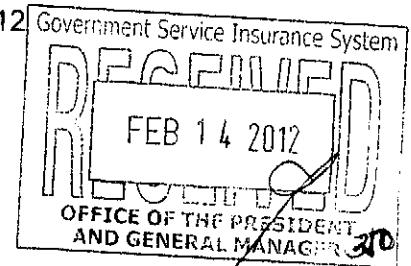
ROBERT G. VERGARA

President and General Manager
GSIS Head of Procuring Entity

ADB

Asian Development Bank

13 February 2012



Mr. Robert G. Vergara
President and General Manager
Government Service Insurance System
GSIS Building, Financial Center
Roxas Boulevard, Pasay City

Subject: Philippine Infrastructure Fund – Fund Manager Pre-Selection Process

Dear Mr. Vergara,

You have asked that we summarize ADB's activities in spearheading the preliminary fund manager selection process for the proposed US\$500 million Philippine Infrastructure Fund. The attachment to this letter contains an outline of events which provides such a summary. Please let me know if you need any further information.

We are encouraged with the progress that we have made to-date and we are confident that, at the end of this process, we will have chosen an appropriate fund manager who is properly aligned with all of our goals and objectives.

As discussed, we will work toward making a public announcement of the fund and the selection of the fund manager in early May 2012, possibly subject to ADB and IFC Board approval at that time. We expect to achieve a successful closing of the fund shortly thereafter.

We are excited about the opportunity to establish the Philippine's first private equity infrastructure fund, and we look forward to continuing to work with you on this important project

Best Regards,

A handwritten signature in black ink, appearing to read "Robert van Zwielen".

Robert van Zwielen
Director

Capital Markets & Financial Sectors Division
Private Sector Operations Department

OUTLINE OF PRELIMINARY FUND MANAGER SELECTION PROCESS FOR THE PHILIPPINE INFRASTRUCTURE FUND

1. In a meeting on 8 November 2011, GSIS, ADB and IFC (together the "Group") agreed to work in cooperation towards establishing a Philippine Infrastructure Fund ("PIF" or the "Fund") to provide equity and equity-linked financing for a diversified portfolio of infrastructure projects in the Philippines. GSIS and IFC requested ADB to spearhead the search for a qualified fund manager because of ADB's extensive private equity experience, and ADB agreed.
2. The Group proposed to conduct the selection process in three phases:
 - (a) Preliminary Screening
 - (b) Phase I Evaluation (Shortlisting of GP/FM Candidates)
 - (c) Phase II Evaluation (Final Selection of GP/FM)
3. **Preliminary Screening:** ADB conducted a preliminary review to identify potential candidates.
 - (i) In November 2011, ADB prepared a list of potential fund managers based on a recent private publication by HGCapital, a UK-based PE firm, which listed the top firms involved in infrastructure-focused PE fund management by target geographies. Based on this publication, ADB identified five FMs that were focused on Asia (3i, Goldman Sachs, JP Morgan, Macquarie, Morgan Stanley).
 - (ii) ADB then contacted Goldman Sachs, Macquarie, and Morgan Stanley to identify and cross-reference whom they regarded as their main competitors in this space. From these correspondences ADB identified five additional candidates to be included.
 - (iii) The result was a comprehensive list of ten potential Fund managers. Using Preqin, the investment industry's leading research database on PE funds, ADB verified that this list was indeed qualified based on their infrastructure PE track records and geographic focus. IFC also confirmed the completeness of the list. See TABLE 1 for the initial preliminary list of potential Fund Managers.

Table 1: Initial Preliminary List of Potential Fund Managers

Firm	Target Geographies
1. 3i Infrastructure	Europe, N. America, Asia
2. Goldman Sachs Infrastructure Partners (GSIP)	Global
3. J.P. Morgan Asset Management - Asian Infrastructure Group	Global
4. Morgan Stanley Infrastructure Partners (MSIP)	Global
5. Macquarie Infrastructure and Real Assets (MIRA)	Global
6. Actis	Africa, Asia, Latin America
7. CapAsia	Asia
8. China ASEAN Investment Corp.	Asia
9. Standard Chartered Principal Finance	Asia, Africa
10. UBS Infrastructure Asset Management	Global

Note: Firms 1 through 5 were identified from the initial HGCapital Publication. Firms 6 through 10 were identified through subsequent correspondences.

Source: HGCapital, Preqin, and ADB

4. ADB contacted each firm on the initial preliminary list to determine whether it was interested in the mandate; and if so, whether the firm considered itself capable of executing the mandate. With the exception of 3i Infrastructure, which did not respond, ADB spoke with each potential FM discussing the following topics:

- (i) overall experience and track record as an infrastructure fund manager in Asia;
- (ii) market focus, and level of interest in and familiarity with Philippines infrastructure;
- (iii) appetite for a single country infrastructure fund; and
- (iv) past experience with government institutions and multilateral development banks

5. The nine firms that responded to the initial preliminary screening call expressed an interest in reviewing the PIF mandate further, and requested to be given up to three weeks to discuss with their internal groups whether they could formally participate in the selection process. Within that timeframe, four firms advised that they were not in a position to formally pitch for the mandate (Actis, China ASEAN, Goldman Sachs, and UBS), due either to a lack of resources or to potential conflicts of interest with their other funds. These firms were excluded from future consideration, leaving five potential fund managers (see TABLE 2). Representatives of the Group met with all five firms from late November 2011 through December 2011.

Table 2: Final Preliminary List of Potential Fund Managers

Firm
1. Capital Advisors Partners Asia (CapAsia)
2. J.P. Morgan Global Real Assets - Asian Infrastructure Group
3. Morgan Stanley Infrastructure, Inc.
4. Macquarie Infrastructure and Real Assets (MIRA)
5. Standard Chartered Infrastructure Principal Finance

6. With the exception of CapAsia, which has approximately \$400 million of Assets Under Management (AUM), the candidates typically have AUM of at least \$1 billion and are supported by publicly traded financial institution platforms with global footprints. With the exception of Morgan Stanley, the candidates have typically raised at least one PE infrastructure fund specifically dedicated to Asian emerging markets. A further description of the five candidates is as follows:

- (i) **CapAsia:** CapAsia is a PE firm investing in the infrastructure sectors in Southeast Asia and Central Asia. The firm was founded in 2006, and is currently made up of 13 investment professionals with offices in Singapore, Kuala Lumpur, Jakarta and Bangkok. CapAsia manages \$400 million in AUM across three funds.
- (ii) **J.P. Morgan:** J.P. Morgan Asset Management Global Real Assets (JPMAM GRA) is an asset manager specializing in real estate, infrastructure and maritime strategies. JPMAM leverages the J.P. Morgan Chase & Co. global platform and maintains \$1.3 trillion of AUM as of 3Q 2011. JPMAM GRA's Asian Infrastructure Group itself manages \$1.8 billion of commitments. The team consists of 25 investment professionals based in Singapore, Hong Kong and Mumbai. J.P. Morgan as a brand has had an established presence in the RP since 1961, and it currently employs over 11,000 in the country through its Business Process Outsourcing (BPO) operations.

- (iii) **Macquarie:** Macquarie Infrastructure and Real Assets (MIRA) is an asset manager within Macquarie Funds Group (MFG), the Macquarie Group's fund management business, and MIRA specializes in direct asset funds including infrastructure, real estate and PE. MIRA leverages the Macquarie Group's global platform and maintains \$7.6 billion of AUM as of 1Q 2011. The team consists of over 100 staff spread across six offices, and it has managed nine Asian funds since 2002.
- (iv) **Morgan Stanley:** Morgan Stanley Infrastructure, Inc. (MSI) is an asset manager within Morgan Stanley Investment Management. MSI leverages the Morgan Stanley global platform and currently maintains \$4 billion of AUM. The MSI team consists of 45 investment and asset management professionals, supported by 27 support staff, across offices in New York, London, Hong Kong and New Delhi.
- (v) **Standard Chartered:** Standard Chartered Infrastructure Principal Finance (SCIPF) is the proprietary investment arm of the Wholesale Banking division of Standard Chartered Bank (SCB). SCIPF leverages SCB's leading emerging markets banking platform centered across Asia, Africa and the Middle East, and maintains \$4 billion of investor commitments in Asia since 2002. SCIPF's infrastructure team raised a \$658 Asian infrastructure fund in 2008-09; the infrastructure team consists of 12 investment professionals (not including support staff) spread across offices in Singapore, China and India. SCB as an entity is the oldest foreign bank in the Philippines, established in 1872, with six branches across the country and current staff strength of 531.

7. Representatives of the Group met on 16 January 2012 to discuss the five candidates, and ADB confirmed to the Group that it considers all five candidates qualified for consideration as fund manager for PIF.