Overview

In our July 2019 BRI Pulse, we set out the decline of new G2G loans over the past several quarters. Q4 policy bank loan volume continued this decline with less than a handful of G2G loans, each less than $750 million. Two of the three largest Chinese policy bank loans were to SPVs involving major Chinese SOEs – rather than to governments hosting these projects.

While the downward trend in committed quarterly G2G loan volumes continues, funded 100% by the Chinese Government, there has been a significant increase in volume, albeit at smaller amounts, the use of AIIB multilateral commitments.

While AIIB began seeding funds and providing on-line lending previously (see below), 2019 activity represented a significant change of pace with the launch and/or seeding of five PE/infrastructure funds (22% of H2 volume) as well as 4 on-lending facilities. Together, these two categories, all designed to embrace ESG criteria, represent 39% of all H2 2019 committed volumes.

Table 1 below sets out total volume of committed facilities by quarter in 2019, with the PE funds and on-line lending facilities highlighted separately.

<table>
<thead>
<tr>
<th># of Commitments</th>
<th>On-lending</th>
<th>Equity/Mezzanine Fund(s)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Q2</td>
<td>4</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Q3</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Q4</td>
<td>2</td>
<td>2</td>
<td>13</td>
</tr>
</tbody>
</table>

Table 1: AIIB 2019 Commitments

(1) Although not officially associated, AIIB and the BRI are complementary.

(2) Based on the date of formal AIIB Board approval.

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**Funds**

- **CITIC Capital Pan Eurasia Fund (CCPEF – 12/19)** focused on Asia, in particular CIS region. Closed end PE fund where AIIB committed $75 million of the planned $500 million fund; also has co-investment rights

- **SUSI Asia Energy Transition Fund (SAETF – 11/19)**. PE fund targeted towards ASEAN renewable energy. AIIB has committed $50 million of the target fund size of $250 million and also has co-investment rights

- **Asia Climate Bond Portfolio (09/19)**. AIIB members to construct a climate change focused fixed income portfolio of $500 million to be managed by Amundi which will help to raise another $500 million from institutional investors

- **Infrastructure Private Capital Mobilisation Platform/BIM (07/19)**. In July, AIIB announced it was considering investing in a new platform which could help build infrastructure as an asset class; AIIB’s equity investment would be up to $54 million (30%) with the remaining $126 million (70%) from other investors/partners plus $1.8 billion debt. On 29th November, AIIB and Clifford Capital announced the Bayfront Infrastructure Management (BIM) designed to sponsor, structure and manage such distribution issuances and invest in the equity tranches/vertical slices of its securitization issuances aligned with institutional investors

- **Asian Investment Fund (AIF – 07/19)** is Hong Kong based private PE fund designed to attract institutional investments primarily into Asia based companies with proven track records operating in infrastructure, telecommunications, transportation and energy. Target fund size is $500 million with AIIB committing $75 million

- **In June, AIIB invested $50 million, joining Germany’s DEG, IFC and HEG (India) in an infrastructure investment trust (InvIT) formed by Delhi-based infrastructure firm Oriental Structural Engineering (OSE(3))**

Previously, in 2018, AIIB invested $100 million in equity in the National Investment and Infrastructure (Hedge Fund of Funds) – with an option to invest an additional $100 million and in 2017, $150 million in the $750 million India Infrastructure Fund managed by Morgan Stanley.

**On-Lending Facilities**

- **Egypt (12/19)** – $150 million on-lending facility to the National Bank of Egypt designed to be used to develop 10 SME infrastructure projects

- **Turkey (12/19)** – $200 million on-lending facility to Turkiye Kalkinma ve Yatrim Bankasi (TKYB) to direct the funds to Turkish private companies focused on renewable energy

- **India (09/19)** – $75 million to Tata Cleantech Capital Ltd (TCCL), a JV between Tata Capital (with a $700 million 150 project Cleantech loan book) and IFC/World Bank

- **India (07/19)** – $100 million to L&T Infrastructure Finance for on-lending to finance solar and wind projects in India. This is AIIB’s first loan to a non-banking finance company

**Conclusion**

We anticipate further PE/infrastructure fund launches by AIIB, other major SOEs and even POEs in 2020, as China and other BRI countries to build both investment portfolios, institutional investors and trading volumes in this emerging asset class.

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(3) We assume that this $50 million has been previously approved as part of a prior Board approval.