



MORRISON & CO

Public Infrastructure Partners LP: Manager's Update

Presented to NZ Social Infrastructure Fund: 20th August 2012

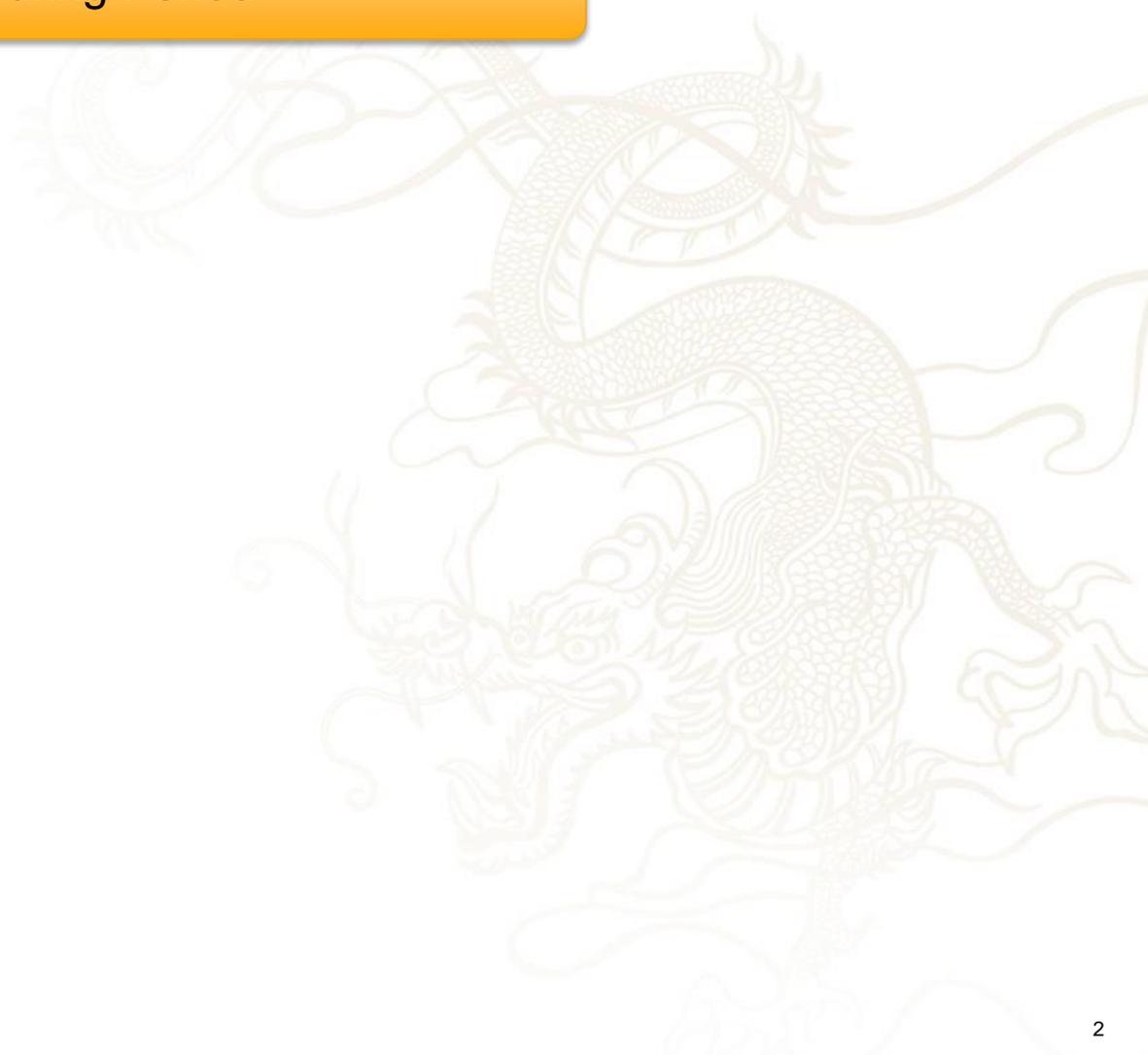
PRESENTATION STRUCTURE

- Summary Of Fund Activities During Period

- Portfolio Review
- Investment Outlook
- Fund Return Outlook
- Financial Summary
- Other Business



MORRISON & CO



FUND ACTIVITIES YEAR END 31 MARCH 2012

- Fund Manager assessed 22 investment opportunities during period
- Successfully reached financial close on Hobsonville Schools PPP
- Investment plan for MCEC project close to completion
- Total Fund distributions NZD \$5 million



MORRISON & CO



FUND ACTIVITIES – OPPORTUNITIES REVIEWED YEAR ENDED 31 MARCH 2012

Investment Opportunities Reviewed/Actioned	Offer Letters / Proposals Submitted	Detailed Bid & Negotiations	Concluded Transactions
NEW ZEALAND			
<ul style="list-style-type: none"> • Whole-of-Government Radio Network* • Clifford Bay Ferry Terminal* • MIT Manukau campus • Council street lighting initiatives • Counties Manukau DHB* • Canterbury DHB* • AT Park & Ride • NZ school of music 	<ul style="list-style-type: none"> • Hospital Car Park • KiwiRail freight facilities* • National Convention Centre 	<ul style="list-style-type: none"> • Massey University Albany student accommodation • Iwi initiated government office accommodation 	<ul style="list-style-type: none"> • Hobsonville Schools PPP
AUSTRALIA			
<ul style="list-style-type: none"> • Hospital Accommodation • Sydney Convention Centre 	<ul style="list-style-type: none"> • Aspire Schools • New Royal Adelaide hospital* • New England (Armidale) Student Accommodation • South Australia Schools PPP 	<ul style="list-style-type: none"> • Victorian Schools PPP • Assets in the Hastings managed “West” Fund 	
* Opportunity remains ‘live’			

22 Opportunities Assessed And One Investment Concluded In Period



MORRISON & CO



MORRISON & CO

- Summary Of Fund Activities During Period

- Portfolio Review

- Investment Outlook

- Fund Return Outlook

- Financial Summary

- Other Business



MCEC INVESTMENT REVIEW

OPERATIONAL PPP IN 2 PARTS

- Melbourne Convention Centre (constructed as part of PPP)
 - 5,000 seat hall, meeting and banquet rooms, six-star Green Star rated building
- Melbourne Exhibition Centre (pre-existing facility taken over)
 - 30,000m² facility on adjacent site

STATE OF VICTORIA AS COUNTERPARTY

- Revenue streams based upon asset availability
- No revenue is derived from use of the facility

CONCESSION ENDS IN 2034

SERVICES INCLUDED IN THE CONTRACT

- General Services, Helpdesk, Building Management, Utilities Management, Cleaning, Security, Car parking, Grounds and Garden Maintenance, and Pest Control
- The primary service provider for both facilities is Brookfield Multiplex Services
- Some General Services (eg, reporting, interface obligations) are retained by Project Co

PROJECT MAY BE EXTENDED

- Extension delayed: not in this year's state budget



MORRISON & CO

MCEC OPERATIONAL UPDATE

MANAGEMENT & GOVERNANCE

- Steven Proctor & Paul Newfield appointed to MCEC PPP board as PIP Fund representatives (alongside two Plenary Directors)
- Board meetings are held quarterly.

PLAN AT PURCHASE DATE

- Investment plan largely completed

SERVICE DELIVERY AND ABATEMENTS

- High level of performance

WITHOLDING TAX RULING (s.128F)

- Deferred purchase price still outstanding
- Decision soon



MORRISON & CO

HOBSONVILLE SCHOOLS INVESTMENT REVIEW

PROJECT SUMMARY

- Primary School: 600 pupils
 - Opens day one, term one 2013
- Secondary School: 1500 pupils
 - Opens day one, term one 2014
- Hawkins Construction will build the schools under a turnkey, date certain, fixed price contract

INVESTMENT SUMMARY

- Financial Close: 5th April 2012
- Commitment: c. \$10 million
- Investment date: October 2013

MINISTRY OF EDUCATION AS COUNTERPARTY

- Revenue streams based upon asset availability
- MoE provides teaching services and staff

SERVICES INCLUDED IN THE CONTRACT

- General Services, Helpdesk, Building Management, Utilities Management, Cleaning, Security, Car parking, Grounds and Garden Maintenance, and Pest Control
- The primary service provider for both facilities is Programmed Facilities Management
- Some General Services (e.g., reporting, interface obligations) are carried out by Morrison & Co

CONCESSION ENDS IN 2039



MORRISON & CO

SCHOOLS PPP MANAGEMENT APPROACH

MANAGEMENT & GOVERNANCE

- Board Meetings monthly, Directors: Peter Coman and Steven Proctor (alongside one McConnell Director)
- Contractors Representative: Andrew Lamb (Infratil Property employee)
- Company Secretarial: Morrison & Co Ltd

MEETINGS WITH GOVERNMENT REPRESENTATIVES

- Project Governance Group monthly
- Informal regular meetings

REGULAR SITE VISITS & PERFORMANCE REVIEWS

- Subcontractor resourcing and performance
- Checking on the detailed design process
- Checking on the production of operational procedures and manuals

FOCUSED BOARD MEETINGS AND BUSINESS REPORTING

- Delivering the schools on time, checking on progress
- Issues management
 - Hawkins subcontract



MORRISON & CO



MORRISON & CO

- Summary Of Fund Activities During Period
- Portfolio Review
- Investment Outlook
- Fund Return Outlook
- Financial Summary
- Other Business

NEW ZEALAND PPP MARKET OVERVIEW



MORRISON & CO

- Market appears to be picking up momentum
- Christchurch redevelopment suggests that several large projects might be considered as PPP's.
- Several projects in detailed business case stage
 - Christchurch grouped schools
 - Government wide digital radio
 - Two roads projects
 - Clifford Bay ferry terminal
 - Christchurch PPP hospital
- However:
 - It is unlikely that a new NIU sponsored NZ project will reach financial close in the next 12 months
 - Still a significant number of government procurers unconvinced
- Increasing emphasis on “PPP Lite” type projects

NZ PPP PIPELINE IS BUILDING

NZ PPP PIPELINE DEALS: 2012-14

Category	Transaction	Sector	PIP Equity (NZ\$m)
Primary - Greenfield	Government Wide Digital Radio	Radio	40
	Central Government Residential	Civic	~15
	Integrated Family Health	Health	~10
	Auckland Transport Infrastructure	Transport	~20
	Christchurch Grouped Schools	Education	40
	Counties Manukau DHB Health Precinct	Health	40
	Roads: Huntly Bypass, Transmission Gully	Transport	40 * 2
	Clifford Bay Ferry terminal	Transport	40
	Canterbury DHB Hospital Redevelopment	Health	40



MORRISON & CO

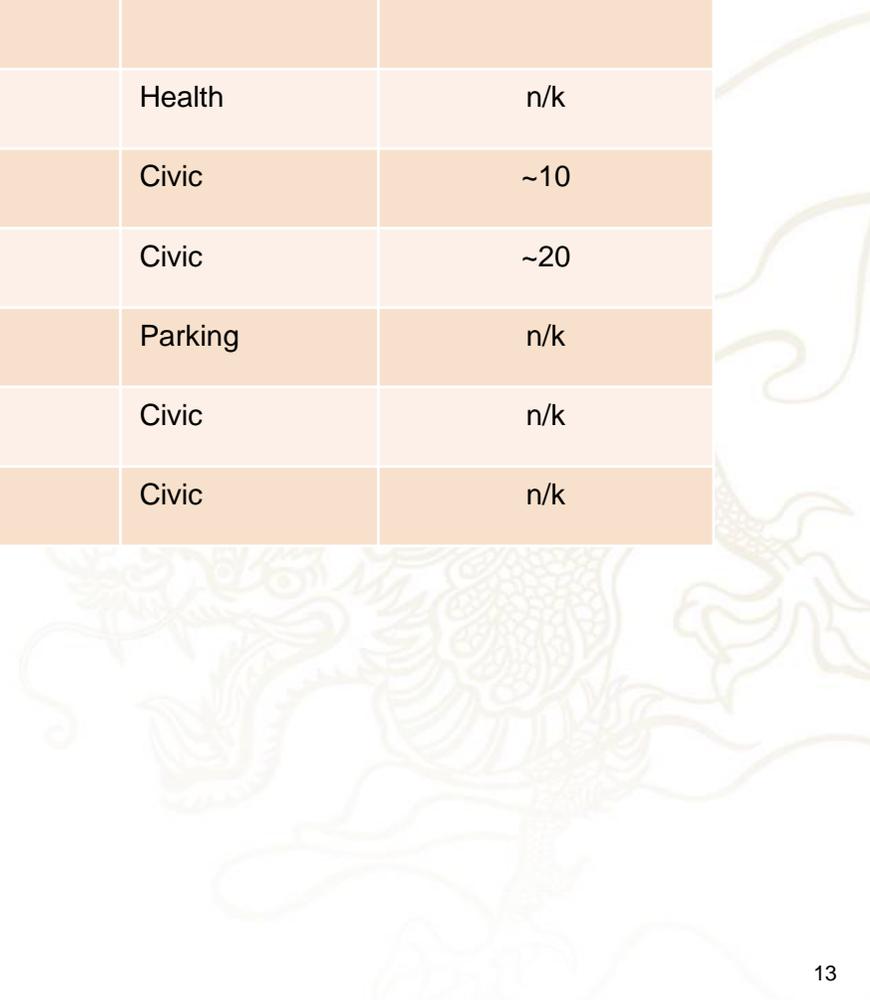
NZ PPP PIPELINE IS BUILDING

NZ PPP PIPELINE DEALS: 2012-14

Category	Transaction	Sector	PIP Equity (NZ\$m)
Primary - Greenfield	<u>"Core" Christchurch Projects</u>		
	Medical Precinct	Health	n/k
	New Central Library	Civic	~10
	Convention Centre	Civic	~20
	Justice & Emergency Services Precinct	Parking	n/k
	Metropolitan Sports Facility	Civic	n/k
	Bus Interchange	Civic	n/k



MORRISON & CO



AUSTRALIAN MARKET OVERVIEW

- Over the last year, PIP reviewed all 10 PPP deals that closed in the Australian market
 - In most cases, our single asset concentration limit of ~A\$30m ruled us out of contention
- We are seeing aggressive competition for secondary market sales of operating assets
 - Equity returns for operational PPPs being bid down to below 10% pa
- Equity pricing on Greenfield deals is remaining at attractive levels
 - There are many other factors that are more important to success in Greenfield bids (design, build cost, cost/quality of on-going service offer, debt package)
 - The key criteria for consortia when selecting equity partners are expertise, equity cheque size and bid cost capacity
- There are currently another 10 deals in the 2012-13 Australian pipeline
 - A mixture of greenfield and operational assets
- PIP Fund's scale relative to the size of most Australian PPP projects remains a challenge in this market



MORRISON & CO

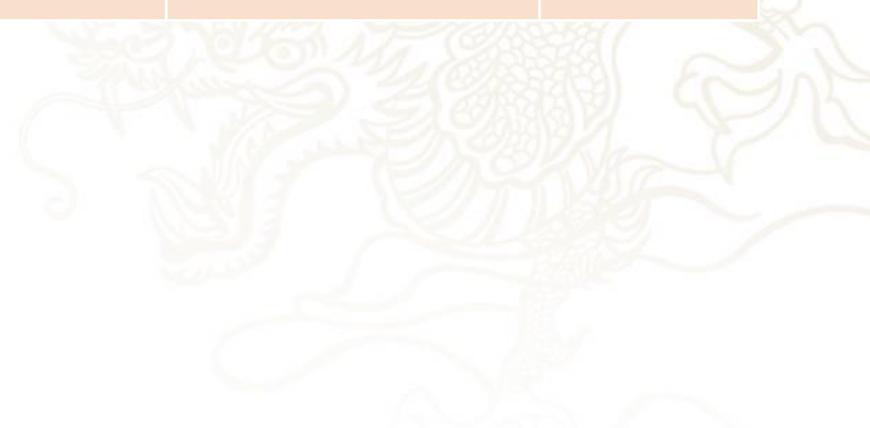
10 PPP DEALS IN THE CURRENT AUSTRALIAN PIPELINE

AUSTRALIAN PPP PIPELINE DEALS: 2012-13

Category	Transaction	Sector	Equity (A\$m)
Sell Down -Operational	4 Projects at various levels of development	Various	~ 30 each
Primary - Greenfield	Sunshine Coast Hospital	Healthcare	~350
	Bendigo Hospital	Healthcare	100
	Eastern Goldfields Prison	Corrections	~50
	Ravenhall Prison	Corrections	~80
	Sydney Convention Centre	Civic	~150
	NSW Social Housing (Airds Bradbury)	Social Housing	TBD



MORRISON&CO



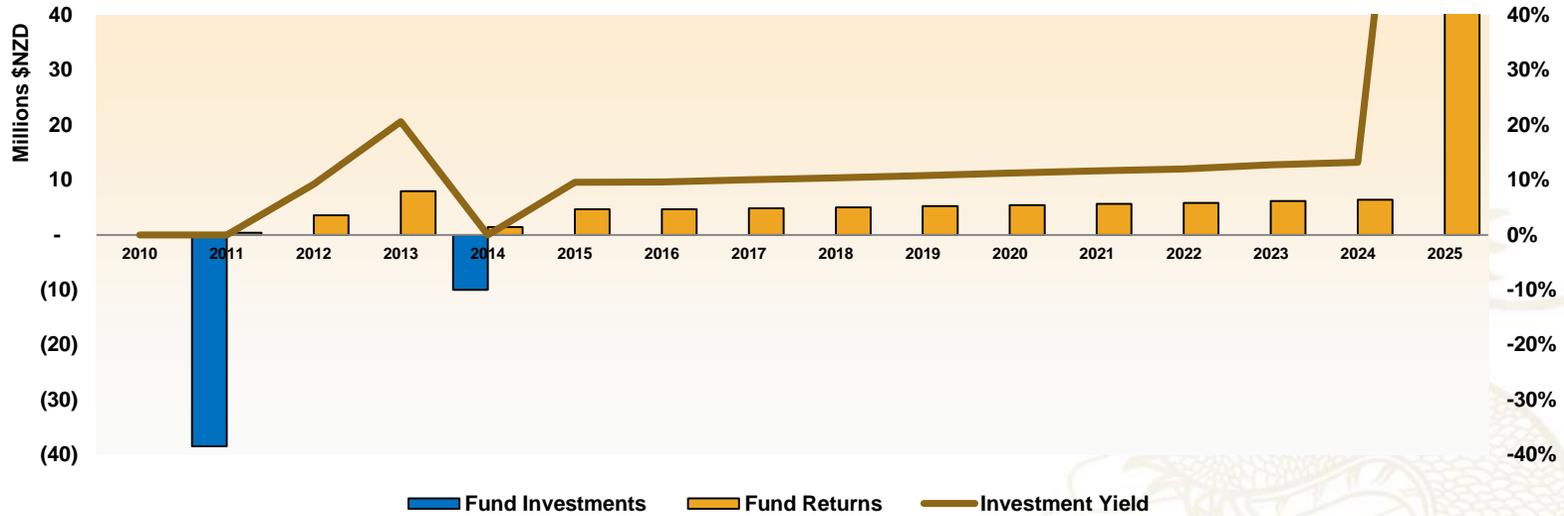
- Summary Of Fund Activities During Period
- Portfolio Review
- Investment Outlook
- Fund Return Outlook
- Financial Summary
- Other Business



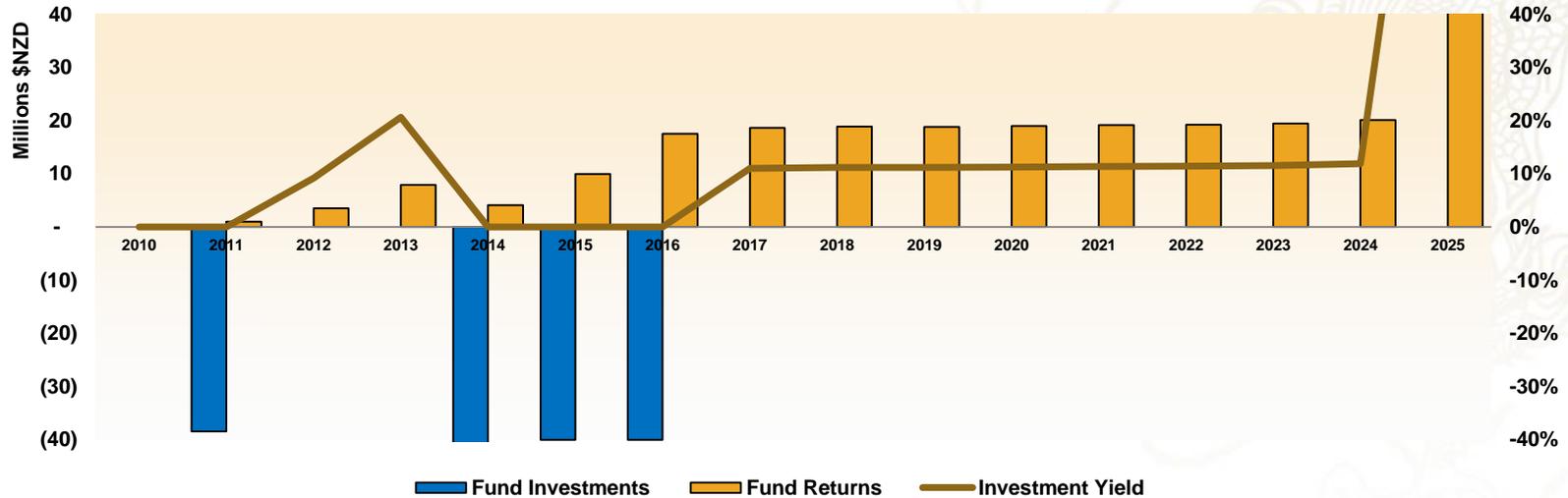
MORRISON & CO

FUNDS LEVEL INVESTMENT RETURN FORECASTS

FORECAST FUND LEVEL CASHFLOWS: CURRENT TRANSACTIONS



FORECAST FUND LEVEL CASHFLOWS: FULLY INVESTED



MORRISON & CO

POTENTIAL FUND RETURN SCENARIOS

Scenario	No further investments	Late investment effect
	Scenario A	Scenario B
Total Investment	\$48.5m	\$168.M
Gross Investment Return	13.3%	13.6%
Net Investment Return	11.2%	12.3%
Money Multiple	2.7	2.4



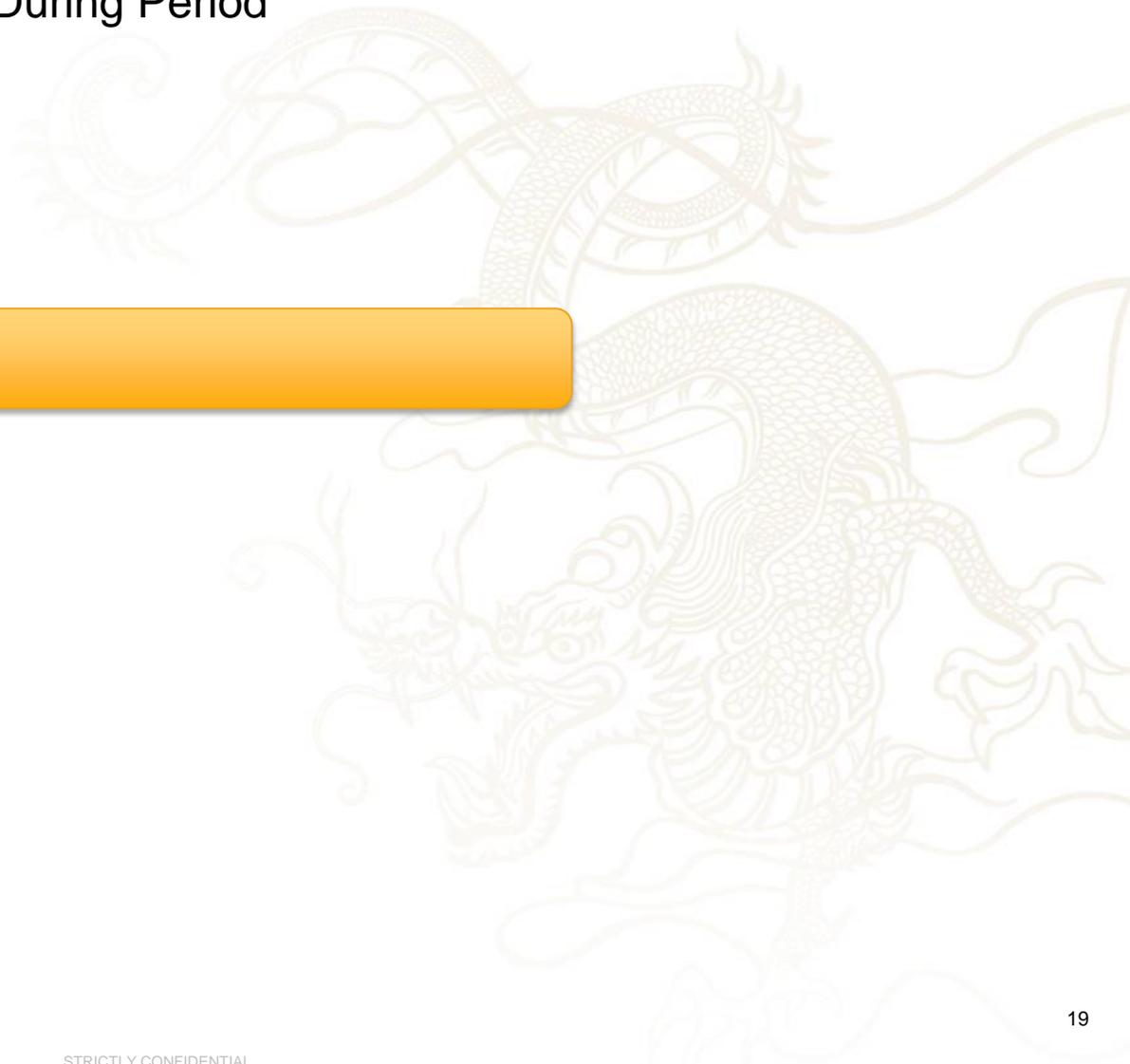
MORRISON & CO



- Summary Of Fund Activities During Period
- Portfolio Review
- Investment Outlook
- Fund Return Outlook
- Financial Summary
- Other Business



MORRISON & CO



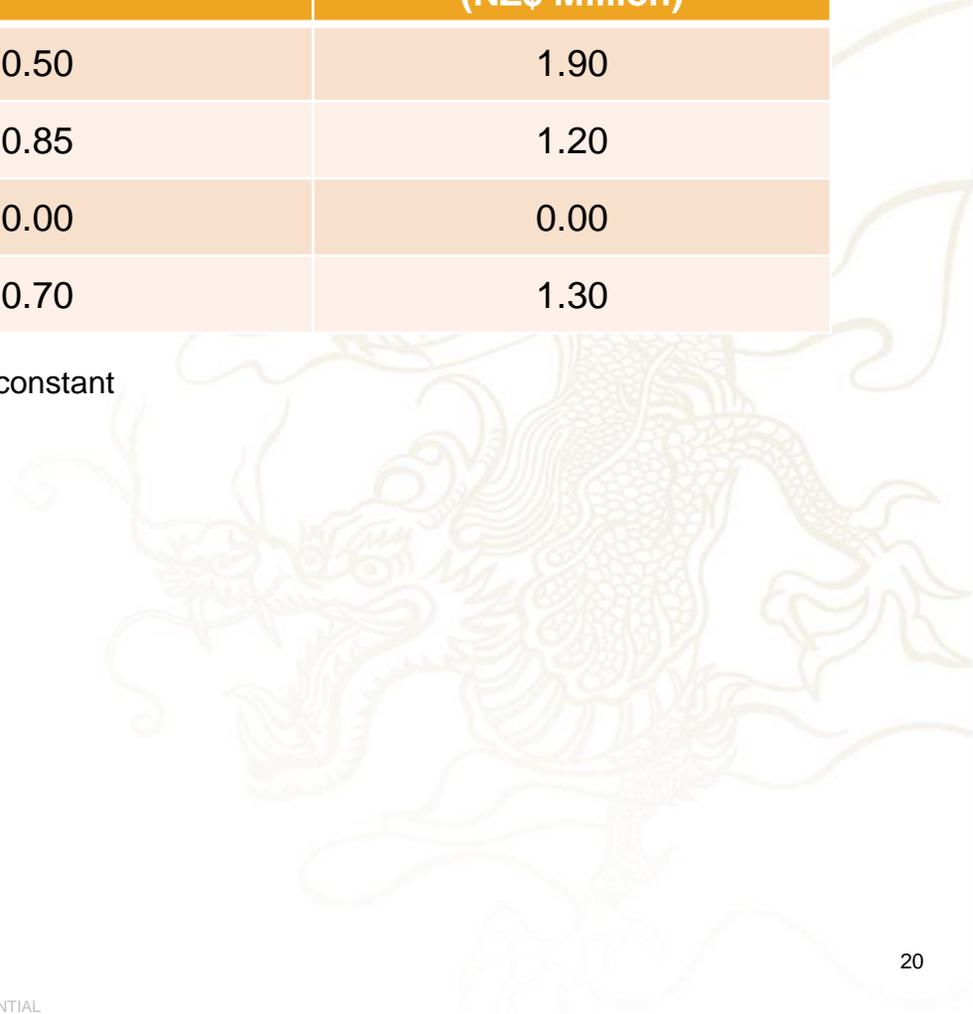
DISTRIBUTIONS & DRAWINGS

	FORECAST DRAWINGS (NZ\$ Million)	FORECAST DISTRIBUTIONS (NZ\$ Million)
Q3 2012	0.50	1.90
Q4 2012	0.85	1.20
Q1 2013	0.00	0.00
Q2 2013	0.70	1.30

¹ Valuation assumes discount rates and exchange rates are constant



MORRISON & CO





MORRISON & CO

- Introduction
- Summary Of Fund Activities During Period
- Portfolio Review
- Investment Outlook
- Fund Return Outlook
- Financial Summary
- Other Business

CONCLUSIONS

- A year of milestones for the PIP Fund
 - Bid and won NZ's first availability-based PPP, at attractive expected returns
 - Completed MCEC restructuring, resulting in capital return and increased yield
 - FY12 PIP Fund returns well in excess of targets
- PPP project pipeline is building in NZ
- Investment will be towards the end of the investment period
 - Uncertainty remains over size and timing of NZ PPP pipeline
 - Manager has contingency plans to ensure the fund is fully invested
 - Overall PIP Fund return target still looks achievable
- Fund performance is on track
 - Yield is growing
 - Schools build programme is on schedule



MORRISON & CO

QUESTIONS?



MORRISON & CO

