

New Zealand Social Infrastructure Fund

Investor Presentation – 2014 Interim

27 November 2013



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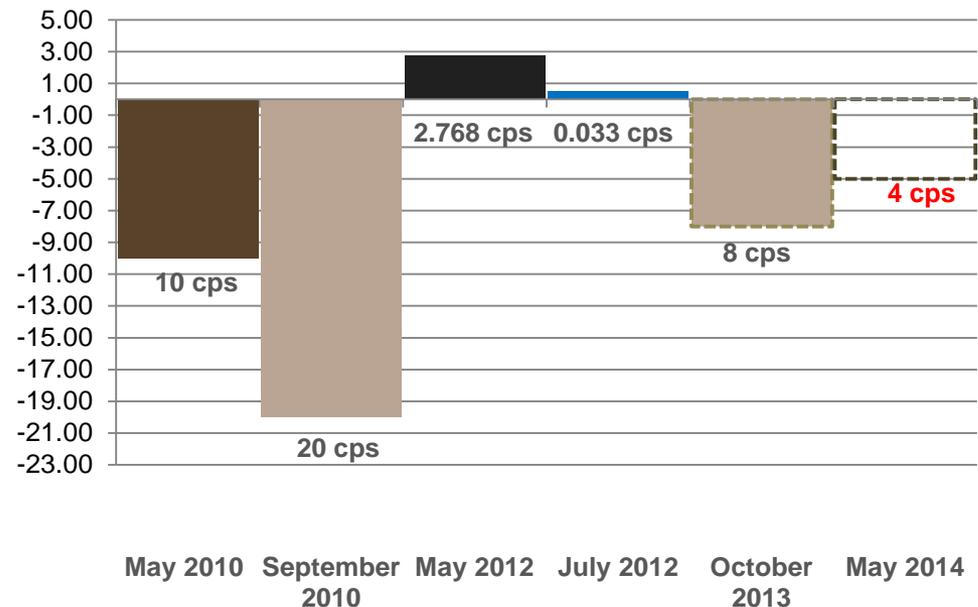
1H14 Operational Highlights

- **Melbourne Convention and Exhibition Centre** continued to perform well with no performance deductions in the period
- **Hobsonville Schools** construction within cost and within the timeframe extended as a result of the December 2012 tornado. Hobsonville Point Primary school opened by Prime Minister in June 2013 and won a NZ Property Council design award. Two minor payment deductions for grass and kitchen extractor fan have both been passed to the contractors
- **Bendigo Key Worker Village** construction within cost and time. Stage 1 successfully delivered to hospital in October 2013, with Stage 2 expected to be completed in February 2014 (3 months early)
- Member of **Positive Connection Consortium (Transmission Gully)** that submitted a bid to NZTA on 7 October 2013. A preferred bidder is expected to be announced in February 2014. If successful this will materially impact proportion of fund invested
- A number of NZ PPP projects progressing through pipeline

1H14 Financial Highlights

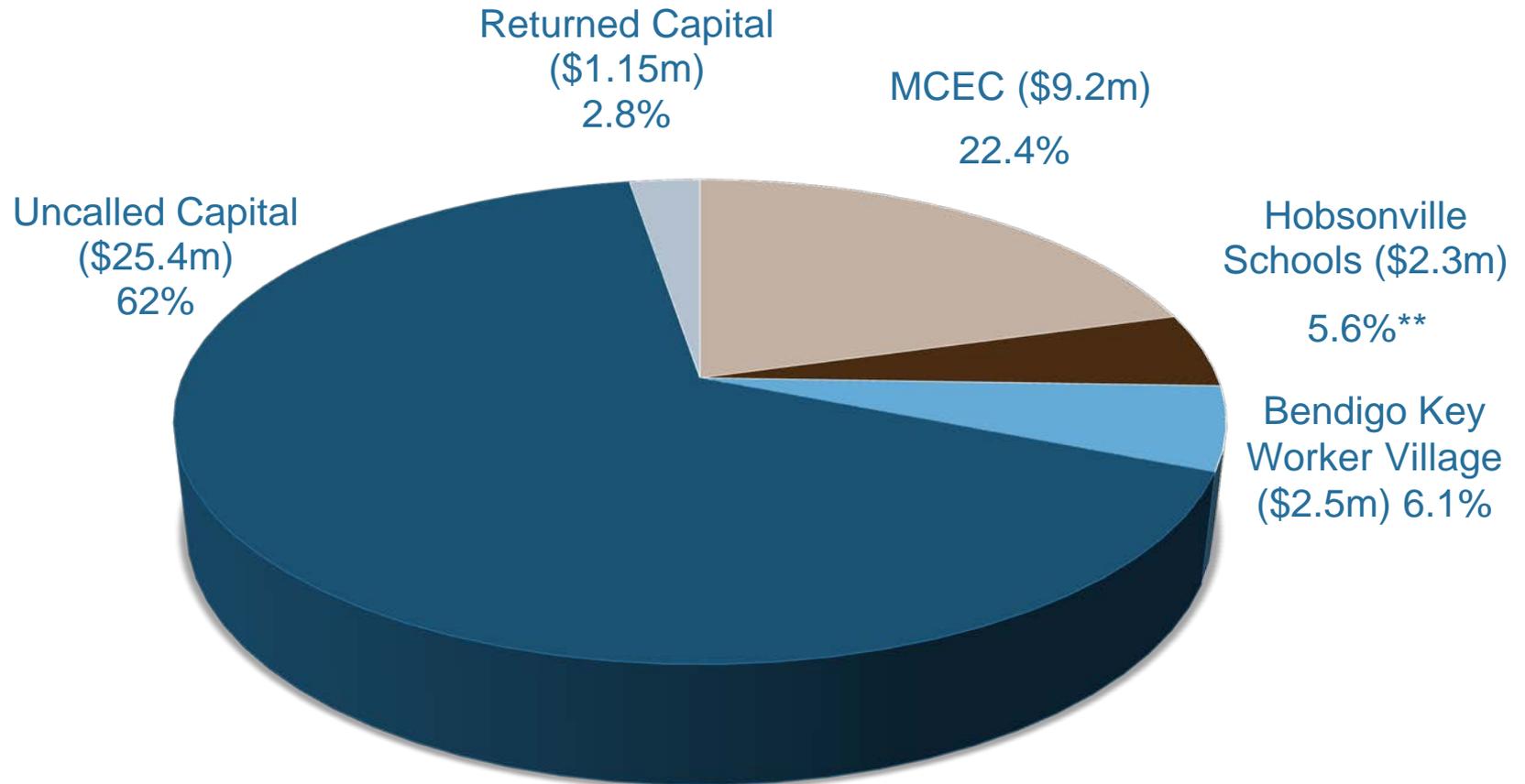
- Post tax loss for the six months to 30 September 2013 (\$1,180,032)
- 2014 Interim Distribution for the six months to 30 September 2013 of 0.48cps.
- Net capital invested of 35.2cps
- NTA (30 September 2013) 32.9cps, down due principally to NZD/AUD movement
- No revaluation of assets at interim. All three investments likely to be operating assets and will be revalued at 31 March 2014
- Third call of 8cps made in September 2013, all paid, with proceeds to fund Hobsonville Schools and Bendigo (Stage I)

NZSIF Calls and Capital Returns



Note: NZSIF shares are \$1 shares paid to 38 cps with 62 cps remaining uncalled, and 2.8 cps returned

NZSIF Investment Mix



*NZSIF investments are via PIP Fund

** \$0.98m Bendigo Stage 2 to be called in February 2014

Melbourne Convention & Exhibition Centre

- Melbourne Convention Centre, a 5,000 seat hall, meeting and banquet rooms, six star Green Star rated building
- Melbourne Exhibition Centre, a pre-existing 30,000m² facility adjacent to the Melbourne Convention Centre
- PIP owns 49.9% of MCEC equity of \$40m; (NZSIF \$9.2m)
- No property management or performance issues affecting MCEC or PIP returns during the period
- Start of condition survey for Exhibition Centre underway
- Soft services benchmarking underway
- Expansion opportunities under consideration



Hobsonville Schools PPP

- Primary school (years 1-8) for 690 pupils opened Term 1, 2013
- Secondary school (years 9-13) for 1,500 pupils to open Term 1, 2014
- Learning Infrastructure Partners Consortium
 - PIP Fund investment \$10m; NZSIF share \$2.3m
 - PIP Fund – owns 97.5% of the equity
 - Hawkins (lead construction)
 - ASC Architects (lead designer)
 - Programmed Facility Management (facilities management)
- Construction of primary school on time and budget despite c timetable
- Construction of secondary school targeted for completion mid February 2014
- Hawkins performance being closely monitored given their issues in Australia and New Zealand
- Prime Minister opened primary school in June 2013



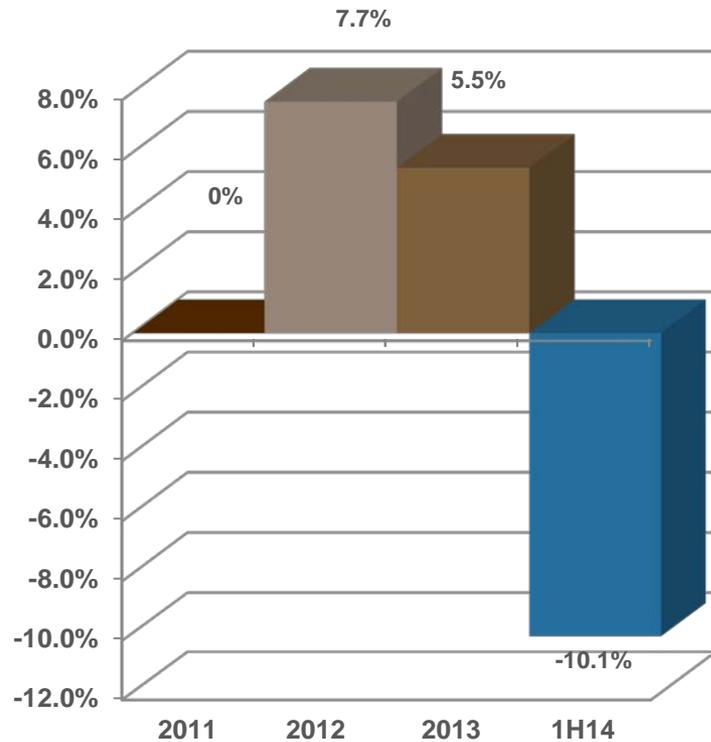
Bendigo Hospital Accommodation

- PIP Fund committed NZ\$10.8m in February 2013. First tranche of A\$6.3M paid in April 2013. Second tranche due April/May 2014 upon construction completion
- NZSIF investment NZ\$2.5m
- 96 one bedroom and 24 two bedroom residential apartment units for nurses and doctors working in the Bendigo Hospital
- 30 year property lease with inflation linked cash flows. No occupancy risk. Project entity owns the land, and retains ownership at end of lease
- Bendigo Healthcare Group (BHCG) (the tenant) is the public health provider for the State of Victoria. BHCG employs 3,000 staff, has a A\$300m budget and is currently building a new A\$600m PPP hospital.
- Construction going well with Stage I handed to BHCG, and Stage II ahead of time, expected to now be complete February 2014

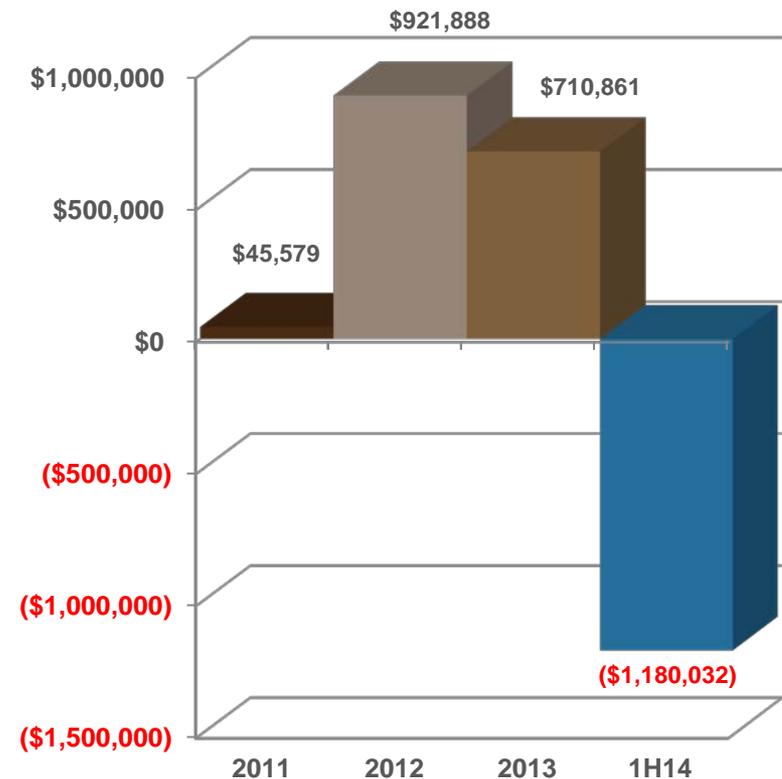


NZSIF Financial Performance

Return on Shareholder Funds



Net Income



NZSIF Financial Performance

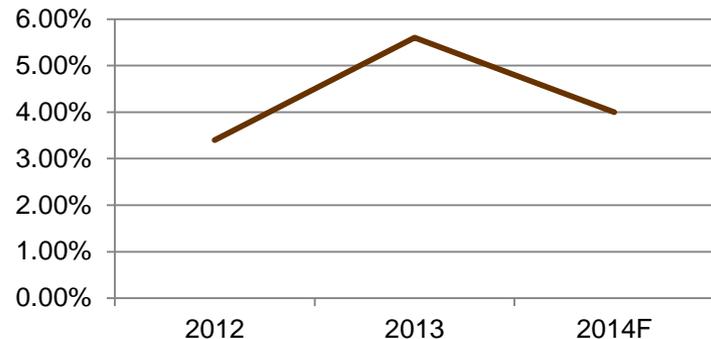
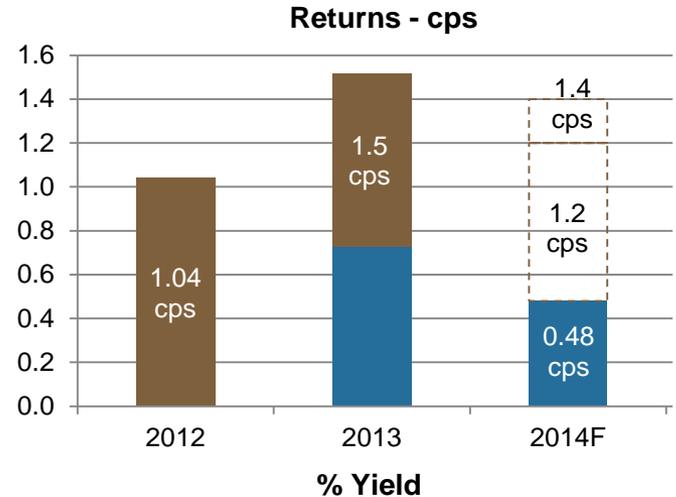
	6 months to 30 Sept 2013 NZ\$000s	12 months to 31 March 2013 NZ\$000s	6 months to 30 Sept 2012 NZ\$000s
Dividend income	\$324	\$712	\$413
Interest income	\$2	\$74	\$40
Movement in fair value of PIP Fund	(\$1,367)	\$188	(\$275)
	<u>(\$1,041)</u>	<u>\$974</u>	<u>\$178</u>
Administrative Expenses	(\$135)	(\$263)	(\$122)
Interest Expense	(\$4)	-	-
Profit before Tax	(\$1,180)	\$711	\$56
Income Tax/(credit)		-	\$93
Profit/(loss) for the Period	<u>(\$1,180)</u>	<u>\$711</u>	<u>(\$37)</u>

NZSIF Balance Sheet

	30 Sept 2013 NZ\$000s	31 March 2013 NZ\$000s	30 Sept 2012 NZ\$000s	Change Mar 13 to Sept 13
Investment in PIP Fund	\$10,848	\$11,343	\$9,194	
Cash and Cash Equivalents	\$2,501	\$368	\$2,117	
Other Current Assets	<u>\$3.152</u>	<u>\$47</u>	<u>\$11</u>	
Total Assets	\$13,501	\$11,758	\$11,322	
Creditors	\$29	\$62	\$76	
Total Equity	<u>\$13,472</u>	<u>\$11,696</u>	<u>\$11,246</u>	
Total Equity and Liabilities	\$13,501	\$11,758	\$11,322	
<i>NTA per share (41,000,000)</i>	<i>32.9cps</i>	<i>28.5cps</i>	<i>27.4cps</i>	
<i>AUD/NZD</i>	<i>.8883</i>	<i>0.8014</i>	<i>0.7953</i>	
<i>Called Capital per Share</i>	<i>38.0cps</i>	<i>30.0cps</i>	<i>30.0cps</i>	
<i>Uncalled Capital per Share</i>	<i>62.0cps</i>	<i>70.0cps</i>	<i>70.0cps</i>	
<i>Returned Capital per Share</i>	<i>2.8cps</i>	<i>2.8cps</i>	<i>2.8cps</i>	
<i>NTA including returned Capital</i>	<i>35.7cps</i>	<i>28.5cps</i>	<i>30.2cps</i>	

Operating Distributions

- 1H14 distribution of 0.48cps to be paid on 6 December 2013
- 2H14 distribution dependent on MCEC performance in 2H13, and on timing of initial distributions from Hobsonville and Bendigo
- 2014 forecast distribution of 1.5cps – 1.6cps, likely to now be 1.2cps - 1.4cps, due to NRWT deduction made for MCEC. 2014 forecast assumes no Bendigo or Hobsonville distributions
- Bendigo and Hobsonville expected to result in a 50% increase in distributions in 2015



**Note: 2012 gross yield on 30 cps capital base;
 2013 gross yield on 27.2 cps capital base;
 2014 gross yield on 34.3 cps average capital base
 2015 gross yield on 39.2cps projected capital base**

NZSIF Valuation and Returns

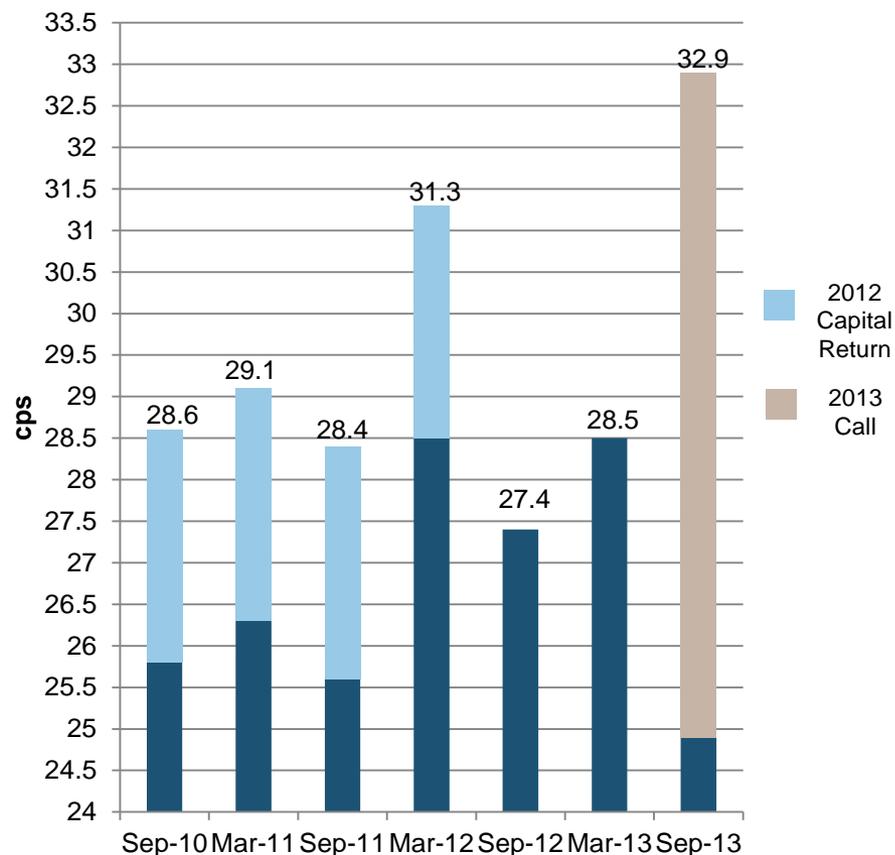
- Current NTA (30 Sept 13)

PIP Fund Investment	10.8m
NZSIF Cash	2.5m
Net working capital	0.2m
	13.5m

NTA Per Share (41m) 32.9cps

- Impact of 10% weakening in AUD/NZD was c\$0.9m or 2.2cps unfavourable during the period
- NZSIF returns less than PIP's returns due to NZSIF annual costs, setup costs and cash drag from NZSIF cash held (returns on cash less than PIP Fund). The impact of all of these will reduce as the invested base increases.
- No revaluation of assets at interim – which undervalues assets which are near the end of the construction period
- Revaluation of Hobsonville and Bendigo at 31 March 2014 expected to add to NTA.

NZSIF NTA per Security



NTA's adjusted for the 2.8cps of capital returned in 2013

NZ PPP Outlook

- The NZ Government National Infrastructure Unit is progressing a number of PPP opportunities:
 - Christchurch Convention Centre
 - Clifford Bay
 - Grouped schools (5 \$150m to \$200m)
 - Paremoro Prison (non-custodial)
 - Counties Manakau DHB Health Precinct
 - Roding – (Puhoi to Warkworth)
- While PIP may or may not be a successful consortium partner for these projects, they represent a significant list of opportunities expected to provide investment opportunities over 2014 and 2015
- In addition, PIP continues to review Australian PPP opportunities that meet their investment criteria and which could see the PIP Fund invest earlier on favourable terms while the NZ opportunities are progressed.
- PIP is the preferred party on a number of smaller NZ PPP projects that are progressing through negotiation and tendering processes and which may result in favourable outcomes

NZSIF Outlook

- NZSIF operating “true to brand”
- 28% invested to date (will be invested to 34% when final Bendigo instalment is paid in Feb 2014)
- Further investments will significantly reduce the cost and cash ‘drag’
- NZ Government National Infrastructure Unit now progressing a significant pipeline of PPP opportunities
- Initial investments are consistent with the returns targeted at the time of the original NZSIF prospectus
- Outcome on Transmission Gully will influence significantly the proportion invested by mid 2014
- 2014 Full Year Operating Distribution Forecast of 1.2cps to 1.4cps (3.4% to 4%). Distributions will increase by approximately 50% in 2015 when Bendigo and Hobsonville are complete
- High element of partial or full CPI protection within projects a positive

*on 35.2cps average

Questions & Answers



For Further Information

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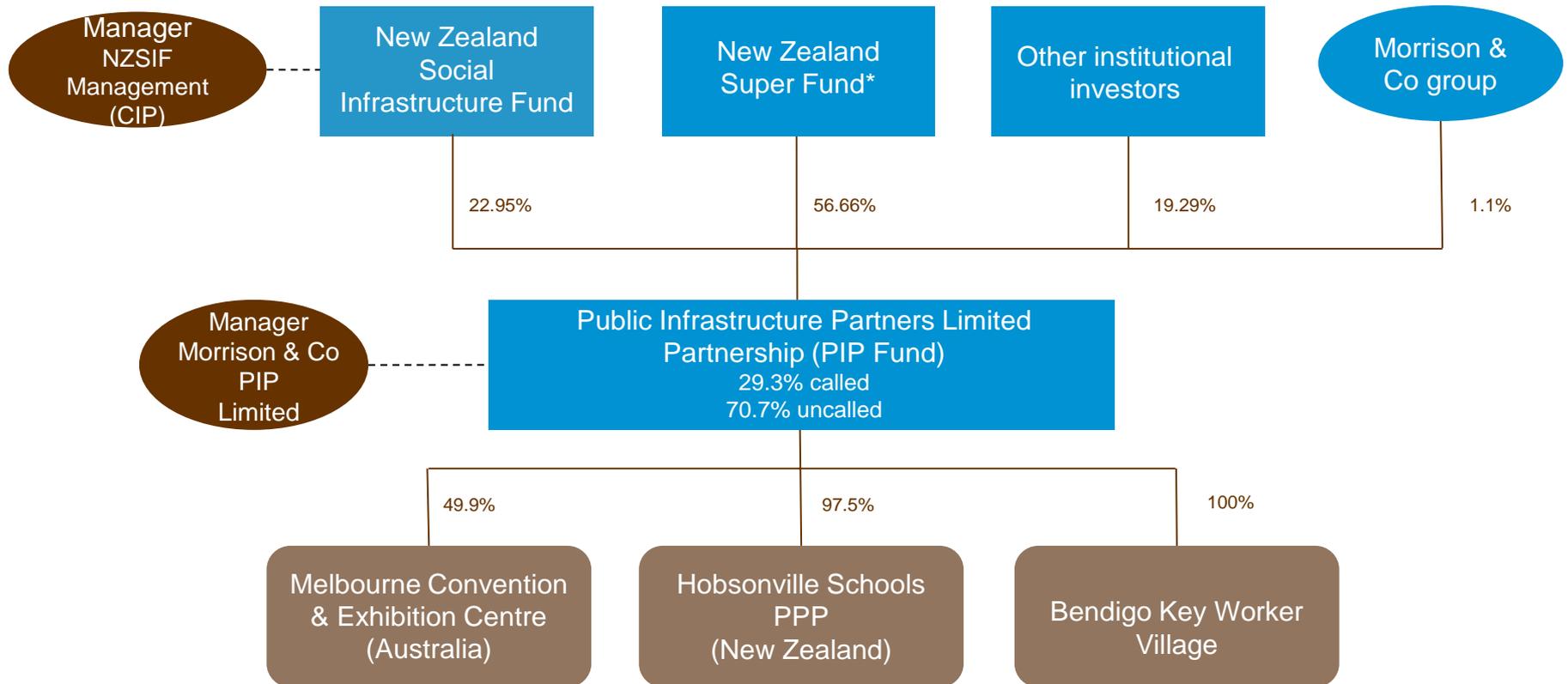
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Appendix

NZSIF Investment Structure



PIP Fund

- Committed capital \$176.5m
- Investment capacity \$1.5 billion +
- PIP Fund term of 18 years from October 2009 to 29 October 2027 unless terminated earlier or extended by an ordinary resolution
- Investment period of six years (30 October 2009 to 29 October 2015) unless varied
- Investment Parameters (controlled by PIP Advisory Committee)
 - Maximum 25% in a single asset
 - Maximum 40% single counterparty risk
 - Maximum 25% sector with demand risk
- New Zealand PPP environment developing slowly, while Australian PPP environment is vibrant, which may lead to a greater proportion invested in Australia than New Zealand

Original NZSIF Prospectus

- \$41m raised in April 2010¹
- Targeting an IRR of 11% per annum before tax, but after all costs, investment management and administration fees and expenses
- Fees
 - NZSIF Administration fee (NZSIF Management Ltd) of 0.25% pa
 - PIP Fund Manager (Morrison & Co) fees of:
 - Greater of:
 - 0.8%pa of committed capital; or
 - 1.5% pa of invested capital in investments not fully operational plus 0.8% pa of invested capital in investments that are fully operational
 - 20% of returns in excess of CPI + 5.5% to 7.5% (depending on leverage) subject to highwater and clawbacks
- Restricted level of overseas ownership (max 10%)

¹ One share = one ordinary share and 100 non-voting redeemable preference shares in NZSIF.

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