

New Zealand Social Infrastructure Fund



Investor Presentation - 2015 Full Year

31 July 2015

NZSIF 2015 Investment & Portfolio Highlights

- All operating assets performing well and distributions flowing to the PIP Fund
 - Melbourne Convention and Exhibition Centre
 - Hobsonville Schools
 - Bendigo Healthcare Group Accommodation
- Strong distributions for 2015 period of 4.87cps
- NTA at 31 March 2015 of 51.4 cps (after 1.63 cps distribution declared 31 March 2015)
 - Valuations for investments at 31 March 2015, generally up in local currency terms, but negative FX movement impacted reported NTA

New Investments

- Wollongong University Student Accommodation successfully acquired in December 2014
- NZ Schools 2 reached financial close in May 2015
- Auckland Prison
 - Early stage works completed
 - Final decision by NZ Government expected next month
 - Does not include custodial element
- Fund is approximately 87% committed assuming Auckland Prison proceeds

NZSIF Financial Performance

	12 months to 31 March 2015 NZ\$000s	12 months to 31 March 2014 NZ\$000s
Dividend income	\$1,944	\$520
Interest income	\$31	\$21
Movement in fair value of PIP Fund	<u>(\$1,706)</u> \$268	<u>\$494</u> \$1,035
Administrative Expenses	(\$271)	(\$278)
Interest Expense	-	-
Profit before Tax	<u>(\$2)</u>	<u>\$757</u>
Income Tax/(credit)	-	(\$1)
Profit/(loss) for the Period	<u>(\$2)</u>	<u>\$758</u>

Financial Result

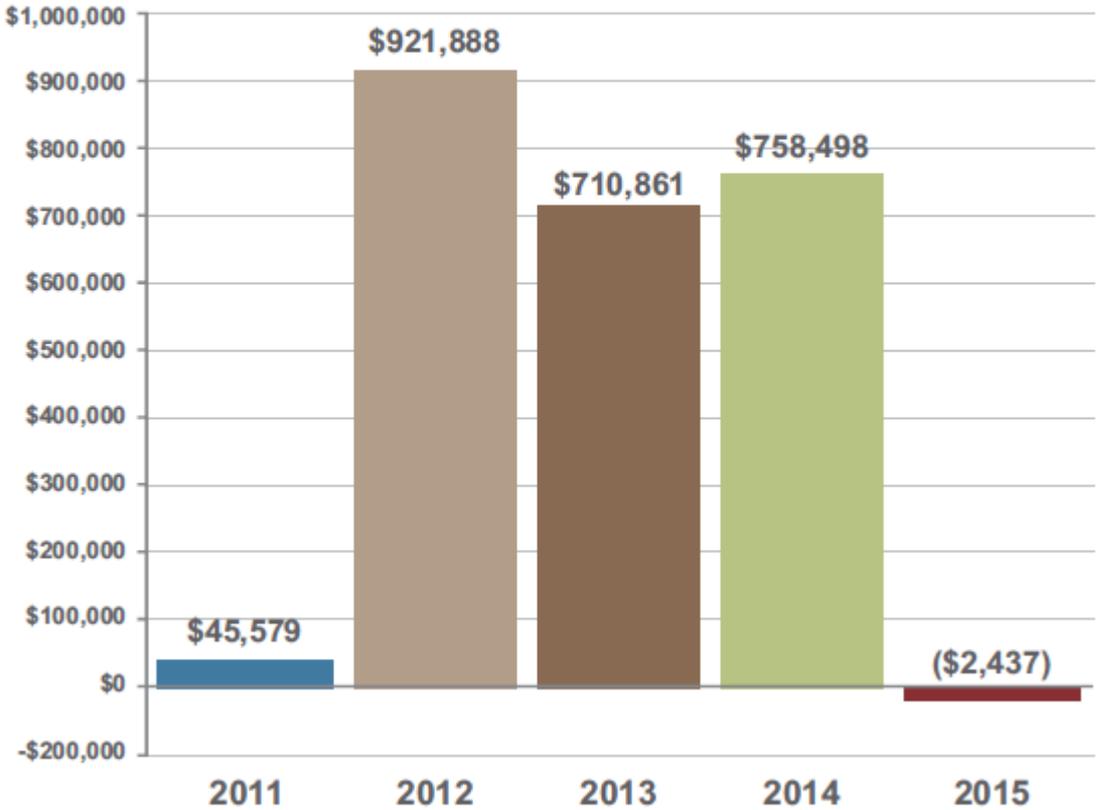
- Loss for period \$2,437 (March 2014 profit \$758,498)
- Results from a combination of:
 - Distributions received from PIP Fund (reported as dividend income but also reduces the fair value of the PIP Fund)
 - Positive movement in the valuation of PIP investments
 - FX loss \$0.7m
 - Stable NZSIF costs

NZSIF Balance Sheet

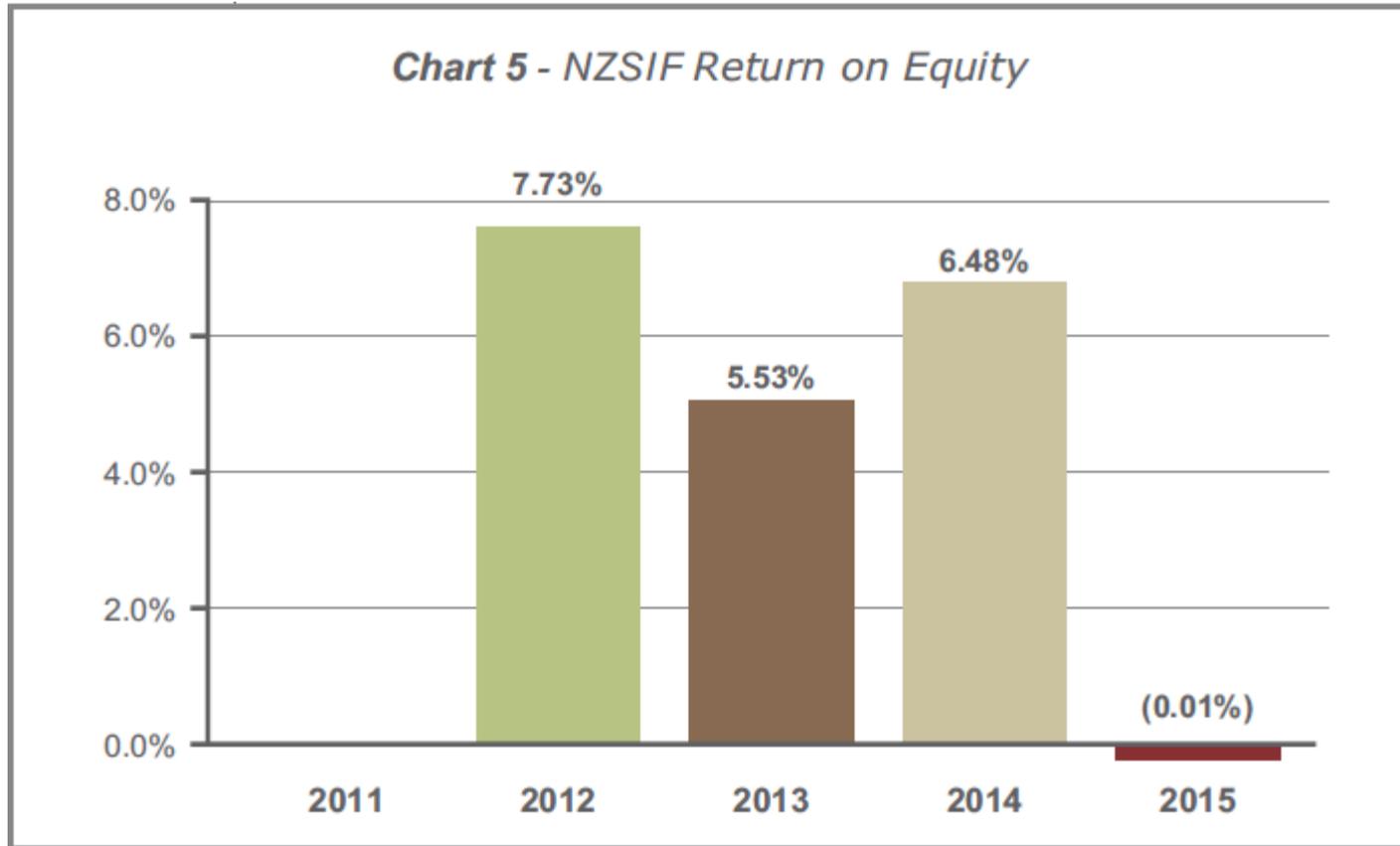
	31 March 2015 NZ\$000s	31 March 2014 NZ\$000s	Change for period
Investment in PIP Fund	\$20,067	\$16,060	25%
Cash and Cash Equivalents	\$1,662	\$775	114%
Other Current Assets	\$35	\$84	-58%
Total Assets	\$21,764	\$16,918	29%
Creditors	\$706*	\$64	1003%
Total Equity	\$21,058	\$16,854	25%
Total Equity and Liabilities	\$21,764	\$16,918	29%
<i>*Includes dividend payable \$670</i>			
<i>NTA per share (41,000,000)</i>	<i>51.4 cps</i>	<i>41.1 cps</i>	24%
<i>NZD/AUD</i>	<i>0.9785</i>	<i>0.9364</i>	4%
<i>Called Capital per Share</i>	<i>57 cps</i>	<i>42 cps</i>	36%
<i>Uncalled Capital per Share</i>	<i>43 cps</i>	<i>58 cps</i>	na
<i>Returned Capital per Share</i>	<i>2.8 cps</i>	<i>2.8 cps</i>	na
<i>NTA adjusted for returned Capital</i>	<i>54.2 cps</i>	<i>43.9 cps</i>	23%

NZSIF Net Income Comparison

Chart 6 - NZSIF Net Income Comparison for 2011-2015 Periods

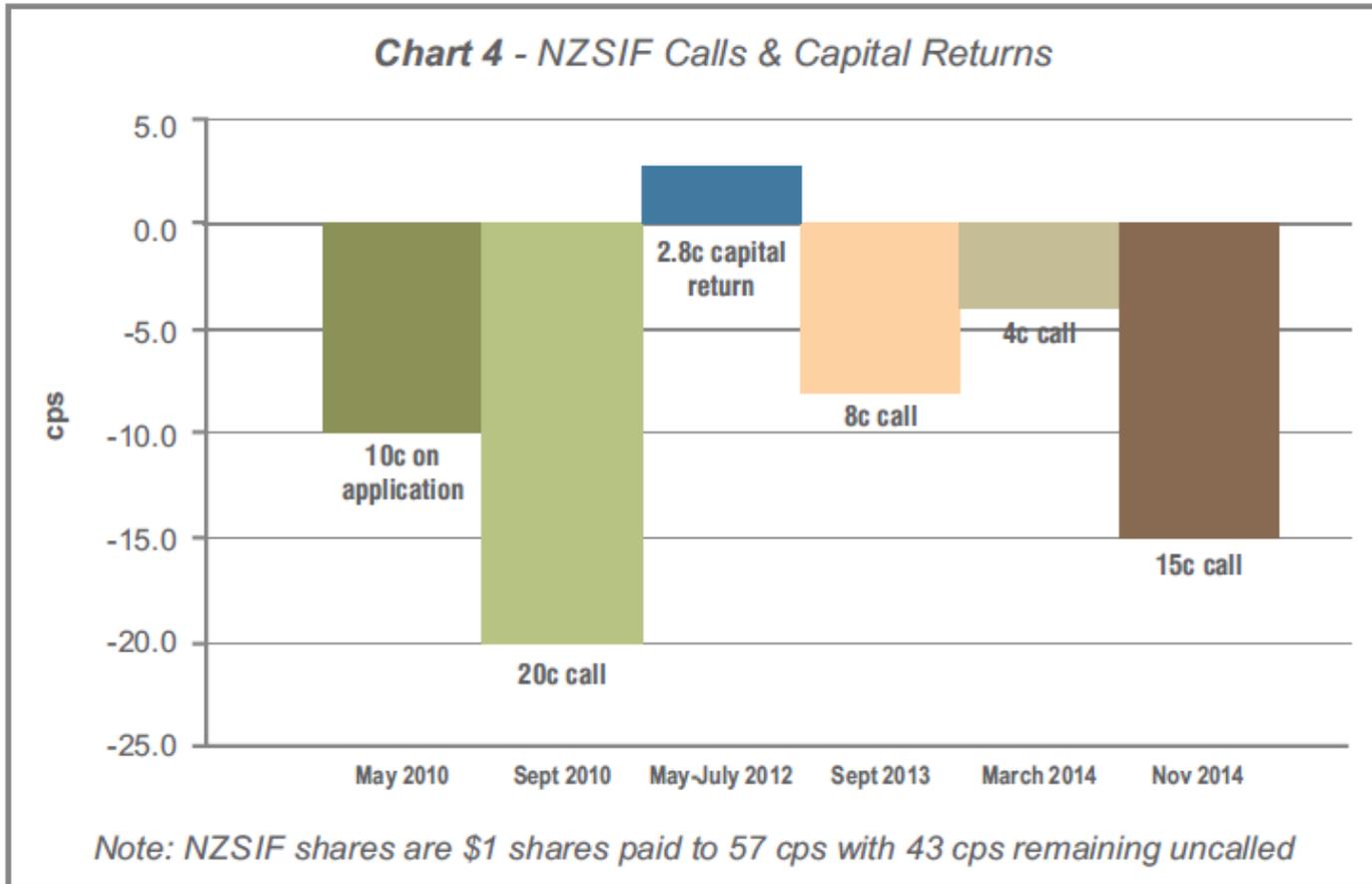


NZSIF Return on Shareholder Funds



Based on opening SHF

NZSIF Capital & Calls

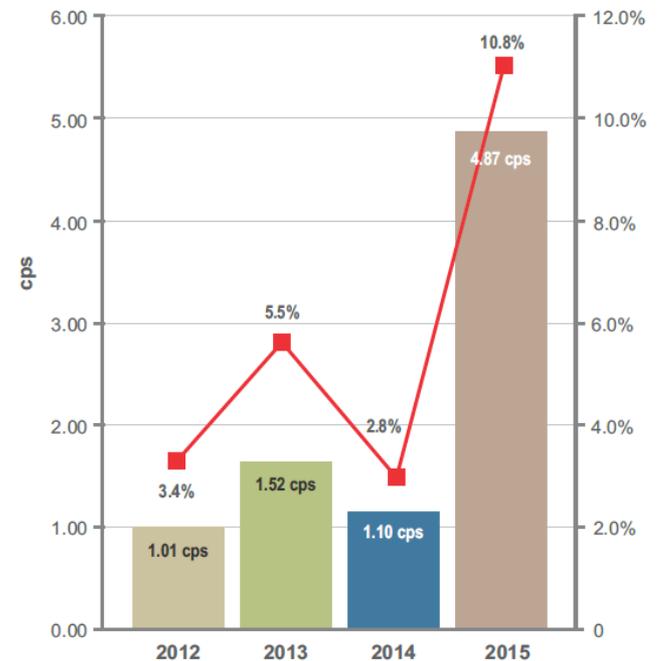


- 57cps called to date, less 2.8cps returned for net capital invested of 54.2cps

Operating Distributions

- 2015 distributions totalled 4.87 cps, exceeded top of 2015 projection of 1.95 cps - 2.25 cps
- Estimated annual yield 10.8%, based on average weighted capital base 45 cps
- Quarterly distributions now planned
- Distributions expected to be less in 2016, due to
 - PIP and NZSIF operating costs now taken into account as the investment period ends
 - 2015 included some flow through from the 2014 year, giving a one-off boost in the distribution
- Distributions for future years expected to increase as projects in construction reach completion (Auckland Prison, NZ Schools 2, Wollongong Stage 2)

Chart 3 - NZSIF Dividend Yields 2012-2015



NZSIF Valuation and NTA

- Current NTA (31 March 2015)

PIP Fund Investment	20.1m
NZSIF Cash	1.7m
Net working capital	(0.7m)
	<u>21.1m</u>

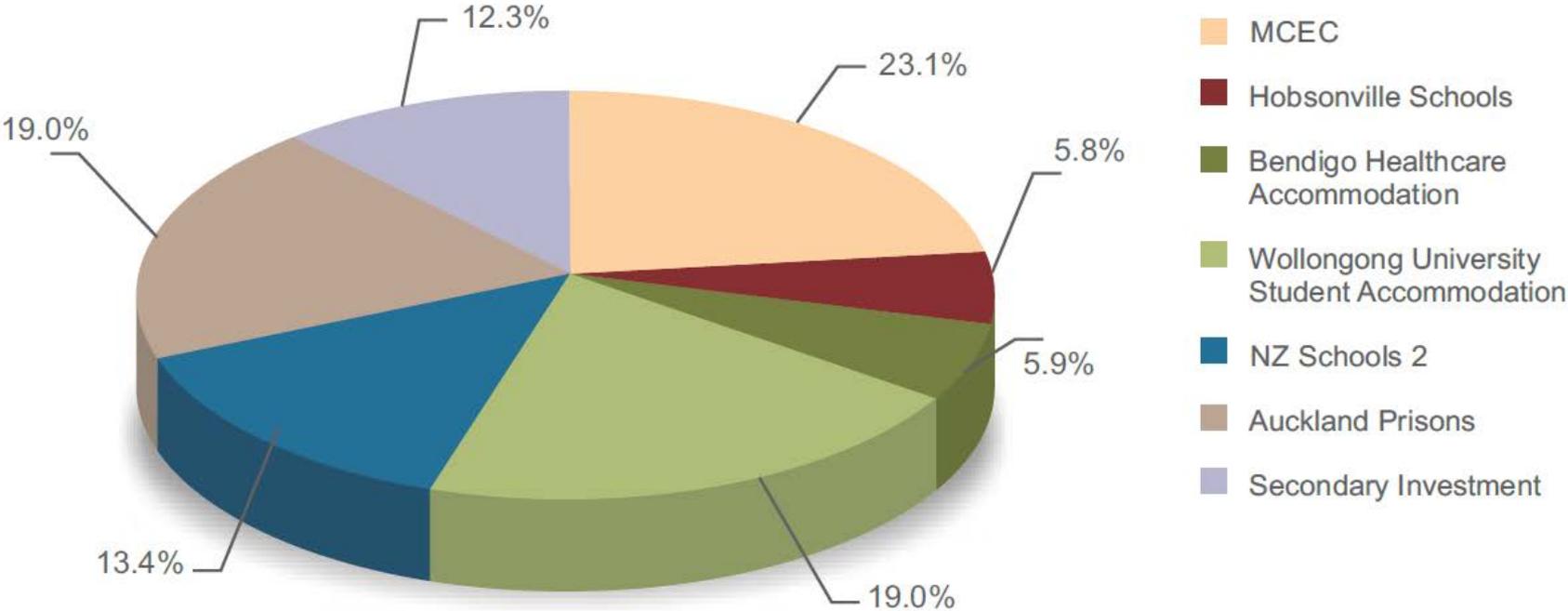
Per Share (41m) 51.4 cps

- NZSIF returns less than PIP's returns due to NZSIF annual costs, set-up costs and cash drag from NZSIF cash held (returns on cash less than PIP Fund investments). The impact of all of these will reduce as the invested base increases
- Higher PIP distributions result in lower PIP valuation
- FX losses peaked around 31 March 2015 as the NZD/AUD rate closed at 0.9828, with the subsequent fall in NZD/AUD to around 0.92 currently (30 July), increasing NTA by c.3cps

PIP PPP Outlook

- If successful with financial close on Auckland Prison and Wollongong expect to be at 87% investment committed
- Other investments under negotiation by PIP expected to result in full commitment of fund by end of October 2015
- Calls for projects under construction likely to see cash called over 2016-2017, unless called early and held by NZSIF

NZSIF Expected Investment Mix



NZSIF Outlook

- NZSIF continues to operate “true to brand”
- Yields expected to grow on existing investments; and on new investments made
- Expecting to deliver relatively stable returns over the long term, in excess of fixed interest
- Approximately 87% of original capital committed (including 2.8% returned)
- Further investments will significantly reduce the cost and cash ‘drag’ from not being fully invested
- Initial returns remain consistent with the original NZSIF prospectus
- All operating investments independently valued in excess of cost
- 2016 Full Year Operating Distribution forecast of 3 cps, paid quarterly (dependent on project distributions timing)
- Current AUD/NZD rate would imply a substantial positive FX impact in the NZSIF P&L

Questions & Answers



For Further Information

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Appendix 1 - Investments

Melbourne Convention & Exhibition Centre

- PIP Fund equity investment \$40m; NZSIF investment \$9m
- 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. During the year a condition assessment was completed and some minor refurbishment is to be undertaken by the Victorian Government
- PIP owns 49.9% of MCEC equity
- No property management or performance issues affecting MCEC equity or PIP returns during the period
- No current expansion opportunities



Hobsonville Schools PPP

- PIP Fund equity investment \$10m; NZSIF investment \$2.25m
- Primary school (years 1-8) for up to 690 pupils opened for initial pupils Term 1, 2013
- Secondary school (years 9-13) for 1,500 pupils opened Term 1, 2014
- Learning Infrastructure Partners Consortium
 - PIP Fund – 97.5% of the equity
 - Hawkins (lead construction) – 2.5% equity
 - ASC Architects (lead designer)
 - Programmed Facility Management (facilities management)
- Still some minor issues around lighting and airflow being worked through
- First equity distributions 3Q2014



Bendigo Healthcare Accommodation

- PIP Fund equity investment \$10.8m; NZSIF investment \$2.3m
- 96 one bedroom and 24 two bedroom residential apartment units for nurses and doctors working in the Bendigo Hospital, Victoria, Australia
- 30 year property lease with inflation linked cash flows
- No occupancy risk
- Project entity owns the land, and retains ownership at end of lease
- Completed ahead of time, and on cost
- Bendigo Healthcare Group (BHCG) is the tenant
 - BHCG 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\$630m hospital
- First equity distributions 3Q2014



Wollongong University Student Accommodation

- PIP Fund equity investment A\$14.6m; NZSIF investment stage 1 NZ\$4m, stage 2 est. NZ\$4m
- The Wollongong investment was announced in December 2014
- The PIP Fund made an initial stage one investment for a 39 year concession to operate and maintain the existing student accommodation facilities (1,900 beds across nine sites, with 273 existing beds being decommissioned over three years)
- Stage two involves the design and build, management and maintenance of two new facilities (totalling 1,060 beds) to be built over the next three years (subject to receiving consent)
- The PIP Fund is a 50/50 equity investor alongside Balfour Beatty Investments



University of Wollongong Student Accommodation

NZ Schools 2

- In May 2015 the PIP Fund consortium 'Future Schools Partners' signed a 25 year contract with Education Minister Hekia Parata for the design, construction, finance and maintenance of four schools throughout New Zealand
- The schools are Ormiston Junior College in Auckland, Aranui Community Campus and Rolleston Secondary School in Canterbury and Wakatipu High School in Queenstown
- The schools are due to open in 2017 and 2018



Auckland Prison

- In April 2014 the Corrections Department announced that Next Step Partners (NSP), a PIP Fund consortium, was shortlisted to develop a proposal for designing, building, financing and maintaining a new maximum security facility at Auckland Prison
- The scope of work does not include the provision of custodial services
- NSP achieved preferred bidder status in April 2015 and has completed the early stage earthworks for this project
- The Corrections Department is still to confirm if the project will proceed as a PPP
- If the project does not proceed as a PPP then NSP will receive its costs back plus interest



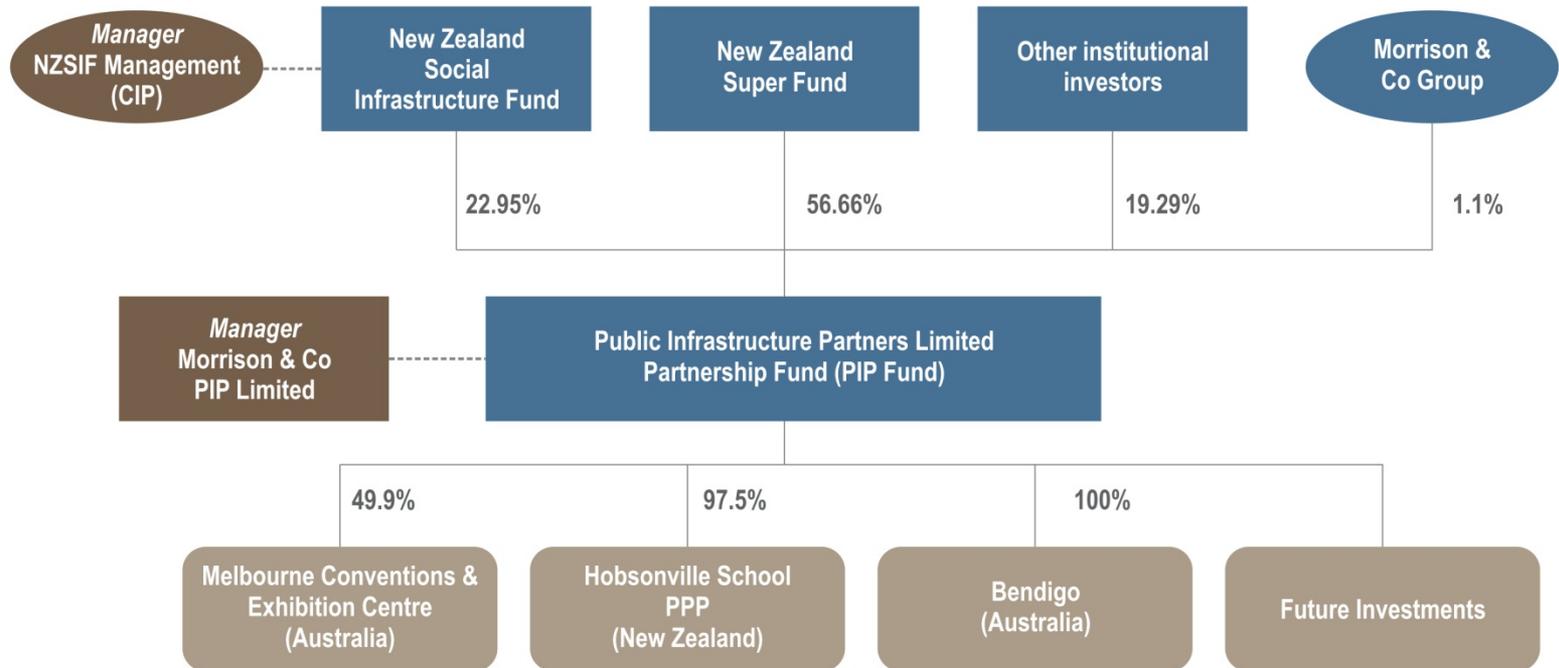
Existing Auckland Prison facility Paremoremo

Appendix 2

- NZSIF Structure

- PIP Fund

NZSIF Investment Structure



PIP Fund

- Committed capital \$176.5m
- Investment capacity \$1.5 billion +
- PIP Fund term of 18 years 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 (can be waived by PIP Advisory Committee)
- Maximum 25% in a single asset
- Maximum 40% single counterparty risk
- Maximum 25% sector with demand risk

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