



NZ Social Infrastructure Fund: August 2019 Manager Report, Public Infrastructure Partners LP



STRICTLY CONFIDENTIAL – NOT FOR DISTRIBUTION

The Year's Fund Activities

- Assets commencing operations Y/E March 2019:
 - Melbourne Exhibition Centre Expansion
 - Auckland Prison
- Fund is fully committed and the assets are in the lower risk operational phase
- Refinancing work undertaken in 2019:
 - Bendigo Key Worker
 - University of Wollongong
 - NZ Schools 2 PPP
- Total Fund distributions (cash) NZ\$10.9 million
 - NZ\$27.3m distributions in next 12 months (ending June 2020)
- Portfolio revaluation gain of 8.5%
- Exit planning underway, potentially exit will be complete by this time next year.



Auckland Prison PPP Project (Non Custodial)

Investment summary

- Financial Close: 15th September 2015
- Commitment: \$10.5 m, September 2015
\$21.5 m Q3 & Q4 2017
- Operational Commencement: 1 February 2016 (West Facility)
- Works Completion achieved on 1 June 2018 (6 months delay)
- Full Service Commencement on 2 June 2018

New Build PPP on existing Crown land

- 25 year operating period from Works Completion
- Revenue streams based upon asset availability
- Department of Corrections provides prison operational and custodial services

Department of Corrections as counterparty

Services included in the contract

- Asset and Facilities Management of the existing 240 bed prison (Auckland West)
- Design and construction of a new 260 bed maximum security prison (Auckland East)
- Asset and Facilities Management of the new Auckland East (from Works Completion)

Consortium

- Design and construction – Fletcher Construction Company
- AM/FM Services – Cushman & Wakefield
- Debt – Westpac
- SPV services – Morrison & Co



Bendigo Health Village Investment Review

Investment summary

- Financial Close: 12th April 2013
- Commitment: \$12 million
- Operational Commencement: March 2014

New build on a single site

- 120 new build units of nurses' and doctors' accommodation located 700m from Bendigo Hospital
- 30 year lease with minor maintenance obligations
- Effectively "triple net" lease
- Lease payment 100% linked to CPI
- Zero occupancy risk
- Investor takes residual value risk on the site and buildings

Bendigo Health Care Group as counterparty

- Provider of state sponsored healthcare for the region
- Incorporated under the Health Services Act 1988 (Vic.)
- Currently building a new \$600 million hospital at Bendigo
- Lease ends in 2044



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

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 (e.g. reporting, interface obligations) are retained by Project Co



MCEC Expansion Investment Review

Investment summary

- Financial Close: 31st May 2016
- Commitment: A\$14.9 million
- Investment date: 28th June 2016

New build 9,000 m² of new exhibition space

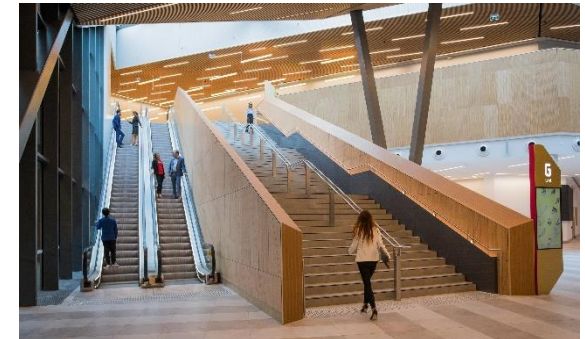
- 7,500 square metres of flexible exhibition space
- 1,500 square metres of multi-purpose space (with retractable seating for at least 900 people)
- service pods
- meeting rooms and informal meeting spaces
- a loading dock
- a link / hub space and concourse (including alterations to the existing MCCD facilities) to link to and integrate with existing MCCD facilities

State Of Victoria is the counterparty

- 17 year operating period
- Revenue streams based upon asset availability
- Expansion project is co-terminus with the main project

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 (e.g., reporting, interface obligations) are retained by Project Co



Hobsonville Schools Investment Review

Investment summary

- Financial Close: 5th April 2012
- Commitment: \$9.8m initial investment – Oct 2013
- Follow-on purchase: \$0.3m purchase, 2.5% - Jun 2016

New build PPP on 2 sites

- Completed the construction of two schools and commenced all facility management of the schools under contract with Programmed Facility Management (PFM)
- Hobsonville Point Primary School opened in 2013 and the Hobsonville Point Secondary School on the 14th of February 2014

Ministry of Education as counterparty

- 25 year operating period
- Revenue streams based upon asset availability
- Ministry 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
- Some general services (e.g. reporting, interface obligations) are carried out by Morrison & Co
- Concession ends in 2039



NZ PPP Schools 2 Investment Review

Investment summary

- Financial Close: 30th April 2015
- Commitment:
 - \$22.3m initial investment – Jun 2017 to Dec 2017
 - PIP II \$2.5m purchase Hawkins' 10% - Mar 2017

New build PPP on 4 sites

- Completed the construction of four schools with operations commencing

Term 1 2017

- Haeata Community Campus – Christchurch
- Ormiston Junior College – Auckland
- Rolleston Secondary School – Christchurch

Term 1 2018

- Wakatipu High School, Queenstown

Ministry of Education as counterparty

- 25 year operating period
- Revenue streams based upon asset availability
- Ministry 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
- AM/FM service provider is Programmed Facility Management
- Some general services (e.g. reporting, interface obligations) are carried out by Morrison & Co



Rolleston Secondary



Aranui Secondary



Ormiston Secondary



Wakatipu Secondary



University Of Wollongong (UoW)

Investment Review

Investment summary

- Financial Close: 4 December 2014
- Commitment: \$15.8m, with further \$15.6m in late 2016 and 2017
- Operational Commencement: 1 January 2015

Existing & new build student accommodation PPP

- Living & Learning Partners (LLP) obtained the concession to operate 1,906 existing student accommodation beds across 9 facilities at UOW
- LLP built 1,063 new accommodation beds in two facilities, with Stage 1 (261 beds) to completed in early 2017, and Stage 2 (802 beds) completed in December 2017
- 273 existing beds have been decommissioned as a result of the new build programme

University of Wollongong counterparty

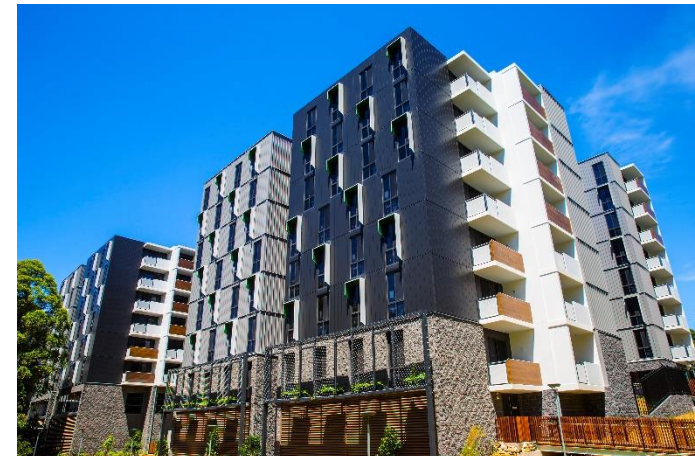
- 39 year operating period, ending in 2053
- Revenue streams based on room occupancy rate, with an 85% base case occupancy underwrite from UOW
- UOW provides student marketing and 'pastoral care'

Services included in the contract

- General services, helpdesk, building management, utilities management, exterior cleaning, exterior security, grounds and garden maintenance, pest control and life-cycle maintenance
- The primary service provider is Programmed Facilities Management



Stage 1 'Bangalay' – Shared Study Space

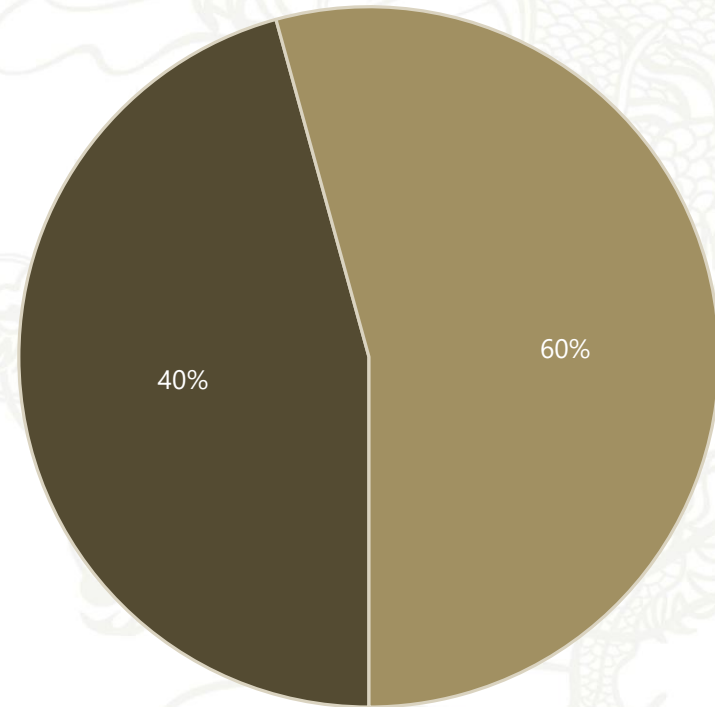
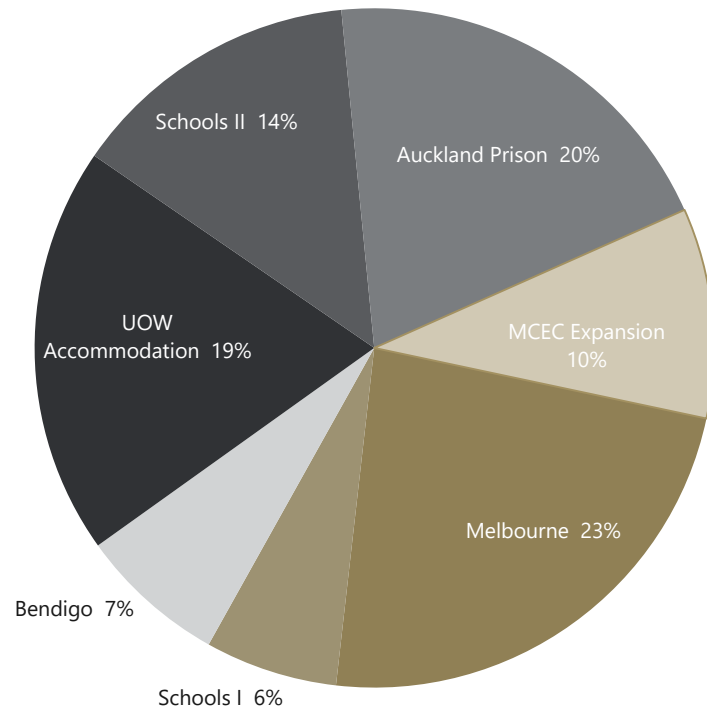


Stage 2 – External view



Investment Concentration

By capital invested



■ New Zealand ■ Australia



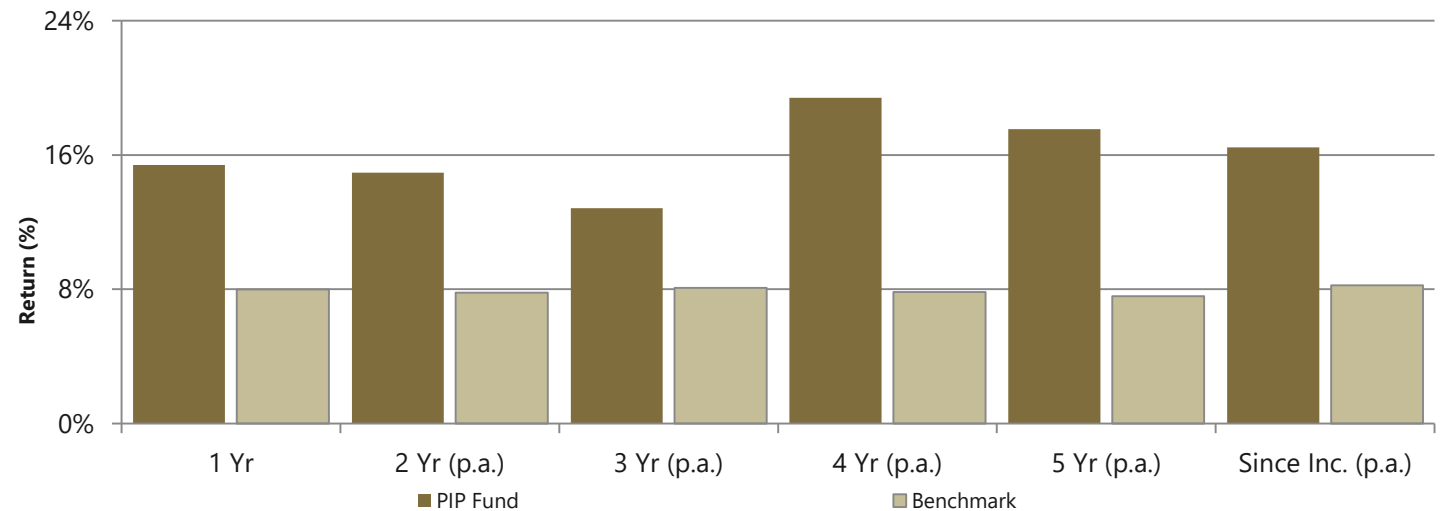
Portfolio Returns To 31 March 2019

Performance Summary

	1 year (%)	2 year (% pa)	3 year (% pa)	4 year (% pa)	5 year (% pa)	Since Inception (% pa)
PIP Return ¹	15.4%	14.9%	12.8%	19.4%	17.5%	16.5%
Benchmark Return ²	8.0%	7.8%	8.1%	7.8%	7.6%	8.2%
Return relative to Benchmark	7.4%	7.1%	4.7%	11.6%	10.0%	8.2%

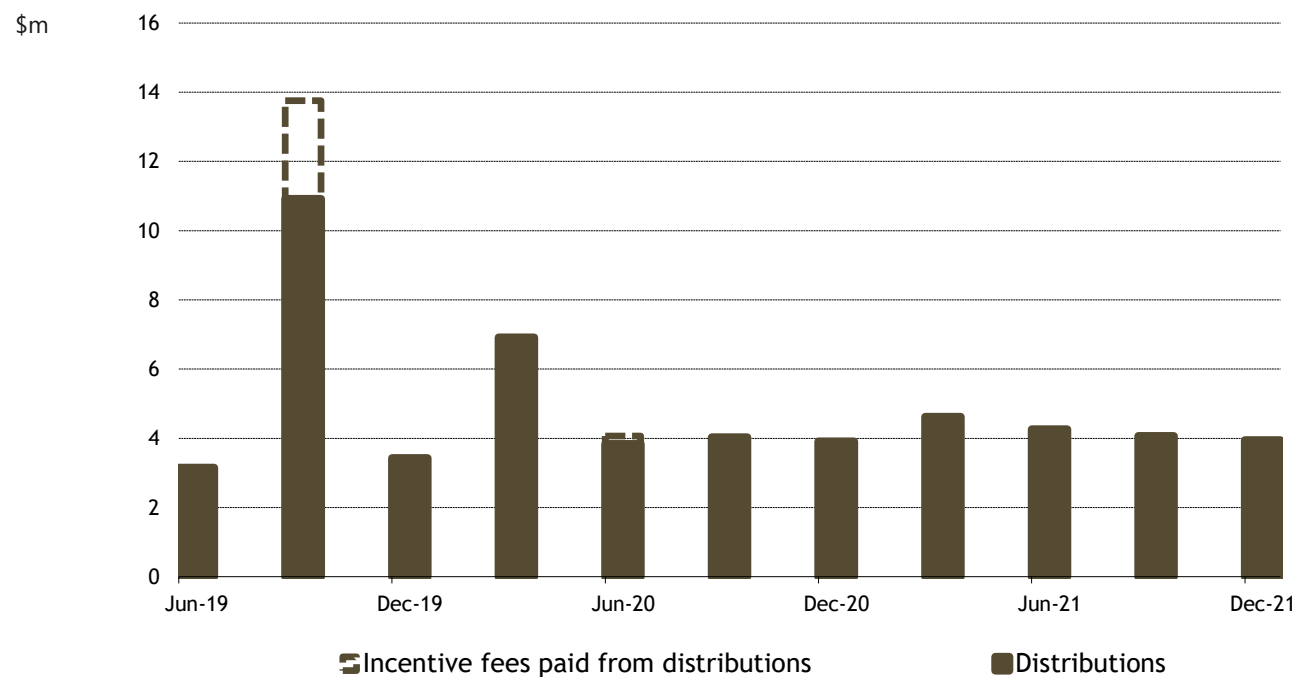
¹ Returns are calculated pre-tax, pre-FX and pre-incentive fees

² Benchmark Return = 5.5% to 7.5% (based on portfolio leverage) + CPI



Short Term Fund Cash Flows

Distributions and impact of performance fees



Conclusion

Fund prospects good

- 2018/19 was a busy year
 - Managing commencement of operations at Auckland Prison / MECE
 - Planning and executing refinancing opportunities – UoW / Bendigo
 - Operational asset management a core focus for Manager
- This year value enhancement/protection activity is underway
 - Focus on ongoing operational risks – refinancing risks, operating cost management
 - Exit process underway – key to delivering excess returns
- PIP Fund prospects looking good overall
 - Investments performing at or above expectations
 - Return expectations from current assets remain attractive
 - Value maximising opportunities continue to be pursued



Questions?



Appendix 1: Fund Model Assumptions

Macroeconomic assumptions underlying the fund model

