



7 July 2023

Dear Shareholder

**New Zealand Social Infrastructure Fund
NZ Asset Sale & Capital Distribution**

We are pleased to confirm that the Public Infrastructure Partners (PIP) sale of NZ assets has concluded, and proceeds have been received by NZSIF.

The NZ assets were sold to the London-listed investment company International Public Partnerships Limited (INPP) for approximately NZ\$200 million. For NZSIF the asset sale involved the sale of Hobsonville Schools (Primary and Secondary), NZ Schools II (Rolleston College, Haeata Community Campus, Wakatipu High School, Ormiston Junior College) and Auckland Prison.

NZSIF has received a total capital distribution of \$35.57 million. The outcome for NZSIF investors was approximately 12% less than earlier valuations. This reflected capital market conditions at the time of the sale and rising interest rates. The NZ Ministry of Education had also announced that it was reviewing its funding model for the future school expansions which eliminated the value associated with these potential expansions.

While the outcome of the sales process was below earlier expectations, the overall return to investors over the life of the investments is considered satisfactory given these circumstances.

The remaining assets, being the Bendigo Key Worker Accommodation and the Melbourne Convention and Exhibition Centre, currently have an estimated value of 53 cps. There are some valuation risks following an announcement by the Australian Government in respect of new thin capitalisation rules that if implemented, as appears likely, would negatively affect the tax position of the MCEC asset in Australia.

Distribution

Directors have approved a capital distribution of \$33.37 million. The payment is equivalent to 81.4 cents per share and is to be paid on or about 7 July 2023. This is the maximum capital we can distribute at this time by fully redeeming the remaining balance of the available preference shares. As this distribution will be by way of redemption of preference shares, it should be non-taxable in the hands of most NZSIF investors.

The balance of the capital will be retained by NZSIF until we can distribute this in a more tax effective manner (e.g. when NZSIF commences a liquidation process after the Australian assets are realised).

Payment will be made to your nominated bank account. The Registry will issue a distribution statement.



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The Fund has now made total gross distributions of \$1.39 per share. The net asset value of the remaining NZSIF assets (the Australian assets and cash) is estimated at 64 cps. Your total distributions to date and unrealised value is approximately \$2.03, compared to your contributed capital of \$1.00 per share. The estimated net Internal Rate of Return is approximately 9.5% compared to original expectations of 11%. The difference is principally due to the slower investment of capital called in the initial years and the lower than expected outcomes on the sale of the NZ assets.

If you have any questions about this communication, please contact Peter Lalor on (07) 927 7927 or email enquiries@nzsif.co.nz.

Yours sincerely

NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED

A handwritten signature in black ink, appearing to read 'Kim Ellis', is positioned above the name and title.

Kim Ellis
Chair