



Macquarie Infrastructure and Real Assets (“MIRA”)

Australian Infrastructure Fund Market

8 November 2013

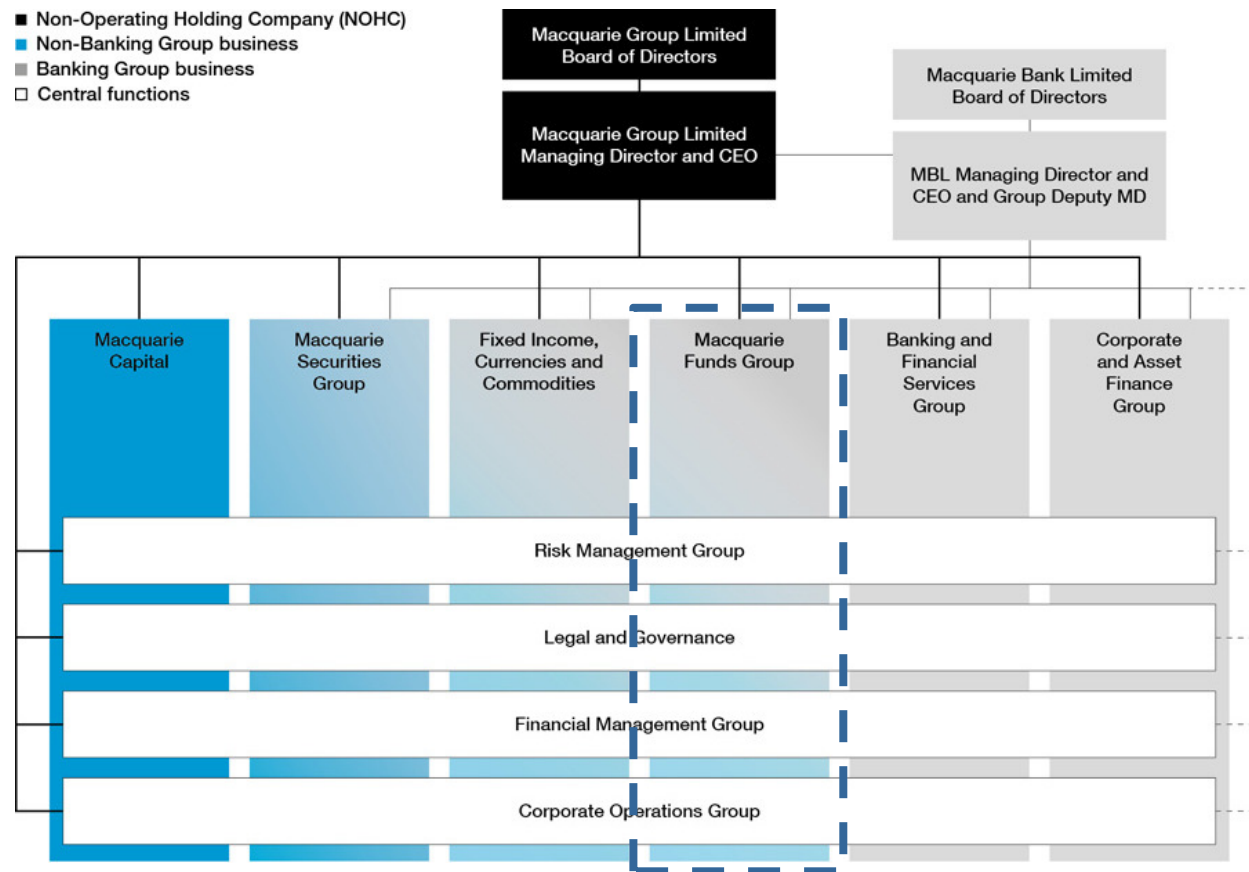


Macquarie Group



Macquarie Group is a leading provider of banking, financial, advisory, investment and funds management services

Macquarie's business activities are currently organised into six operating groups





Macquarie Funds Group



Group Head: Shemara Wikramanayake

Macquarie Infrastructure and Real Assets (“MIRA”)

Martin Stanley

Alternative asset management:

Infrastructure
Real Estate
Agriculture
Energy

Macquarie Investment Management (“MIM”)

Ben Bruck

Securities investment management:

Fixed interest and currencies
Equities, including infrastructure
securities
Private markets
Hedge funds
Multi-asset allocation solutions
'Best of breed' external managers

Macquarie Specialised Investment Solutions (“MSIS”)

Peter Lucas

Fund and equity-based solutions:

Fund linked products
Capital protected investments
Retirement and annuity solutions
Agriculture
Infrastructure debt

Operations

Legal and Compliance

Distribution

A\$405b
AUM¹

22
Countries worldwide¹

~1,400
Staff¹

1. All numbers as at 30 Sep 2013.



Macquarie Infrastructure and Real Assets



- A leading global alternative asset manager specialising in infrastructure funds management
- Our team of approximately 400 experienced professionals, located in 18 countries, manages A\$109 billion¹ of assets
- Our in-depth operational expertise and active asset management provides a unique competitive advantage
- Our continued focus on delivering superior results for investors continues to drive strong investor demand
- Recognised with international awards



1. Based on proportionate enterprise value, calculated as proportionate net debt and equity value at 30 June 2013 for the majority of assets.



Global position



MIRA continues to be recognised globally as the market leader in infrastructure

2012 Top global infrastructure investors (US\$b)¹

Rank	Company	5 Year Capital Creation ¹
1	Macquarie Infrastructure and Real Assets	23.7
2	Brookfield Asset Management	11.2
3	Global Infrastructure Partners	8.6
4	Canada Pension Plan Investment Board	8.4
5	APG Asset Management	7.8
6	QIC	6.9
7	Ontario Teachers Pension Plan	6.9
8	Alinda Capital Partners	5.9
9	Industry Funds Management	5.5
10	ArcLight Capital Partners	5.4
11	OMERS	5.0
12	Arcus Infrastructure Partners	5.0
13	Energy Capital Partners	4.8
14	RREEF Infrastructure	4.3
15	Highstar Capital	4.2
16	Future Fund	4.2
17	Goldman Sachs	4.2
18	La Caisse de Depot et placement du Quebec	4.1
19	Morgan Stanley	4.0
20	JP Morgan Asset Management	3.9

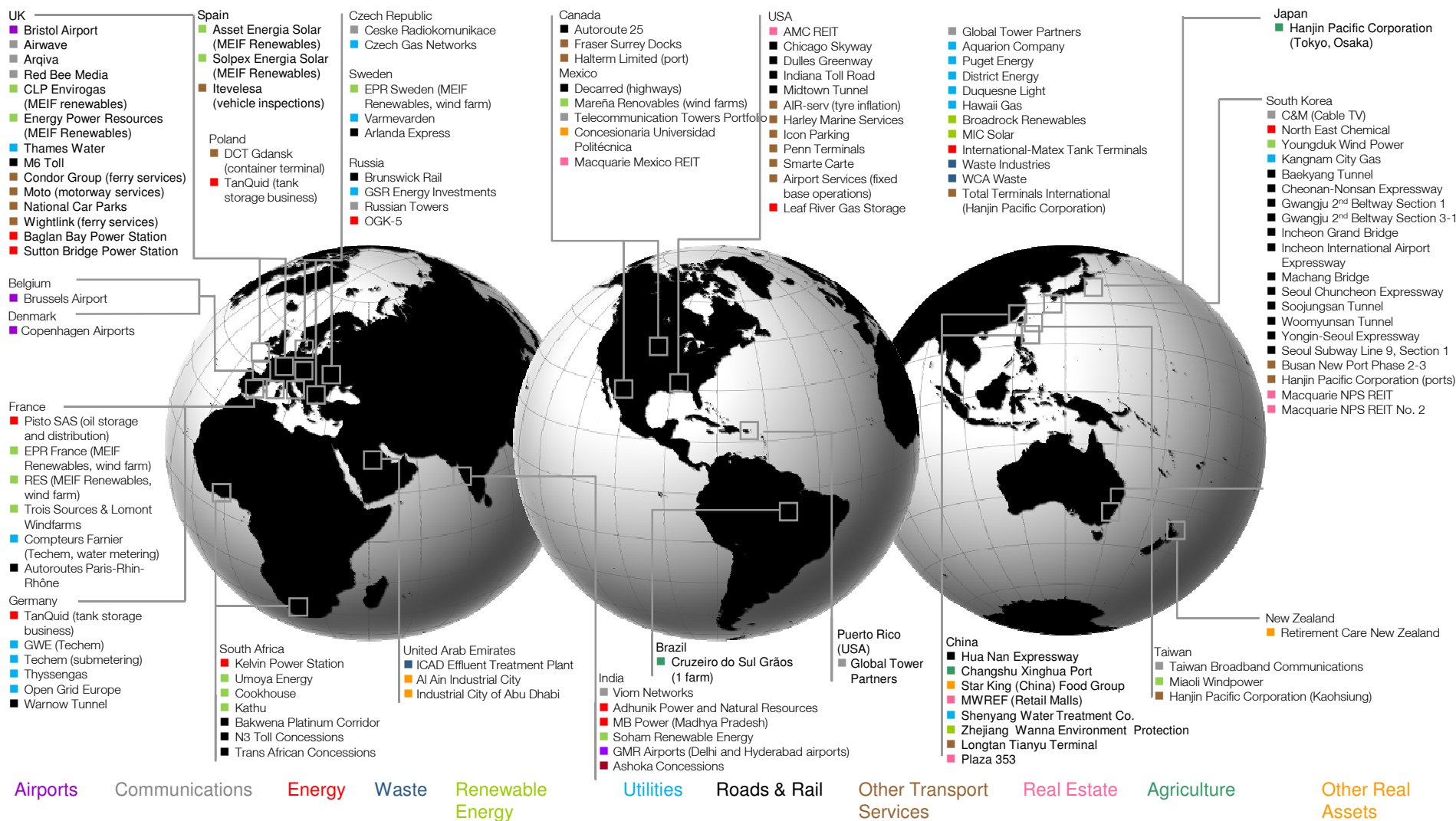
Source: Infrastructure Investor 30 June 2012, a global ranking of the largest direct-investment programmes by Infrastructure Investor Magazine.

1. Rankings based on methodology created by Infrastructure Investor, and represents infrastructure direct-investment capital formed since 1 January 2007. Includes equity capital raised by infrastructure funds, infrastructure funds commitments and direct capital invested in infrastructure assets by pension funds, and equity capital invested in infrastructure projects and concessions by infrastructure developers.

Global presence



~114 portfolio businesses



1. As at 31 March 2022. Represents portfolio businesses which Macquarie Infrastructure and Real Assets manages on behalf of investors with various direct percentage stakes held in each. Portfolio businesses shown on the map are representative and not exhaustive. In some instances they represent the operations of a single business where it has operations across different countries.



Trusted by communities



Every day ~100 million people use essential services provided by Macquarie managed businesses



AIRPORTS

+89 million passengers per annum



ROADS

+1.2 million vehicles per day



RAIL

+82 million passengers per annum



FERRIES

+6 million passengers per annum



SEA PORTS

+3 million standard container units handled per annum



CAR PARKS

+215,000 car spaces



COMMUNICATIONS

+130 million people through television, telephone and radio infrastructure



GAS

+22 million households



WATER

+5 million households



ELECTRICITY

+2.7 million households



AGED CARE / RETIREMENT VILLAGES

+7,600 beds, +1,100 units



EMPLOYEES

+69,000 across the portfolio businesses

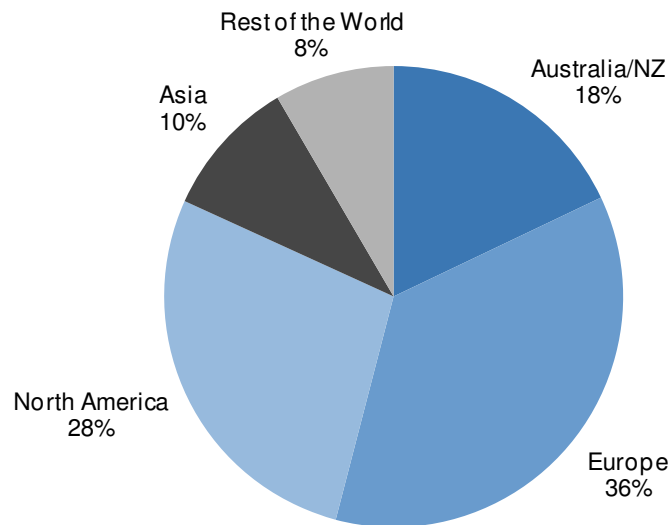
Note: As at 31 March 2012.

Investors in unlisted vehicles

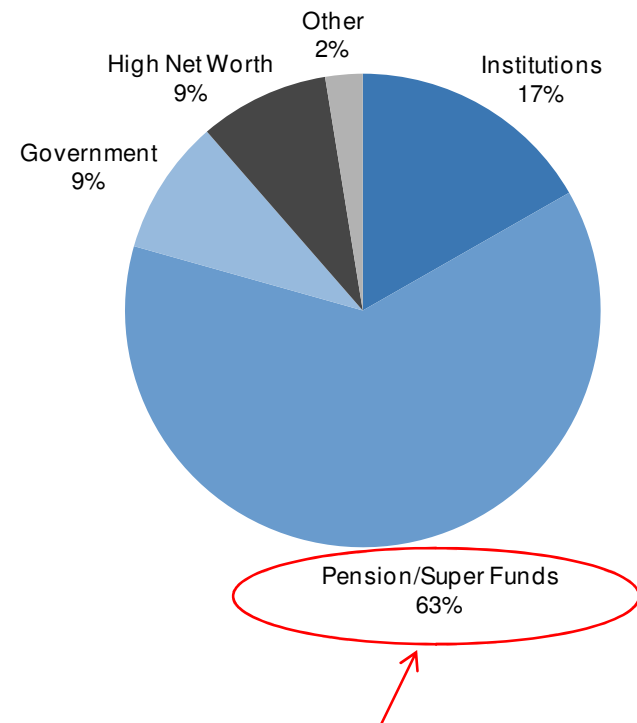


Investors include international institutions, pension funds, governments and high net worth clients

Unlisted Investors by Region



Unlisted Investors by Type



Infrastructure is well suited to Pension Funds

1. As at 31 December 2012, based on total committed capital less any called capital returned to investors.



Infrastructure



Infrastructure characteristics



Successful infrastructure projects deliver for the community and for investors

- Infrastructure businesses have many attractive investment characteristics but require significant ongoing management to deliver services for the community and value for investors

DELIVERING FOR INVESTORS AND FOR THE COMMUNITY

Macquarie's Active Management

Improved
operational
performance

Optimal
capital
structure

Cost effective
capital
expenditure

Operating
cost control



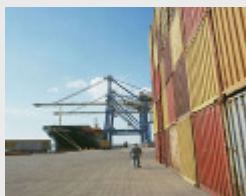
Essential
services
supporting
the
community



High barriers
to entry



Low demand
elasticity



Underlying
cash flows
linked to
inflation



Stable,
predictable,
cash flows



Low
correlation
with other
asset
classes



Long
operational
life



Australian infrastructure market



The Australian superannuation industry



Compulsory superannuation contributions of 9%

\$A 1.5
TRILLION

FUM forecast to double
in next decade

Number of funds has
halved

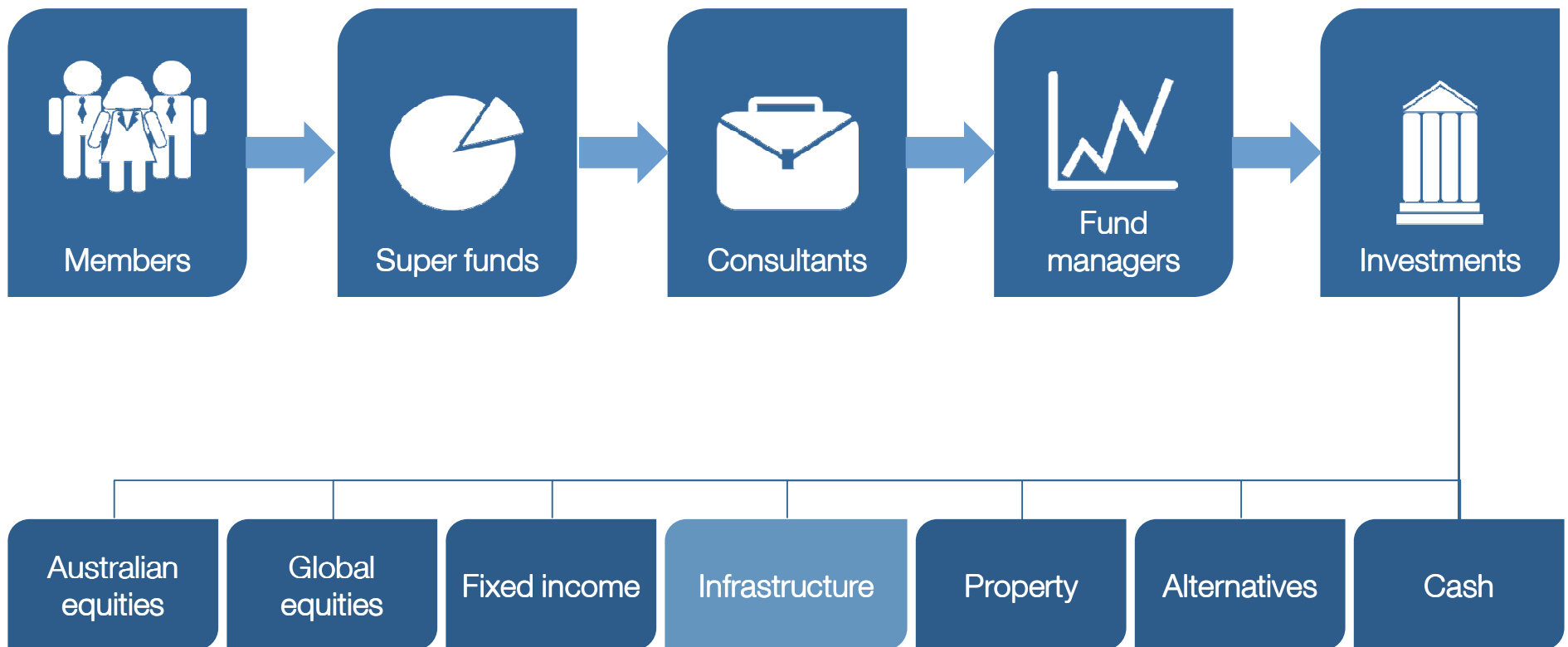
4th
LARGEST
super pool globally



Australian superannuation industry



Superannuation funds have a typical infrastructure allocation of 5% - 10%



Who's who



Industry

AustralianSuper

UniSuper

cbus

sunsuper

ESSSuper
Emergency Services & State Super

HOSTPLUS
expect more

HESTA

REST
Industry Super

Public sector

futurefund
STATE SUPER
SAS Trustee Corporation

Australian Government
Commonwealth Superannuation Corporation

NEW ZEALAND
SUPERANNUATION
FUND



VicSuper

Super
GROWING YOUR SUPER TOGETHER



FUNDS SA

GESB
MAKES SENSE



VFMC
Victorian Funds
Management Corporation

first
state super

Retail and corporate

AMP

TelstraSuper

Colonial
First State

Fund managers

QIC



CPI

AMPCAPITAL



ifm

ISPT
SUPER
PROPERTY

Hastings
Funds Management

Deutsche Bank



Colonial
First State

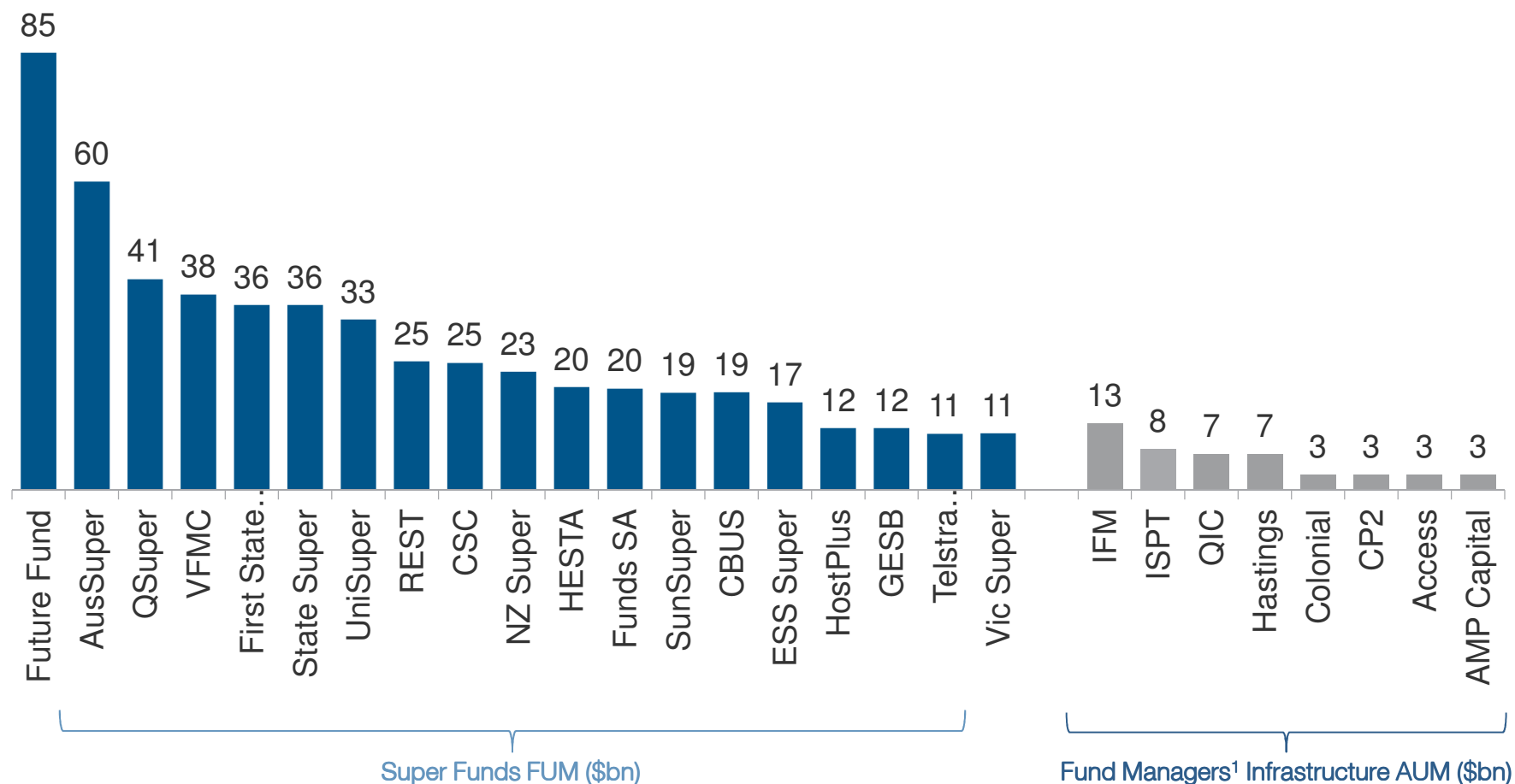
Global Asset Management

AccessCapitalAdvisers

Australian infrastructure market



Infrastructure plays an important role in the Australian market



1. Excluding Macquarie



Increasing focus on infrastructure



BIGGER ROLE AHEAD FOR SUPER FUNDS

(The Australian Financial Review, 11 July 2013)

There is symmetry to the **ownership of public assets** through super funds that serves the interests of the general public. The sale of Port Botany and Kembla to 5 million Australians through their industry super funds means that around one in two workers in New South Wales still owns these facilities, and the returns for their investment will benefit their retirement savings.

(The Australian Financial Review, 12 June 2013)

Industry super funds have been **pioneers in infrastructure investment in Australia.**

(The Australian Financial Review, 12 June 2013)

A number of the largest funds are moving towards the model adopted by the Canadian pension plans and **building internal investment teams** to invest directly in private equity and infrastructure themselves.

(The Australian Financial Review, 9 July 2013)

Appetite for infrastructure assets from super funds and other large investors **has surged globally** since the financial crisis because the prices of such investments are much less volatile than equities, while earnings tend to increase steadily.

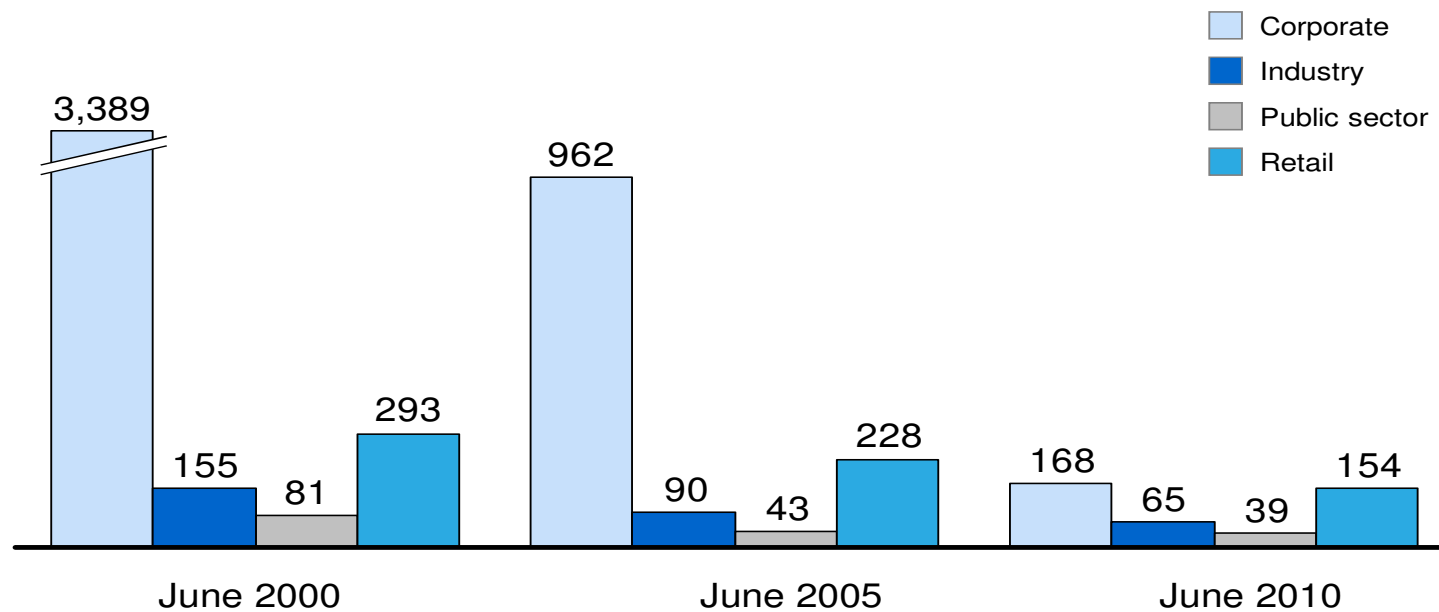
(The Australian Financial Review, 10 July 2013)

Industry consolidation



Superannuation funds continue to consolidate to achieve economies of scale

Number of funds at June 2000, 2005 and 2010





Australian infrastructure funds



Investing in infrastructure



There are numerous methods to invest in infrastructure in the Australian market

- Listed funds
 - Externally managed
 - Internally managed
- Unlisted funds
 - Closed end (generally 10 – 15 yrs + extension)
 - Open end
- Unlisted funds + co-investments
 - Ability to average down fees
 - Leverage manager team
 - Increased governance
- Separate managed accounts
 - Requires significant capital
- Direct investment
 - Requires significant capital and large team



Listed infrastructure funds



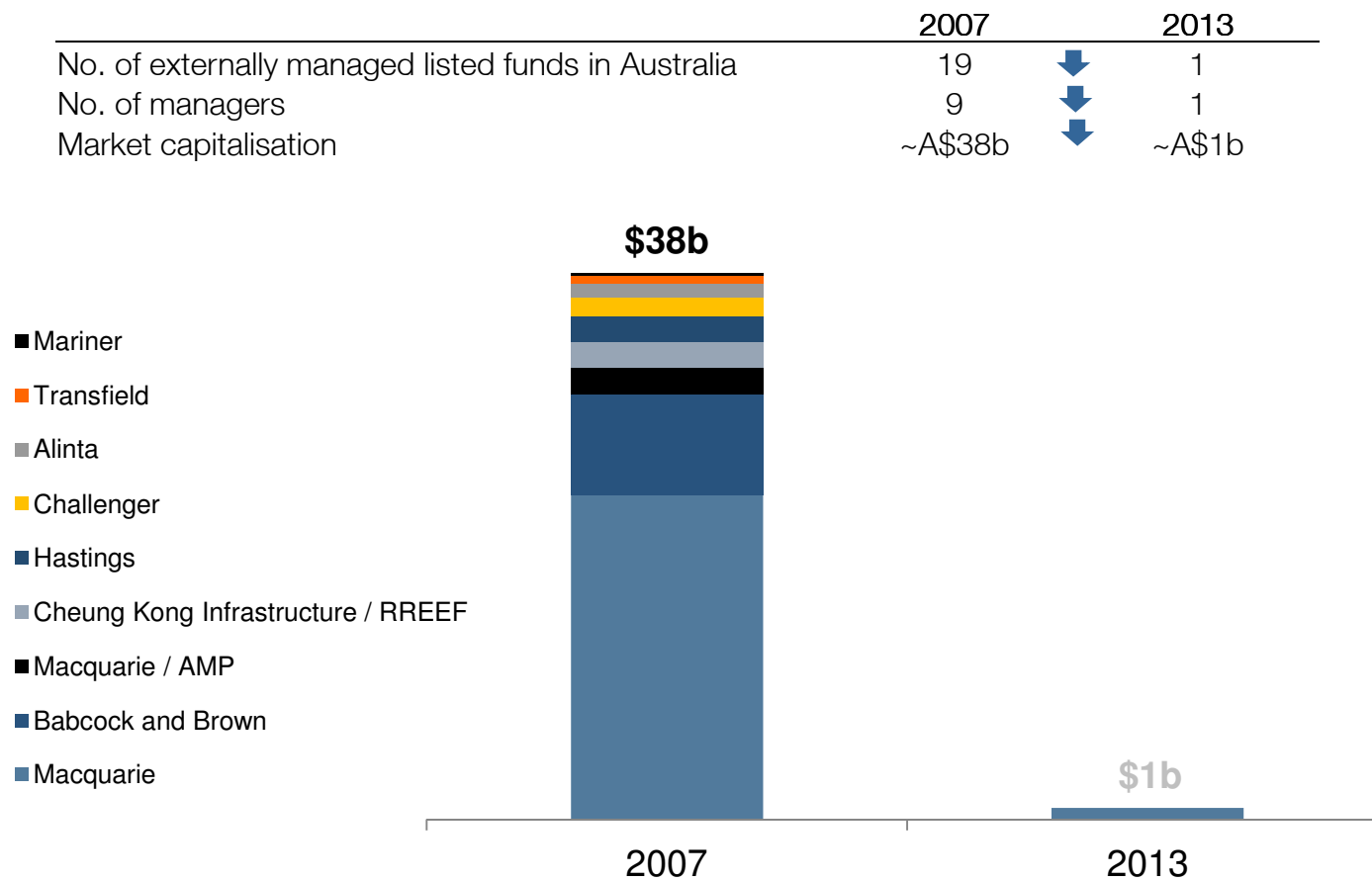
What are investors looking for...

Attraction	The Theory	The Listed Reality
• Steady, predictable capital appreciation	✓	✗
• Stable income – resilient, predictable cash flows with an attractive yield profile	✓	✓
• Operationally stable underlying businesses providing essential services to the community	✓	✓
• Asset management by industry experts with specialised operational knowledge	✓	✓
• Liquidity and flexibility	✓	✓

Listed infrastructure funds



The market for externally managed listed infrastructure funds in Australia has transformed

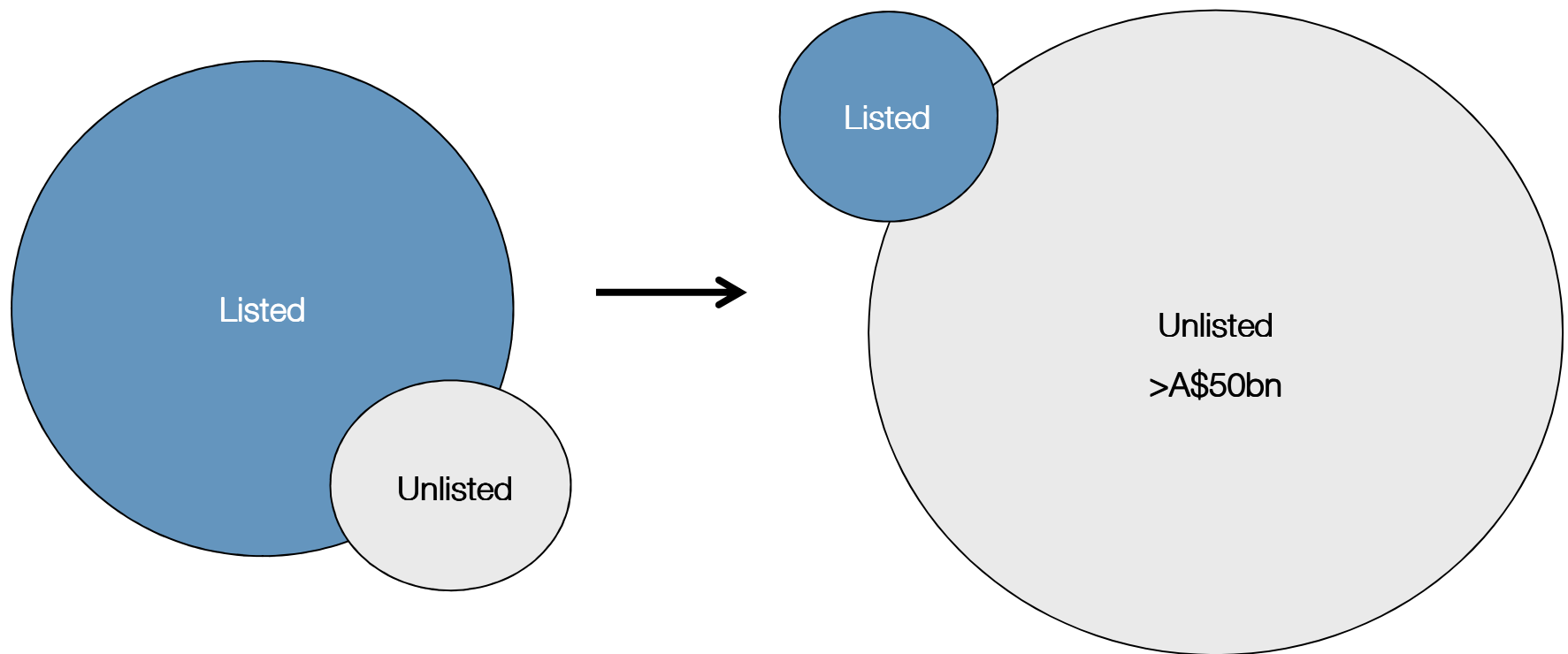




Evolution



The Australian infrastructure fund space continues to expand rapidly

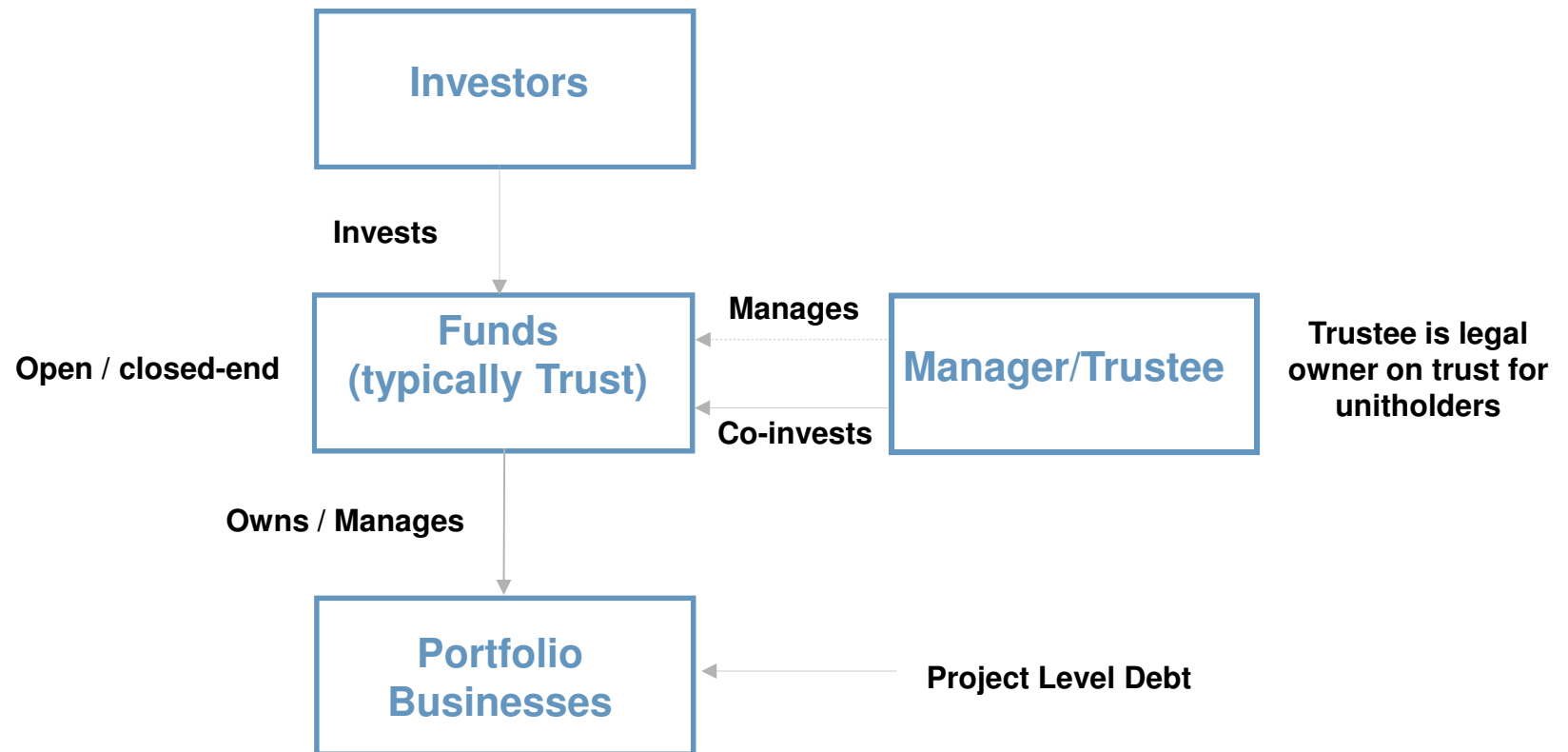




Fund structure



Typical Australian unlisted infrastructure fund structure





Infrastructure fund establishment



There is generally not “infrastructure specific” Australian regulation

- Professional fund managers required to be licensed by Australian securities regulator (ASIC)
 - Manager receives an Australian Financial Services License (AFSL)
- Establishment of new unlisted fund
 - Institutional investors > limited regulation
 - Retail investors > highly regulated
 - Offer document required to be registered with regulator (ASIC)
- Establishment of new listed fund
 - Listing rules apply as per any other entity



Australian tax considerations



There is generally not Australian “infrastructure fund specific” tax regulation

- Australian trust is a “pass through” for tax purposes provided it meets relevant criteria
 - distributes its taxable income annually
 - holds non-controlling interests
- Taxable income components flow through to the underlying unitholders
 - Capital intensive nature of infrastructure assets means significant depreciation and amortisation
- Trusts with controlling interests taxed as a company
 - Division 6C Trust
- Trust structure provides a more efficient structure for offshore investors
 - Australian corporate tax rate = 30% (foreign investors may not be able to utilise franking credits)
 - Foreign withholding tax = generally 10 to 15%
- Has led to some complex structures with “stapled structures” common
 - General preference today to “keep it simple”
- No exemptions available for transferring assets into the trust



Key learnings



A manager's perspective...

- Current market preference for unlisted infrastructure funds due to the potential introduction of volatility to an inherently stable investment via listed markets
- A regulation framework which recognises the differences between “unsophisticated” retail investors and “sophisticated” institutional investors is appropriate
- A light regulatory framework for licensed managers dealing with institutional investors produces an efficient market



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