

Research and Insights

Ausbil Global Essential Infrastructure

September 2021

Countdown to zero? Vanishing listed infrastructure to drive a shift offshore

2021 has been a momentous year for M&A in the ASX-listed Infrastructure sector – and its only September! Three proposed M&A transactions have occurred in a very short space of time, with unlisted investors seeking to privatise some of Australia’s much loved publicly listed infrastructure companies, AusNet Services, Spark Infrastructure and Sydney Airport. What does this mean for investors, and where in the world will they be able to find listed infrastructure assets?

The spate of proposed transactions demonstrates the insatiable demand for world-class ‘essential’ infrastructure assets by private investors. On current valuations, these investors are taking advantage of a compelling valuation arbitrage that presently exists between public and private markets; public markets are undervaluing infrastructure assets and this is making them ‘hot’.

While these transactions can be rewarding for shareholders should they occur, it also means that the ASX will have fewer and fewer ‘essential’ infrastructure investment options. This underscores the increasing impetus to seek global exposure to listed infrastructure – an asset class that continues to grow despite the wave of M&A occurring down-under.

Q: What’s the attraction of Ausnet Services, Spark Infrastructure and Sydney Airport to the proposed acquirers?

A: Each of AusNet Services, Spark Infrastructure and Sydney Airport are very attractive on global infrastructure benchmarks. They are all high quality infrastructure assets operating under attractive regulatory regimes and commercial environments, with business models that have significant barriers to entry, and in some cases, absolute barriers to entry.

In the case of AusNet Services and Spark Infrastructure, both own highly regulated long-dated utility assets in Australia, with supportive regulation and long-term predictability of cashflow generation, largely insensitive to the economic cycle.

Spark owns equity interests in regulated electricity distribution assets in Victoria and South Australia, and also an interest in Transgrid, the owner of the NSW electricity transmission grid. It also has some interests in renewable energy assets. AusNet Services owns electricity distribution and transmission assets in Victoria and also owns a gas distribution network. Importantly, both are positively leveraged to the energy transition occurring across the eastern Australian energy grid. These networks are critical to the decarbonisation of the grids, with significant investment required to support the transition from fossil fuel-based generation to increase renewables, support grid stability, the uptake of electric vehicles, and encourage energy efficiency.



Tim Humphreys
Head of Global Listed Infrastructure

Phone: +61 2 9259 0281
Email: tim.humphreys@ausbil.com.au



Jonathan Reyes
Co-Head of Global Listed Infrastructure

Phone: +61 2 9259 0286
Email: jon.reyes@ausbil.com.au



Natasha Thomas
Portfolio Manager -
Energy and Communications

Phone: +61 2 9259 0283
Email: natasha.thomas@ausbil.com.au



Paul Johnston
Portfolio Manager - Utilities

Phone: +61 2 9259 0284
Email: paul.johnston@ausbil.com.au

Sydney Airport is temporarily and severely affected by the COVID-19 pandemic and the associated travel restrictions both domestically and internationally. This has caused a major disconnect between the long-term value of Sydney Airport shares and the trading share price prior to the take-over activity. Faced with a high degree of uncertainty regarding the shape of recovery from COVID-19, equity markets can become short-term in focus. Sydney Airport will once again become a pre-eminent global infrastructure asset once air travel begins to recover and Governments progressively relax travel restrictions. Sydney Airport is subject to attractive light-handed regulation, has growth potential in its aero and non-aero businesses and earns attractive returns on invested capital. Private and pension capital have struck when share prices fail to reflect both the fundamental long-term values of these businesses, and in the case of AusNet Services and Spark Infrastructure, the long-term critical role regulated utilities play in the energy transition underway globally.

About Ausbil Investment Management

Ausbil is a leading Australian based investment manager. Established in April 1997, Ausbil's core business is the management of Australian and global equities for major superannuation funds, institutional investors, master trust and retail clients. Ausbil is owned by its employees and New York Life Investment Management a wholly-owned subsidiary of New York Life Insurance Company. As at 31 August 2021, Ausbil manage over \$16.1 billion in funds under management.

Q. Why are some of the most well-respected infrastructure investors in the world willing to pay significantly higher valuations than the share market ascribes to these assets?

A: This trend in buying assets outright at takeover multiples is predicated on the idea that total control brings offsetting financial benefits, such as reduced listing costs, cheaper investor relations, direct control of asset development and expansion, and other potential reductions in common asset costs. A 100% acquirer can typically appoint their own management team, strategy and capital structure in order to extract the maximum value possible, subject to regulatory requirements. Listed investors are typically not as comfortable with the higher levels of debt compared to unlisted investors, and this can impact the valuations of listed infrastructure companies, and their relatively 'under-gear'd' balance sheets – a risk benefit in our view with respect to listed infrastructure.

Equity markets are a kaleidoscope of investors with different criteria, valuation metrics, risk appetites and timeframes. Equity market valuations of infrastructure companies can be affected by general equity market conditions and expectations; often a significant source of alpha opportunity for active investors. In a 'risk-on' market with rising expectations for real GDP and inflation (a lot like recent conditions), listed infrastructure share prices may be relatively suppressed as equity investors chase easy beta and higher returns, even if long-term cash flow-based valuations of the infrastructure assets are not materially impacted. Over the cycle, the stable cash flows of assets reward infrastructure investors, and adjust for this short-termism in equity market valuation.

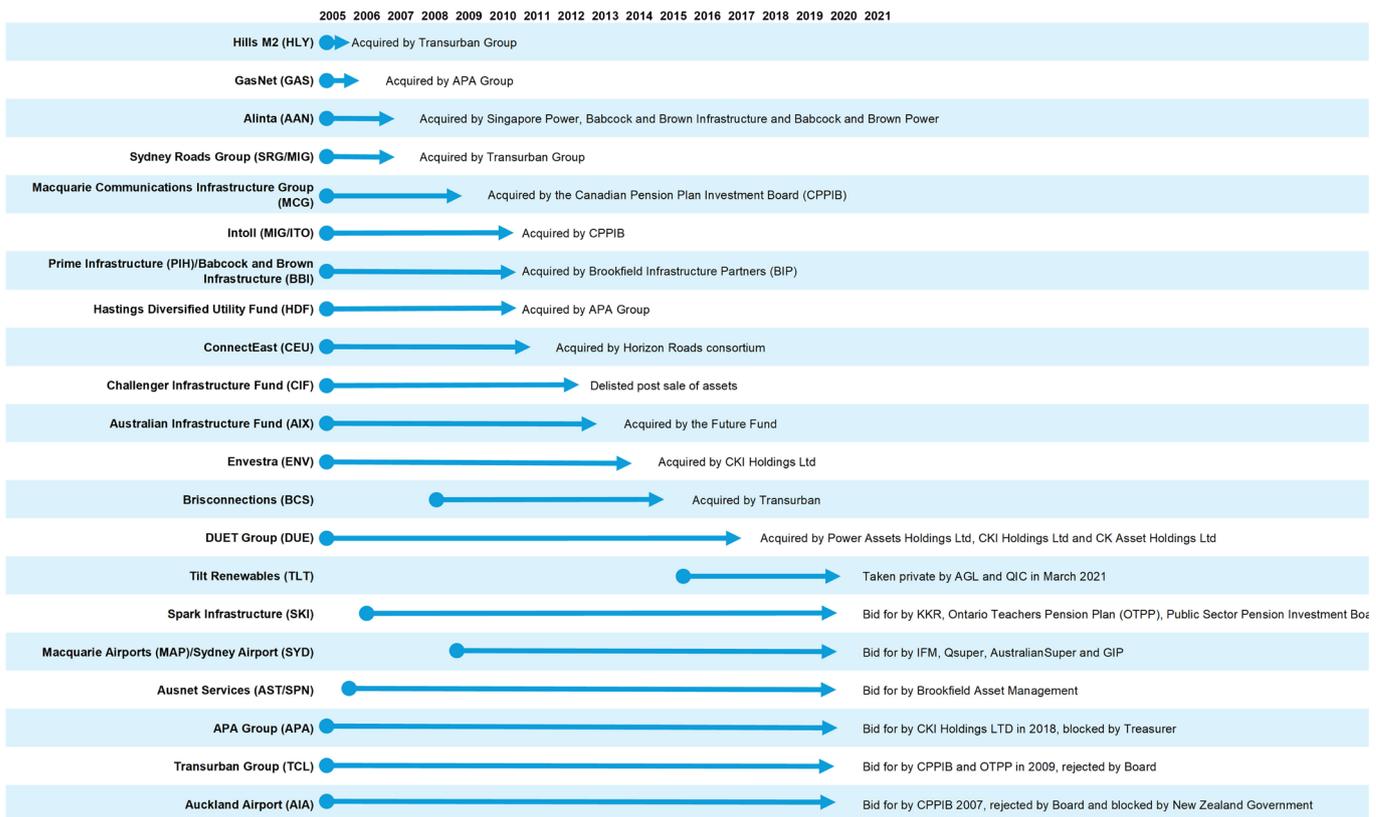
There is also a fundamental difference in the analytical tools deployed by infrastructure investors. Generally speaking, equity market investors are more likely to use expected profits, cash flows and/or dividends in the next couple of years to value listed infrastructure across the entire market on a comparative earnings multiple basis. Long-term infrastructure specialists, by contrast, take a lifecycle expected cash flows approach to valuing listed infrastructure that more accurately accounts for the long-term cost and income streams, the complicated regulatory patterns that drive returns, and bring these back to a capital cost relevant lifecycle equity return, a more genuine and accurate measure for the value of a listed infrastructure asset.

Moreover, a typical mismatch in time-frame between listed market investors and the unlisted infrastructure investors, means that there is potential for a valuation arbitrage to exploit. This gap is only exacerbated when near-term cash flows are severely impacted, as has been the case with Sydney Airport and Auckland International Airport from the impact of COVID-19. Short-term profit and cash flow metrics simply do not capture the power and value of decades-long predictable cash flows. Even in Australia, perhaps the most infrastructure savvy market in the world, listed investors miss this opportunity, a situation replicated to a higher degree in other markets around the world.

Q: Why are there are so few listed infrastructure companies in Australia, and why has there been so much M&A in the space?

A: The ASX-listed infrastructure space, at its height, had over 15 listed companies. Many of these companies were listed over the period spanning 1995 to 2010. For example, Transurban was listed in 1996 with a single toll road concession, Citylink in Melbourne. APA Group was spun-out of AGL Energy in 2000 with ownership interests in four gas transmission pipelines in Australia. Spark Infrastructure and AusNet Services were both listed as IPOs in 2006 by private owners. The long-term lease to operate Sydney Airport was acquired by Macquarie Group, who in turn listed it through IPO, together with interests in some European airports in 2009. Both APA Group and Transurban have embarked on significant M&A activity, including taking over listed companies, and participating in sizeable M&A of other companies and assets in their respective areas of expertise. Figure 1 illustrates the path from over 15 listed infrastructure assets towards none.

Figure 1: Evidence in the case of the vanishing listed Australian infrastructure company



Source: Ausbil. Note that the dots at the start of the arrows show the listing date, with most having been listed prior to 2005, hence starting dot is in 2005.

There has also been significant M&A involving other infrastructure companies like Asciano (transportation, sold to private investors and other port operators) and Infigen (wind farms, acquired by Iberdrola in Spain) – and while neither of these asset meets Ausbil’s strict Essential Infrastructure definition, they serve to demonstrate the demand for these and similar assets. We are now seeing this with the super fund consortium seeking to acquire Sydney Airport, and offers for Spark Infrastructure and AusNet Services.

So what makes Australian infrastructure so enticing? There are numerous reasons for the high level of M&A activity in the Australian listed infrastructure sector. Firstly, the regulation of utilities and Australia's legal frameworks which apply to infrastructure assets, including concessions, are considered relatively stable and predictable on global comparisons. Property and legal rights are well defined, codified and protected in common law. Australia is one of the pioneering infrastructure markets. Our lenders and capital markets are among the most advanced globally in their reception and funding of infrastructure assets. Moreover, most Australian infrastructure assets of any size can tap the global bond markets and are considered amongst the highest investment grade assets, readily offering bond issuance in liquid USD, EUR and GBP bond markets if needed. These ready channels for capital flow support the growth and expansion of infrastructure assets in Australia.

Secondly, in the great credit shakeout of listed trusts (both real estate and infrastructure) during the Global Financial Crisis, some infrastructure trusts and companies over-levered their balance sheets, creating significant pressure on equity valuations making themselves acquisition targets for savvy global institutions, private equity and larger peers.

Furthermore, while take-overs of critical infrastructure assets in Australia have become more challenging with a tightening of FIRB related rules in recent years, generally speaking Australia has been viewed favourably in terms of the ability to successfully execute M&A and obtaining the necessary regulatory approvals. Finally, many of the ASX listed infrastructure are relatively more modest in size in terms of market capitalisation (especially versus, say, the North American Utilities sector), making M&A more likely for global private equity giants, investors, pension funds and larger global peers.

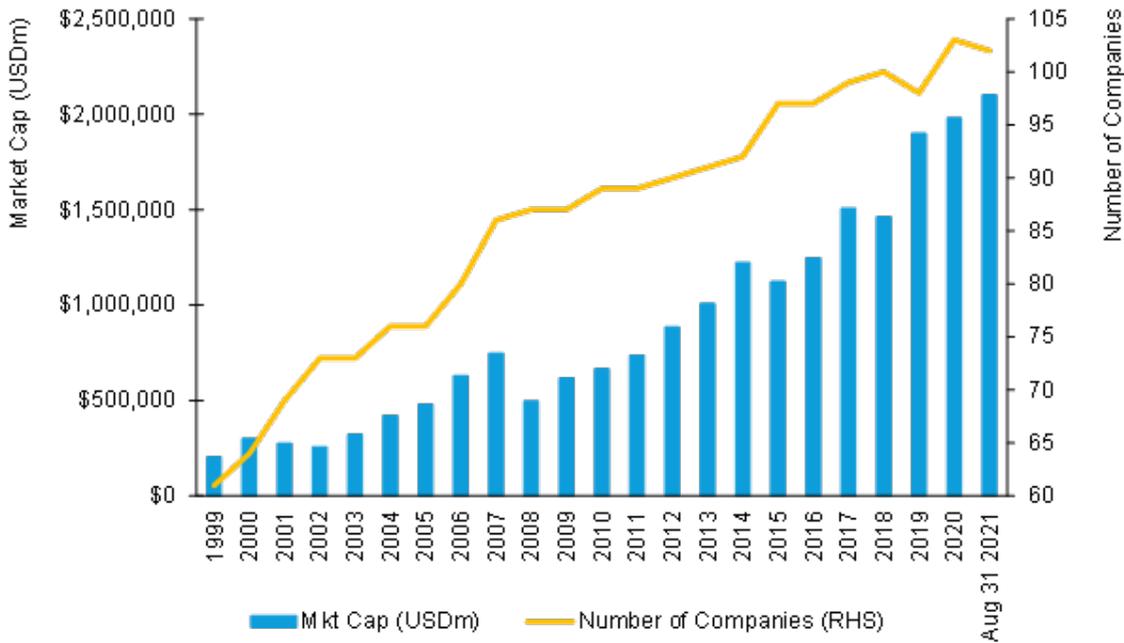
Q: What happens if most of the Australian listed infrastructure sector vanishes?

A: Assuming the Sydney Airport, AusNet and Spark transactions complete in one form or another, there is potentially only going to be four ASX-listed infrastructure companies that meet Ausbil's Essential Infrastructure criteria listed on the ASX. These are Transurban (TCL), Atlas Arteria (ALX), APA Group (APA) and Auckland Airport (AIA, dual listed on the ASX and NZX). Two other listed infrastructure companies, Aurizon Holdings (AZJ) and Dalrymple Bay Coal Terminal (DBI), do not meet Ausbil's strict definition of Essential Infrastructure and are excluded from our investment universe.

Should the proposed acquisitions of AusNet Services and Spark Infrastructure succeed, there will be no listed regulated utility on the ASX. There is no listed mobile phone tower company on the ASX, with the recent sale of 49% in Telstra's towers going to the Future Fund and other super funds. Moreover, following the takeovers of Infigen and Tilt, there is no pure-play renewable energy company listed on the ASX, leaving the only options for pure-play renewables exposures in offshore companies, such as global renewable powerhouses like NextEra and Ørsted.

Globally, however, there is no shortage of Essential Infrastructure companies listed on stock exchanges in investment grade developed markets. Globally, the listed infrastructure sector is set to grow larger as new government owned assets hit the boards, older companies spin-off infrastructure portfolios (such as Acciona Energias and Vantage), divestment of non-Essential Infrastructure (such as DTE and PEG), private equity listings to crystallise profits or trim portfolios, and because of the options public listings offer infrastructure equity holders. Chart 1 illustrates the combined market capitalisation of Ausbil's Essential Infrastructure universe, which has grown from around US\$200 billion in 1999 to over US\$2 trillion today.

Chart 1: Ausbil's global Essential Infrastructure universe has grown with a CAGR of 13% since 1999



Source: Ausbil

The answer to the crisis of vanishing Australian listed infrastructure is simple: invest in global infrastructure. A portfolio of global Essential Infrastructure companies allows investors to achieve their required diversification across quality toll roads, airports, mobile phone towers, energy infrastructure, regulated utilities and renewable energy companies. Global markets offer the full potential for participating in the compelling secular growth offered by the energy transition, 5G and the internet-of-thing. Global infrastructure offers the opportunity to exploit valuation discrepancies that can exist from time-to-time between regions and sectors.

With a complete opportunity set of listed infrastructure assets across all the key sectors, across multiple markets, investors can fully capture the true characteristics of the infrastructure asset class: downside protection when equity markets fall; low correlation to global equities; and relatively stable returns through the economic cycle. The shrinking listed infrastructure sector in Australia just serves to underscore that the full opportunity in the Essential Infrastructure asset class awaits offshore for those who are keen to capture its benefits.

For further information please contact:



Mark Knight
Director, Head of Distribution
Phone 0438 307 841
Email mark.knight@ausbil.com.au



Christine Leonard
Senior Manager, Institutional Business
Phone 0414 372 495
Email christine.leonard@ausbil.com.au



Hik Chadirchi
National Manager, Wholesale Clients
Phone 0424 160 728
Email hik.chadirchi@ausbil.com.au



Fawaz Rashid
Key Account & Research Manager, Wholesale Clients
Phone 0401 830 483
Email fawaz.rashid@ausbil.com.au



Jeremy Sherman
Key Account Manager, VIC, TAS & WA, Wholesale Clients
Phone 0437 773 688
Email jeremy.sherman@ausbil.com.au



Daniel Huxley
Key Account Manager, NSW & ACT, Wholesale Clients
Phone 0421 582 436
Email daniel.huxley@ausbil.com.au



Rebecca Morgan
Key Account Manager, VIC & SA, Wholesale Clients
Phone 0407 917 661
Email rebecca.morgan@ausbil.com.au



Demetri Nikolias
Business Development Manager, NSW
Phone 0425 239 852
Email demetri.nikolias@ausbil.com.au

DISCLAIMER

Important Information: Australia, Canada, Denmark, Kuwait, Netherlands, Sweden, United Arab Emirates, USA, United Kingdom.

General

Research provided to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g., market wide, sector specific, long-term, short-term, etc.), the size and legal and regulatory constraints.

This information is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located, in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Ausbil to any registration or licensing requirement within such jurisdiction.

This information is a general communication and is educational in nature; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. By providing this document, none of Ausbil or its representatives has any responsibility or authority to provide or have provided investment advice in a fiduciary capacity or otherwise. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. None of Ausbil or its representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. By receiving this document, the recipient acknowledges and agrees with the intended purpose described above and further disclaims any expectation or belief that the information constitutes investment advice to the recipient or otherwise purports to meet the investment objectives of the recipient. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither Ausbil nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Prior to making any investment or financial decisions, any recipient of this document or the information should take steps to understand the risk and return of the investment and seek individualised advice from his or her personal financial, legal, tax and other professional advisors that takes into account all the particular facts and circumstances of his or her investment objectives.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect Ausbil's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Ausbil or any other source may yield substantially different results.

No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in any materials to which this document relates (the "Information"), except with respect to Information concerning Ausbil. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. Ausbil does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups, personnel or other representative of Ausbil. Any statements contained in this Report attributed to a third party represent Ausbil's interpretation of the data,

Information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. In no circumstances may this document or any of the Information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Values or of defining the asset allocation of portfolio or of computing performance fees.

By receiving this document and the Information you will be deemed to represent and warrant to Ausbil that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information. Except as otherwise specified herein, these materials are distributed by Ausbil, to persons who are eligible counterparties or professional clients and are only available to such persons. The Information does not apply to, and should not be relied upon by, retail clients.

The information contained in this document is given by Ausbil Investment Management Limited (ABN 2676316473) (AFSL 229722) (Ausbil) and has been prepared for informational and discussion purposes only and does not constitute an offer to sell or solicitation of an offer to purchase any security or financial product or service. Any such offer or solicitation shall be made only pursuant to an Australian Product Disclosure Statement or other offer document (collectively Offer Document) relating to an Ausbil financial product or service. A copy of the relevant Offer Document may be obtained by calling Ausbil on +612 9259 0200 or by visiting www.ausbil.com.au. You should consider the Offer Documents in deciding whether to acquire, or continue to hold, any financial product. This document is for general use only and does not take into account your personal investment objectives, financial situation and particular needs. Ausbil strongly recommends that you consider the appropriateness of the information and obtain independent financial, legal and taxation advice before deciding whether to invest in an Ausbil financial product or service. The information provided by Ausbil has been done so in good faith and has been derived from sources believed to be accurate at the time of completion. While every care has been taken in preparing this information, Ausbil make no representation or warranty as to the accuracy or completeness of the information provided in this video, except as required by law, or takes any responsibility for any loss or damage suffered as a result or any omission, inadequacy or inaccuracy. Changes in circumstances after the date of publication may impact on the accuracy of the information. Ausbil accepts no responsibility for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance. Ausbil does not guarantee the performance of any strategy or fund or the securities of any other entity, the repayment of capital or any particular rate of return. The performance of any strategy or fund depends on the performance of its underlying investments which can fall as well as rise and can result in both capital gains and losses.

Canada This document does not pertain to the offering of any securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities, and any representation to the contrary is an offence.

Sweden The information contained in the document is given by Ausbil and has been prepared for information and discussion purposes only and does not constitute an offer to sell or solicitation of an offer to purchase any security or financial product or service. It is provided to you as an institutional investor as that term is understood under Swedish law. By reading this document, you agree to be bound by these limitations, terms and conditions set out in the paragraphs above.

United Arab Emirates & Kuwait This information relates to a Fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved this or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it. The Units to which this Report relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units. If you do not understand the contents of this document you should consult an authorized financial adviser. This information does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any securities or investment products in Kuwait, UAE (including the Dubai International Financial Centre) and accordingly should not be construed as such. Furthermore, this information is being made available on the basis that the recipient acknowledges and understands that the entities and securities to which it may relate have not been approved, licensed by or registered with the UAE Central Bank, the UAE Securities & Commodities Authority, the Dubai Financial Services Authority or any other relevant licensing authority or governmental agency in the UAE. The content of this Report has not been approved by or filed with the CBK, UAE Central Bank, the UAE Securities & Commodities Authority or Dubai Financial Services Authority.

United Kingdom This information may be issued in the United Kingdom to, and/or is directed at, only persons to or at whom it may lawfully be issued, or directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) including persons who are authorised under the Financial Services and Markets Act 2000 ("FSMA"), certain persons having professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, or trustees of high value trusts. The services described in it are only available to such persons in the United Kingdom and this document must not be relied or acted upon by any other persons in the United Kingdom. By reading this document, you agree to be bound by these limitations, terms and conditions set out in the paragraphs above.

Australia The information contained in this Report has been prepared for general use only and does not take into account your personal investment objectives, financial situation or particular needs. Ausbil is the issuer of the Ausbil Australian Active Equity Fund (ARSN 089 996 127), Ausbil Australian Geared Equity Fund (ARSN 124 196 407), Ausbil Australian Emerging Leaders Fund (ARSN 089 995 442), Ausbil MicroCap Fund (ARSN 130 664 872), Ausbil Australian SmallCap Fund (ARSN 630 022 909), Ausbil Balanced Fund (ARSN 089 996 949), Ausbil Active Dividend Income Fund (ARSN 621 670 120), Ausbil Australian Concentrated Fund (ARSN 622 627 696), Ausbil Active Sustainable Equity Fund (ARSN 623 141 784), Ausbil Global SmallCap Fund (ARSN 623 619 625), Candriam Sustainable Global Equity Fund (ARSN 111 733 898), Ausbil 130/30 Focus Fund (ARSN 124 196 621), Ausbil Long Short Focus Fund (ARSN 642 635 498), Ausbil Global Essential Infrastructure Fund (ARSN 628 816 151), Ausbil Global Resources Fund (ARSN 623 619 590) and MacKay Shields Multi-Sector Bond Fund (ARSN 611 482 243) (collectively known as 'the Funds'). The information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before you make any decision about whether to invest in a financial product, you should obtain and consider the Product Disclosure Statement of the financial product.

The information provided by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) has been done so in good faith and has been derived from sources believed to be accurate at the time of compilation. Changes in circumstances, including unlawful interference and unauthorised tampering, after the date of publication may impact on the accuracy of the information. Ausbil Investment Management Limited accepts no responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance.

Ausbil Investment Management Limited does not guarantee the performance of the Funds, the repayment of capital or any particular rate of return. The performance of any unit trust depends on the performance of its underlying investment which can fall as well as rise and can result in both capital losses and gains. Consequently, due to market influences, no assurance can be given that all stated objectives will be achieved.

United States

AN INVESTMENT IN THE FUND IS SPECULATIVE AND INCLUDES A HIGH DEGREE OF RISK, INCLUDING THE RISK OF A TOTAL LOSS OF CAPITAL. INTERESTS IN THE FUND WILL BE ILLIQUID AND SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFER. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS ASSOCIATED WITH SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. A PRIVATE OFFERING OF INTERESTS IN THE FUND WILL ONLY BE MADE PURSUANT TO THE FUND'S PRODUCT DISCLOSURE STATEMENT (THE "PDS"), AND RELATED DOCUMENTATION FOR THE FUND, WHICH WILL BE FURNISHED TO QUALIFIED INVESTORS ON A CONFIDENTIAL BASIS AT THEIR REQUEST FOR THEIR CONSIDERATION IN CONNECTION WITH SUCH OFFERING, WHO SHOULD CAREFULLY REVIEW SUCH DOCUMENTS PRIOR TO MAKING AN INVESTMENT DECISION. ANY INVESTMENT DECISION WITH RESPECT TO SUCH INTERESTS MUST BE BASED SOLELY ON THE DEFINITIVE AND FINAL VERSIONS OF SUCH DOCUMENTS.

The information contained herein will be superseded by, and is qualified in its entirety by reference to the PDS, which contains additional information about the investment objective, terms and conditions of an investment in the Fund and also contains tax information, information regarding conflicts of interest and risk disclosures that are important to any investment decision regarding the Fund. No person has been authorized to make any statement concerning the Fund other than as set forth in the PDS and any such statements, if made, may not be relied upon.

The information contained in this Report must be kept strictly confidential and may not be reproduced (in whole or in part) or redistributed in any format without the express written approval of AUSBIL INVESTMENT MANAGEMENT LIMITED (together with its affiliates, the "Firm"). Neither the Firm nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past of future performance of the Fund or any other entity. Except where otherwise indicated herein, the information provided in this Report is based on matters as they exist as of the date of the document and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

This Report has not been approved by the U.S. Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA"), or any other regulatory authority or securities commission in the United States or elsewhere and does not constitute an offer to sell, or a solicitation of any offer to buy, any securities. This Report is not to be relied upon as investment, legal, tax, or financial advice. Any investor must consult with his or her independent professional advisors as to the investment, legal, tax, financial or other matters relevant to the suitability of an investment in the interests of the Fund. The reader is urged to read the sections in the PDS addressing risk factors, conflicts of interest and other relevant investment considerations.

PAST PERFORMANCE INFORMATION INDICATED HEREIN IS NEITHER A GUARANTEE NOR INDICATIVE OF THE FUTURE PERFORMANCE OR INVESTMENT RETURNS OF THE FUND AND ACTUAL EVENTS OR CONDITIONS MAY NOT BE CONSISTENT WITH, AND MAY DIFFER MATERIALLY FROM, HISTORICAL OR FORECASTED EVENTS OR CONDITIONS.

The interests in the Fund (the "Interests") have not been registered under the U.S. Securities Act of 1933 (the "Securities Act"), the securities laws of any state or the securities laws of any other jurisdiction, nor is such registration contemplated. The Interests will be offered and sold under the exemption from registration provided by Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, and other exemptions of similar import under the laws of the states and jurisdictions where the offering will be made. The Fund will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). Consequently, Interests are being offered to prospective qualified U.S. investors, and investors will not be afforded the protections of the Investment Company Act, or any other United States federal or state securities laws.