

## 4 Executive Summary

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IPIF Management Pty Ltd (“the Manager” or “IPIFM”) is the investment manager of the Fund which has been established to facilitate unlisted infrastructure investment via specialist funds. IPIF Core initially invested in Utilities Trust of Australia (“UTA”) which is managed by Hastings Funds Management Limited (“Hastings”) as at 21 May 2018. UTA was selected because of its exposure to quality unlisted infrastructure assets that had historically provided consistent returns and reliable income to its investors. IPIF Core continues to invest in UTA today, however the fund will be managed by Morrison & Co Utilities Management (Australia) Pty Limited (“Morrison & Co”) from 1 July 2018 following the UTA board’s notice of its intention to remove Hastings as Manager on 30 June 2018.

Morrison & Co is a specialist fund manager with a track record of investing in quality infrastructure assets globally. Morrison & Co was founded in 1988 and is a specialist infrastructure investment manager and operator, with approximately \$9 billion of consolidated assets under management. Morrison & Co has a large global team over 90 staff including sector specialists that span transport infrastructure, energy and utilities, and data infrastructure<sup>1</sup>.

In October 2016, IPIF Core invested in the Global Diversified Infrastructure Fund Hedged Feeder Fund 2 (“GDIF”) which is a hedged vehicle for the GDIF Master Fund. These vehicles are managed by Colonial First State Global Asset Management Limited (“CFSGAM” or “Colonial”). The investment in GDIF provides exposure to additional quality infrastructure assets including airports and regulated utilities, enhancing the overall portfolio and providing further diversification benefits.

Colonial is a global asset management firm with approximately \$208 billion in FUM, 192 investment professionals and 13 offices across the globe<sup>2</sup>. The unlisted infrastructure investments team was established in 1994. Colonial has a long track record in unlisted infrastructure investment, and was an early participant in the privatisation of a number of assets in Australia in the 1990s.

AMP Capital Diversified Infrastructure Trust (“ADIT”) which is managed by AMP Capital Investors Limited (“AMP Capital”) was approved for investment by the IPIFM Board in March 2018, however as at the date of this Memorandum, no capital

had been invested. An investment in ADIT will further expand IPIF Core’s airport exposures while adding to the yield profile as a result of its investments in a number of contracted and regulated assets.

AMP Capital is a global asset management firm, managing assets on behalf of investors across all major asset classes, including unlisted infrastructure. As at March 2018, the firm had total assets under management of approximately \$188 billion including \$14.6 billion in infrastructure.

IPIF Core may invest in other unlisted infrastructure funds subject to meeting IPIFM’s investment criteria.

To date, UTA, GDIF and ADIT (or the “Underlying Funds”) have only been open for investment to large institutional investors such as certain pooled superannuation funds and specialist asset managers. The high net worth (“HNW”) and self-managed superannuation fund (“SMSF”) sector as well as smaller Wholesale Investors have largely been excluded due to large minimum investment thresholds. IPIF Core aggregates capital from smaller investors, enabling the Fund to meet the minimum investment thresholds of unlisted infrastructure funds.

Unlisted infrastructure as an asset class has consistently recorded attractive returns relative to other asset classes as highlighted in Table 5 in Section 5.3.

The Underlying Funds’ historical returns are set out in the Appendix of this Memorandum. Whilst the past performance of the asset class is no guide to future performance, this record demonstrates the long, stable and predictable cash flows underpinning the asset class, particularly as the ten-year period includes the global financial crisis.

A summary of some of the risks associated with an investment in this Fund is contained in Section 12. While the Fund incorporates liquidity provisions, it should be regarded as an illiquid investment intended to be held for at least a five-year term. Section 8 outlines the liquidity provisions of the Fund.

Selection of the Underlying Funds is driven by an emphasis on the underlying asset base, performance of the relevant

Underlying Fund (as well as other factors), and the Underlying Manager's demonstrable, stable historical risk adjusted returns. Refer to Section 6.5 for further details on the investment decision making process. Section 5.1 highlights portfolio guidelines.

The Fund will be managed by IPIFM, a specialist infrastructure investment manager. IPIFM management is experienced in the infrastructure asset class and in particular with investment strategy, manager selection and portfolio construction. Management profiles are included in Section 10.1 of this Memorandum. In addition, IPIFM has established an Investment Advisory Committee ("IAC") consisting of leading financial services professionals. The IAC's role is to act in an advisory capacity and to provide input and guidance to the Executive Director for all investment recommendations that require approval from the IPIFM Board.

Significant reasons for investing in infrastructure (with a bias to unlisted infrastructure), include the following:

- infrastructure assets typically have long, stable and predictable cash flows underpinned either by long-term contracts or a regulated asset base;
- infrastructure revenues are often explicitly linked to inflation and/or offer inelastic demand patterns;
- portfolio diversification benefits arise as a result of stable return streams with low equity beta. An allocation to mainly unlisted infrastructure is expected to provide diversification to portfolios dominated by equities, bonds and property. In addition, infrastructure complements property given

infrastructure distributions are less influenced by interest rate fluctuations and the economic cycle;

- there is high visibility of the income component; and
- return volatility is reduced.

The Manager believes an allocation to unlisted infrastructure warrants a core component of a balanced investment portfolio. Experience during the past twenty years has demonstrated that an allocation to unlisted infrastructure has enhanced portfolio diversification and provided both distribution and growth returns with reduced volatility. Until now, it has been difficult for all but large investors such as pooled super funds and specialist asset managers to effectively access this asset class. The Fund has been specifically designed to overcome these barriers to entry and to provide simple low-cost access to quality infrastructure investments.

The Manager commends the investment opportunity to you and encourages you to read this Memorandum carefully and take appropriate professional advice before making your investment decision.

## IPIF Management

Melbourne Australia

21 May 2018



AIRPORTS



RAIL



TOLL ROADS



ELECTRICITY



WATER

<sup>1</sup> As at 31 March 2018, Morrison & Co

<sup>2</sup> As at 31 March 2018, Colonial