



# ANNUAL REPORT 2018

JUNE

Investing in the future of Australian infrastructure



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”

## Message from the CEO

I am very pleased to present to you Palisade's Annual Report for FY18. It has been a fantastic year for Palisade and our clients, with strong performance across our portfolios, together with increased diversification in the form of several new acquisitions across different sectors. Generating outperformance remains our first priority, and I am delighted that each of the three funds we manage continue to deliver well in excess of their respective benchmarks. In particular, Palisade's flagship diversified fund generated a total return of 14.5% for the 12 months to 30 June 2018, with a 5 year return of 13.5%, a result that we are extremely proud of.

In a market where many investors are scratching their heads as to where the next large-scale privatisation will come from, Palisade's focus on the mid-market means that we are not reliant on state-led processes to deploy capital. I can confidently say that we are experiencing our largest ever pipeline for new opportunities. Over the last 12 months alone, Palisade has closed five transactions, all of which were acquired on a bilateral or limited competition basis.

Our portfolio companies also continue to perform strongly, in part a function of the various business improvement initiatives we continue to pursue. Port of Portland is one example of this where we have delivered a productivity program which has delivered a 12% increase in port capacity, resulting in improved ship turnaround for customers. In addition, we have continued to invest in various growth opportunities across the portfolio. The ability to deploy capital and generate superior risk-adjusted returns through existing portfolio companies cannot be underestimated, particularly in the current environment which has seen an increase in capital pursuing infrastructure investments.

Finally, it is very pleasing to see the efforts of Palisade and our portfolio companies recognised by the infrastructure community. I am delighted that the Gold Coast Light Rail Stage 2 extension was announced winner of the Government Partnership Excellence category at the National Infrastructure Awards presented by Infrastructure Partnerships Australia, whilst the Sunshine Coast Airport transaction was a finalist in the Financial Excellence category. Palisade was also awarded Runner Up for Asia Pacific Transport Investor of the Year by Infrastructure Investor in relation to its acquisition of Sunshine Coast Airport.

As we look ahead to FY19, I am genuinely excited about the opportunities available for the continued growth of our portfolios and the delivery of outperformance over the long term. As always, we would like to thank our investors for their support, and we look forward to our ongoing partnership with you.

“

**The ability to deploy capital and generate superior risk-adjusted returns through existing portfolio companies cannot be underestimated, particularly in the current environment which has seen an increase in capital pursuing infrastructure investments.**

”

**Roger Lloyd**  
Managing Director & CEO





# Business Overview

**\$2.7 billion**

in funds under management and commitments as at 30 June 2018

**3** Pooled Funds

**7** Direct Investment Mandates

**23** Assets



**National Infrastructure Awards  
"Winner"**

Gold Coast Light Rail Stage 2 extension  
Category: Government Partnership Excellence

**National Infrastructure Awards  
"Finalist"**

Sunshine Coast Airport  
Category: Financial Excellence

**Infrastructure Investor Awards  
"Runner up"**

Category: Asia Pacific Transport  
Investor of the Year

Pooled Funds

**\$1.2<sup>bn</sup>**

**\$1.5<sup>bn</sup>**  
DIM

Continued expansion of investment capability

**20**

investment executives

**17**

person sector specialist asset management team

**23** assets across **53** sites

**5** new acquisitions in the last 12 months

**\$8<sup>bn</sup>** total value of assets under management

## Sunshine Coast Airport

Financial Close reached on a 99-year lease over the Sunshine Coast Airport, a large regional airport servicing the rapidly growing Sunshine Coast region in Queensland.

## Ross River Solar Farm

Acquisition of the remaining 50% interest in Ross River Solar Farm, a 148MW solar farm under construction located near Townsville.

## Port of Portland

Acquisition of the remaining 50% interest in Port of Portland, a bulk commodity deep water marine terminal servicing the Green Triangle region of Victoria, an area abundant in natural resources.

## Casey Hospital Expansion Project

Financial Close reached for the Casey Hospital Expansion Project, a 13,000 square-metre expansion of the existing Casey Hospital in southeast Melbourne.

## Granville Harbour Wind Farm

Financial Close reached on the Granville Harbour Wind Farm, a 112MW wind farm construction project located in Granville Harbour on the west coast of Tasmania.

## Environmental, Social & Governance

# Our ESG Philosophy

Palisade's philosophy is to deliver secure long term returns, aligned with the interests of its investors and the community. Palisade recognises its duty to behave responsibly in its business activities and towards those whom its actions affect.

Palisade believes that a high standard of business conduct as well as a responsible approach to environmental, social and governance (ESG) issues makes good business sense and is more likely to create sustainable value over the long term. Conversely, poor management of those issues may pose a risk to the reputation and value of businesses.

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**We believe that a high standard of business conduct as well as a responsible approach to ESG issues makes good business sense and is more likely to create sustainable value over the long term.**


”

Palisade's fundamental approach to infrastructure investment is to invest in a range of services and facilities that are essential to the efficient functioning of the communities and economies they serve. Such investments should exhibit characteristics such as delivery of essential services and facilities and have high quality management, corporate governance policies and practices.

Palisade considers long term ESG factors in making investment decisions and in actively managing investments, encouraging better management of ESG factors and associated risks. Assets exhibiting strong ESG credentials are key to the alignment of the interests and objectives of investors with those of the community.

## Palisade's Renewable Energy Portfolio

Power   
**200,000**  
 homes

Abate over   
**645,000**  
tonnes of CO<sub>2</sub> per year

## ESG Initiatives

### Tasmanian Gas Pipeline

Palisade acquired 100% of the Tasmanian Gas Pipeline (TGP) in 2011. TGP touches a number of local communities due to its location and interaction with some 100 landowners. TGP has established a community grants program to support a number of local communities in need of assistance. An example of this is TGP's support of the Port Dalrymple Jetty through donation of materials to aid in the refurbishment of the jetty.

### Merredin Energy

Palisade acquired 46.7% of Merredin Energy in 2011, a power station located in the township of Merredin in Western Australia. Merredin is a very small town in a remote area which has been suffering considerable hardship. Palisade has worked closely with local employees and community members, including supporting the Merredin women's hockey club through the purchase of outfits for senior and junior teams. The women's hockey club has a strong community footprint and is a means of support for local women and the community.

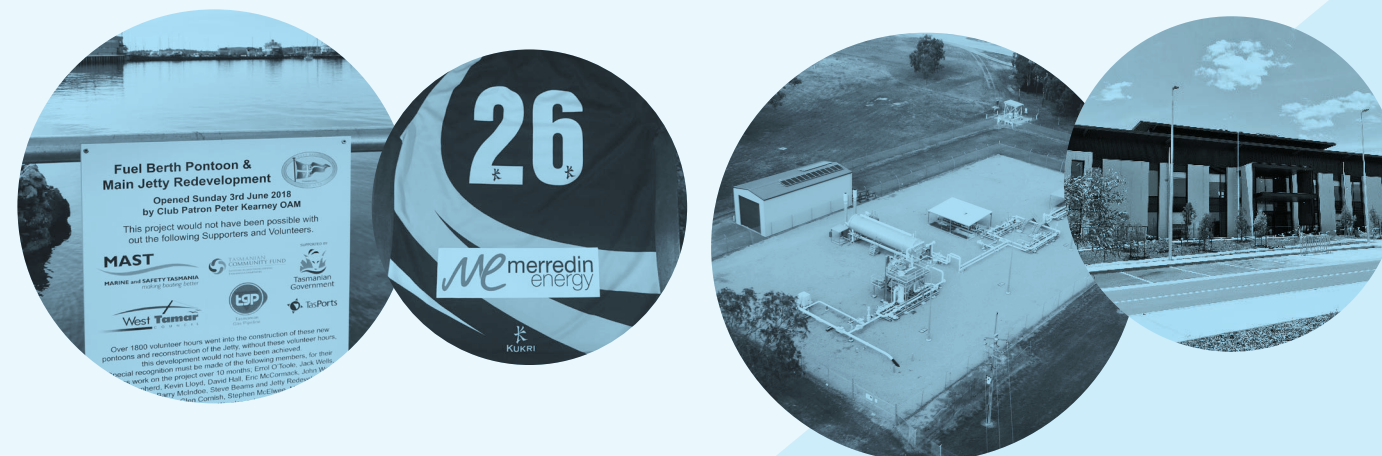
### North Queensland Gas Pipeline

Palisade acquired 100% of the North Queensland Gas Pipeline (NQGPP) in 2015. To improve the environmental footprint, Palisade has installed a solar power system at the Mount Stuart pressure reduction facility near Townsville which has resulted in a significant reduction in carbon emissions. The system provides day time power for the facility and also charges batteries which are utilised for emergency power.

### Sydney Metro Northwest

In May, the Project received a "leading" rating from the Infrastructure Sustainability Council of Australia for making sustainability a key deliverable in its design process. The new administrative building in Rouse Hill was also awarded a Greenstar rating for its design.

Images, left to right: Tasmanian Gas Pipeline, Merredin Energy, North Queensland Gas Pipeline, Sydney Metro Northwest



## Workplace Giving

Palisade is proud to support batyr as its principal charity. batyr supports youth mental health and education particularly in regional areas by providing programs that help reduce the stigma surrounding mental health and empower young people to reach out for support.

Palisade's funding will allow batyr to further develop school programs, speakers and local facilitators, initially in the NSW Central West regional area.

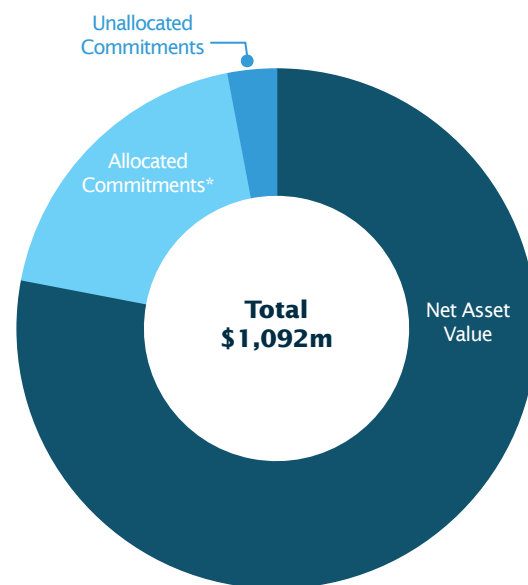
Palisade has also launched a Workplace Giving Program, an initiative inviting all Palisade employees to donate to any registered charity they wish, with a matching donation from Palisade.



## Fund Overview

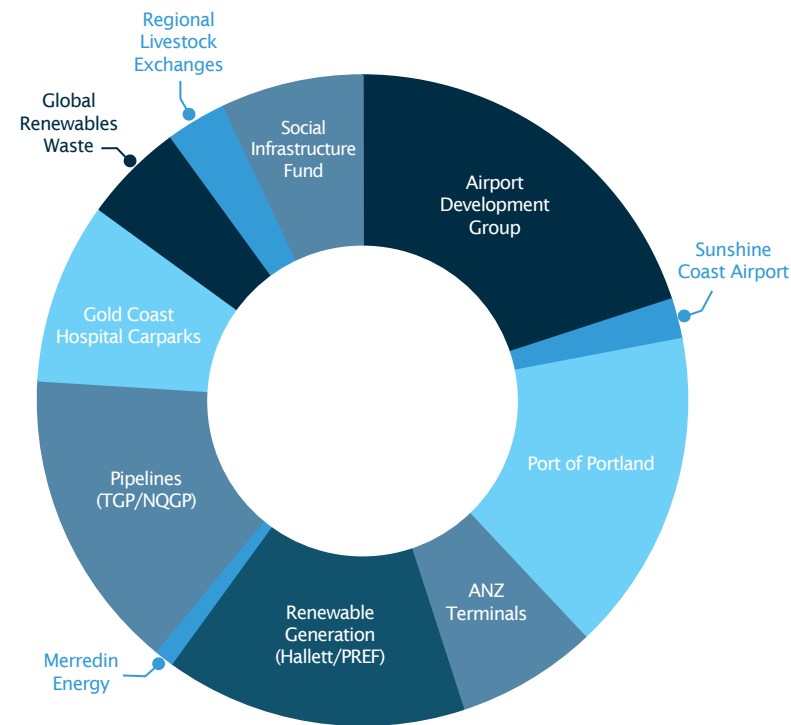
# Palisade's Diversified Infrastructure Fund (PDIF)

### PDIF Capital Commitments



\* Estimated commitments relating to various investments

### PDIF Portfolio Overview

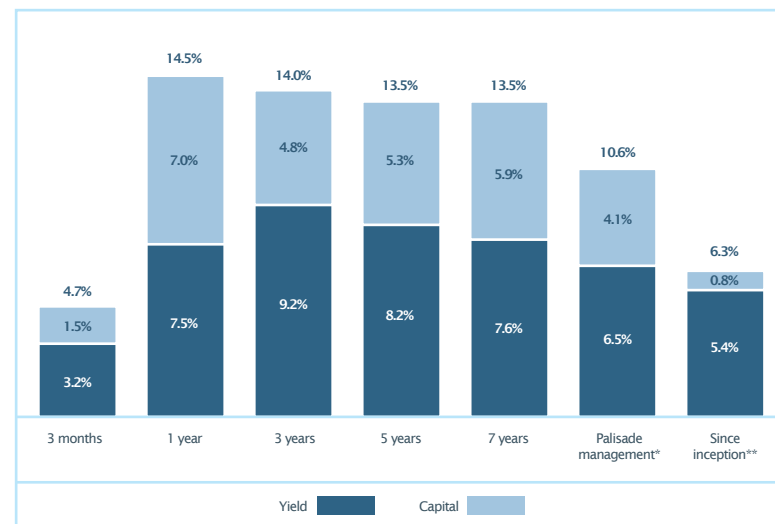


Portfolio composition as at 30 June 2018  
Excludes deferred commitments for Sunshine Coast Airport, PASIF and PREF assets

### FY18 Key Highlights

- Financial Close was achieved on the 99-year lease of Sunshine Coast Airport from the Sunshine Coast Council for total consideration of \$372m, including a \$290m deferred payment upon completion of a new 2.45km runway
- Acquisition of the remaining 50% interest in Port of Portland resulting in management of 100% of the asset
- 12 month return of 14.5%, comprising 7.5% yield and 7% capital growth

### PDIF Portfolio Performance

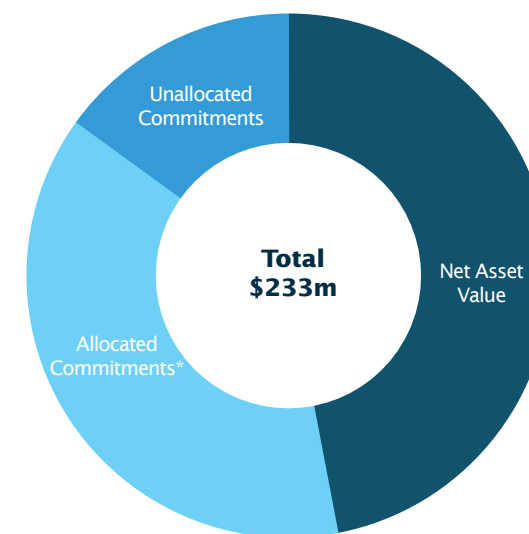


Gross performance as at 30 June 2018  
Returns for periods greater than 12 months have been annualised  
\* Palisade management inception August 2008  
\*\* Inception date December 2004 and includes the period of Perpetual management to July 2008

## Fund Overview

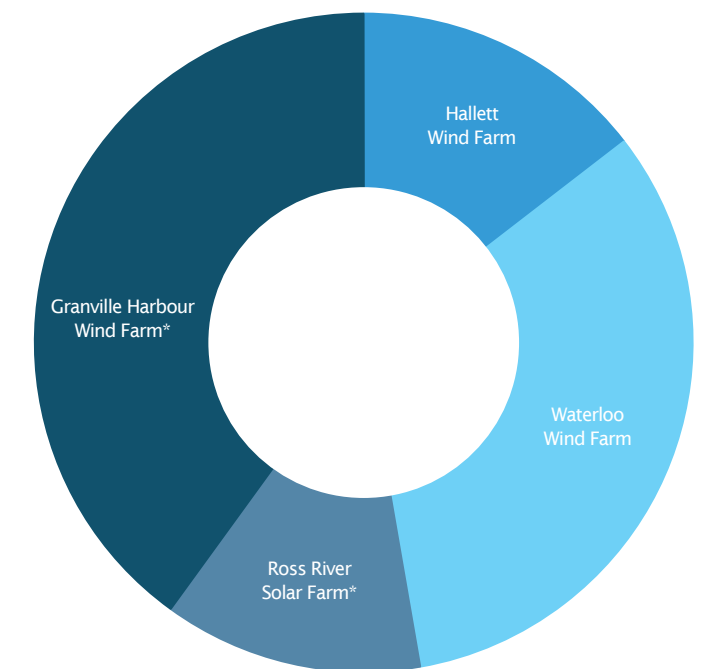
# Palisade's Renewable Energy Fund (PREF)

### PREF Capital Commitments



\* Estimated commitments relating to Ross River Solar Farm and Granville Harbour Wind Farm

### PREF Portfolio Overview

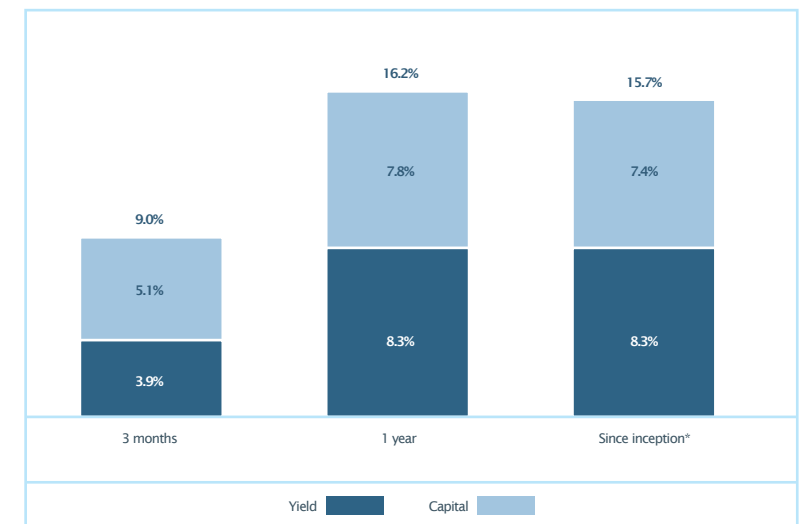


Portfolio composition as at 30 June 2018  
(adjusted for financial close of GHWF post year end)  
\* Includes expected deferred equity commitment

### FY18 Key Highlights

- Acquisition of the remaining 50% of Ross River Solar Farm (RRSF) from ESCO Pacific resulting in management of 100% of the asset
- RRSF construction continues to progress with completion expected Q3 2018
- Financial Close achieved on the \$280m Granville Harbour Wind Farm (112MW) construction project, with the project due to be operational by the end of 2019
- 12 month return of 16.2%, comprising 8.3% yield and 7.8% capital growth

### PREF Portfolio Performance

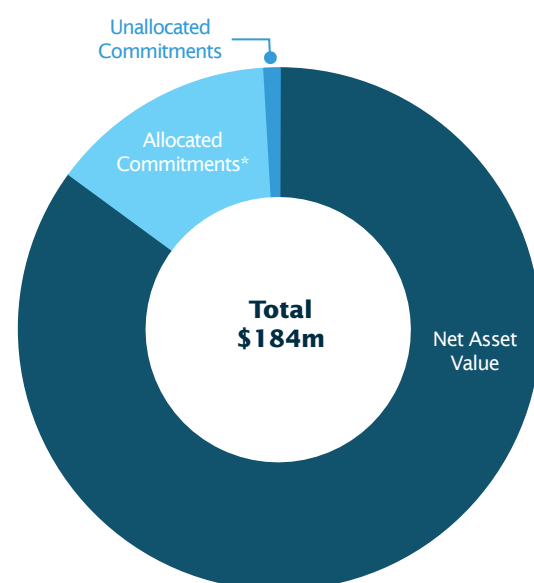


Gross Performance as at 30 June 2018  
Returns for periods greater than 12 months have been annualised  
\* Inception date September 2016



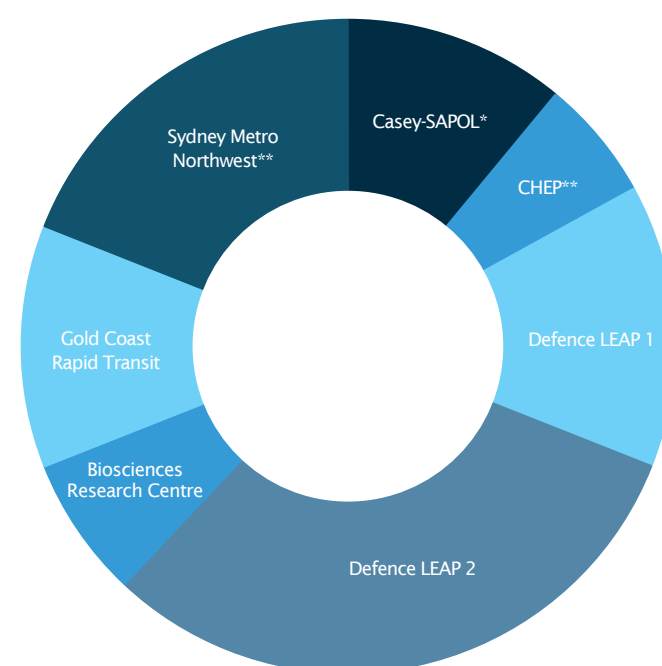
# Palisade's Australian Social Infrastructure Fund (PASIF)

## PASIF Capital Commitments



\* Commitments relating to Sydney Metro Northwest and Casey Hospital Expansion Project

## PASIF Portfolio Overview

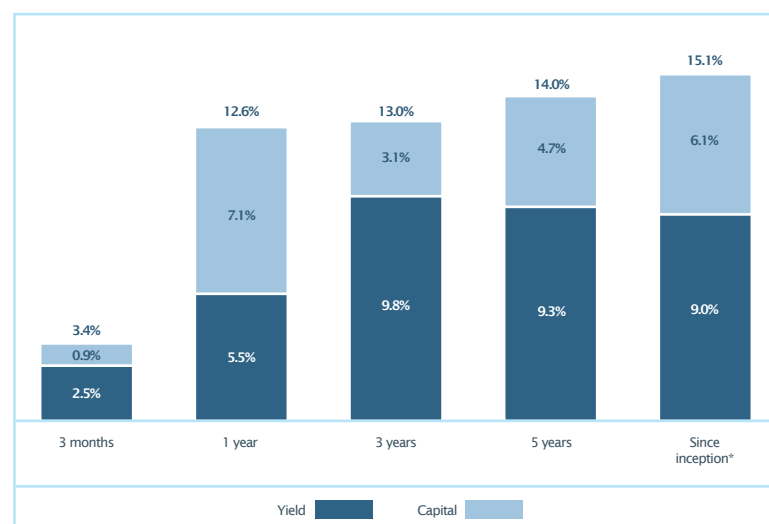


Portfolio composition as at 30 June 2018  
\* Part of a single tax consolidated group  
\*\* Includes deferred equity commitment

## FY18 Key Highlights

- Financial Close was reached on the Casey Hospital Expansion Project, which will involve the design, construction, and maintenance of expansion works of the Casey Hospital in southeast Melbourne
- Stage 2 of the Gold Coast Light Rail opened in December 2017, with the project being awarded winner of the Government Partnership Excellence category at the National Infrastructure Awards
- 12 month return of 12.6%, comprising 5.5% yield and 7.1% capital growth

## PASIF Portfolio Performance



Gross performance as at 30 June 2018  
Returns for periods greater than 12 months have been annualised  
\* Inception date May 2011



I am delighted that the Gold Coast Light Rail Stage 2 extension was announced winner of the Government Partnership Excellence category at the National Infrastructure Awards.



## FOR MORE INFORMATION CONTACT US

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