



The background of the cover features a high-angle aerial photograph of a wind farm. Several white wind turbines with long blades are scattered across a landscape of green fields and clusters of trees. In the distance, a body of water and a coastline are visible under a clear sky. The overall color palette is dominated by blues and greens.

MARCH QUARTERLY REPORT 2020

Investing in the future of Australian infrastructure



To our investors

To say that the first three months of 2020 has been challenging would be an understatement. The widespread bushfires that devastated Australia in the latter part of 2019 and into this year were some of the worst on record. The societal impact on Australia's regional areas will be felt for years, as will the economic pressure that has been brought upon these local communities so heavily dependent on tourism.

With perhaps at most a one month reprieve from the height of the bushfire crisis, Australia now, and the rest of the world, finds itself in the grips of the COVID-19 pandemic, a humanitarian crisis above all else, but one which has generated significant economic turmoil around the globe.

Across our investment portfolio, we will continue to face and deal with the challenges that lie ahead. Not only are we focused on the wellbeing of our management teams and their employees at the underlying portfolio companies, but equally on ensuring that our portfolio companies can continue to operate given their essential nature, and the many people that rely on them day-to-day. As an investment manager, the key focus areas that we continue to work on in conjunction with management teams include:

- Liaising with various government agencies in ensuring that each business has the appropriate exemptions and support required to continue to operate, as well as ensuring that our assets can continue to be manned appropriately despite the various state lockdowns in place across the country;
- In instances where on-site personnel are required for assets, that appropriate social distancing measures such as reduction in personnel to essential skeleton staff and shift splitting are implemented;
- Ensuring that our assets have sufficient supply of protective PPE (such as face masks) and hand sanitiser; and
- Assessing potential disruptions to supply chains, including mitigation measures such as stockpiling or seeking alternative supply arrangements for spare parts.

Above all else, operational resilience of these assets and the wellbeing of the people operating them should, and continues to be, our primary goal.

Performance-wise, Airport Development Group (**ADG**), comprising Darwin and Alice Springs airports, and Sunshine Coast Airport (**SCA**) have been materially impacted as a result of COVID-19, as major airlines have significantly cut short-term capacity. Whilst "non-aeronautical" revenue streams at airports (e.g. lease revenue from commercial precincts) have traditionally muted the impact of passenger shocks in the past, the widespread nature of the current crisis has seen a number of property tenants seek rent relief.

We continue to work with tenants on a case-by-case basis in assisting them through their financial hardship. Our bulk commodity port in south western Victoria, Port of Portland, has also been impacted. A large portion of the port's trade is the export of forestry products to China, which is primarily used in construction. Despite volumes being significantly down in January and February however, we have started to see some early signs of recovery in March.

From a performance and cashflow perspective, whilst we have seen an impact to our patronage and trade related assets, to date the majority of the portfolio has been relatively insulated from COVID-19 given the contracted nature of these assets. Importantly, the vast majority of contracts for these assets are contracted over the medium to long term, with both state and federal governments, as well as investment grade corporates.

It must be said though that with any financial or economic crisis comes the opportunity for reflection, learnings and improvement. Our airports have been forced to cut costs, which, whilst very crudely has resulted in temporary layoffs, has also brought about a renewed focus on generating operating cost efficiencies, as well as optimisation of capital expenditure and asset management plans. We are also being forced to consider things like how the use of technology and potentially more streamlined workforces can further benefit our assets. This will no doubt put these assets in a better position than they were before the crisis.

From a Palisade perspective, our primary focus has been on the health and wellbeing of our employees. Palisade has established remote working arrangements across the entire business, with an emphasis on mental health and ongoing social interaction through use of video streaming, and also fostering a supportive work environment through reiterating our approach to flexible working arrangements to account for individual circumstances.

Looking ahead, we believe one of the hallmarks of the "mid-market" is a broader opportunity set, both in terms of number, but more importantly, breadth of transactions in terms of sector exposure. Over the last decade Palisade has built a diversified portfolio which we firmly believe will leave Palisade and our investors well positioned to take advantage of any opportunities that may come out of the uncertainty that we are all experiencing today.

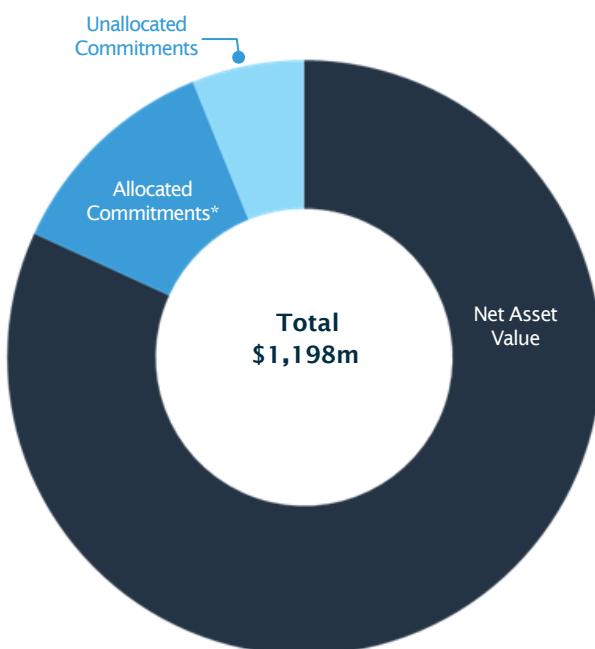
We would like to take this opportunity to wish all our investors the very best of health, and please don't hesitate to contact a member of the Palisade team should you have any questions over this uncertain time.

From the Palisade team.

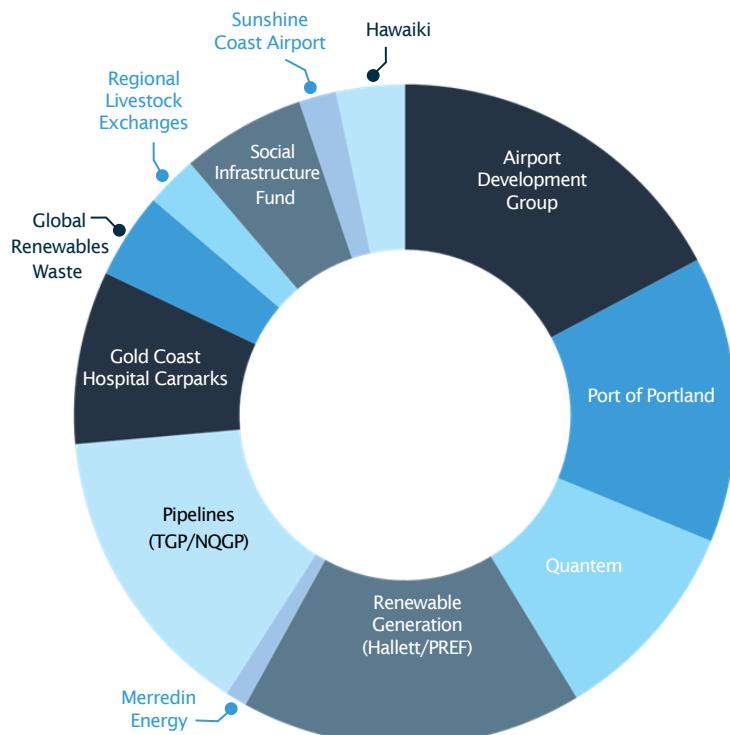
Fund overview

Palisade's Diversified Infrastructure Fund (PDIF)

PDIF Capital Commitments



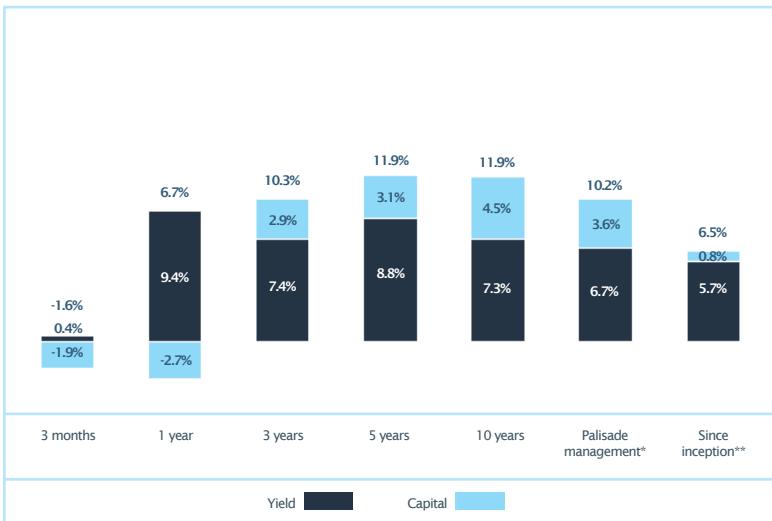
PDIF Portfolio Overview



Q3 Key Highlights

- The new 2.45km runway at Sunshine Coast Airport is due to be commissioned in June 2020 (subject to weather and any delays as a result of COVID-19)
- The transition to Palisade Integrated Management Services as business operator of North Queensland Gas Pipeline was completed on time and within budget
- A reform of the Reserve Capacity Price (RCP) mechanism for Merredin Energy has been enacted. The floor price on the RCP to 2031 provides greater certainty for the business

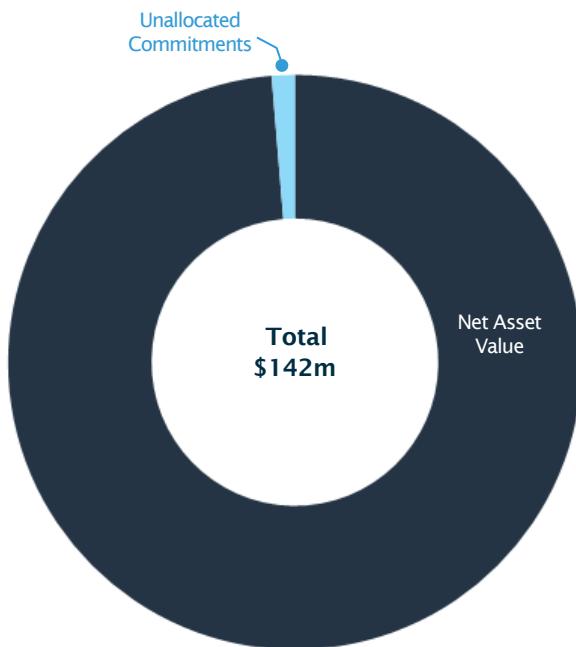
PDIF Portfolio Performance



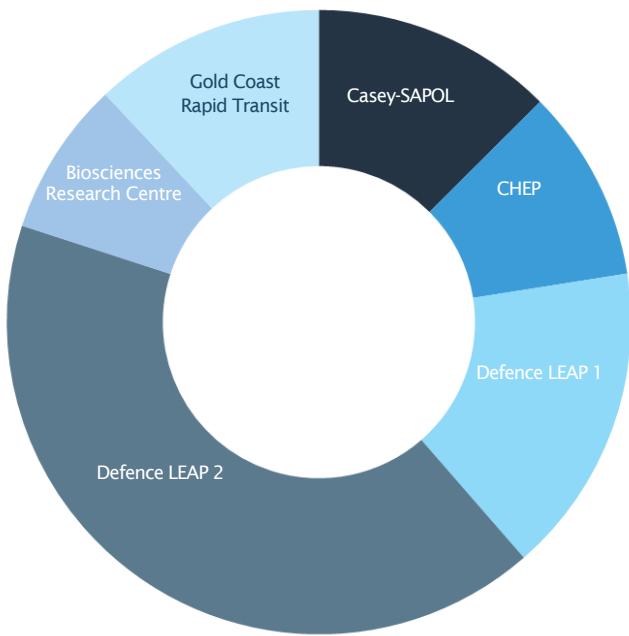
Fund overview

Palisade's Australian Social Infrastructure Fund (PASIF)

PASIF Capital Commitments



PASIF Portfolio Overview

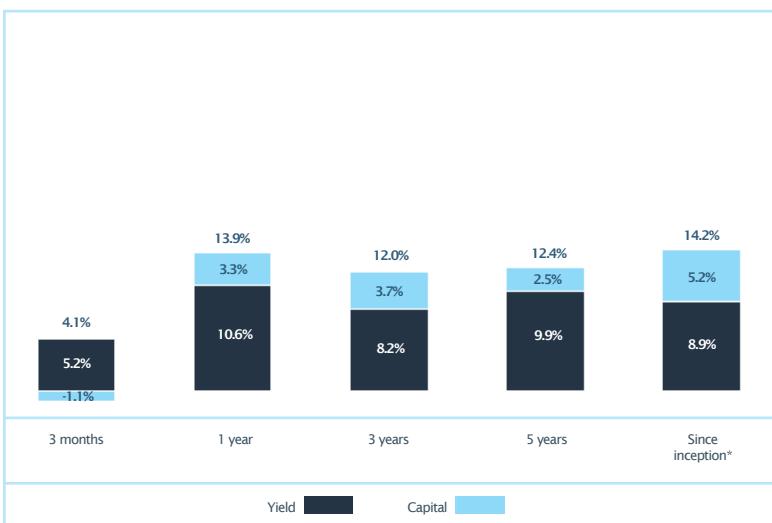


Portfolio composition as at 31 March 2020. Excludes liquidity.

Q3 Key Highlights

- Final Acceptance of the Casey Hospital Expansion Project (CHEP) was reached on 28 February 2020, providing the State with a further 152 additional beds
- Stage 3 extension of the Gold Coast Light Rail has commenced with two parties shortlisted for the Request for Tender phase

PASIF Portfolio Performance



Gross performance as at 31 March 2020

Distribution in relation to the sale of Sydney Metro Northwest has been included in capital returns

Returns for periods greater than 12 months have been annualised

** Inception date May 2011*

Note: Past performance is illustrative only and no indicator of future performance.

Fund overview

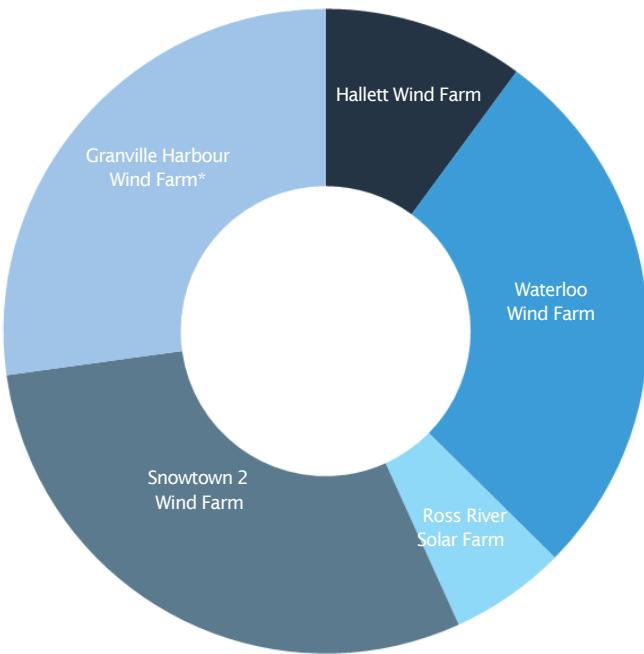
Palisade's Renewable Energy Fund (PREF)

PREF Capital Commitments



* Estimated commitments relating to Granville Harbour Wind Farm

PREF Portfolio Overview



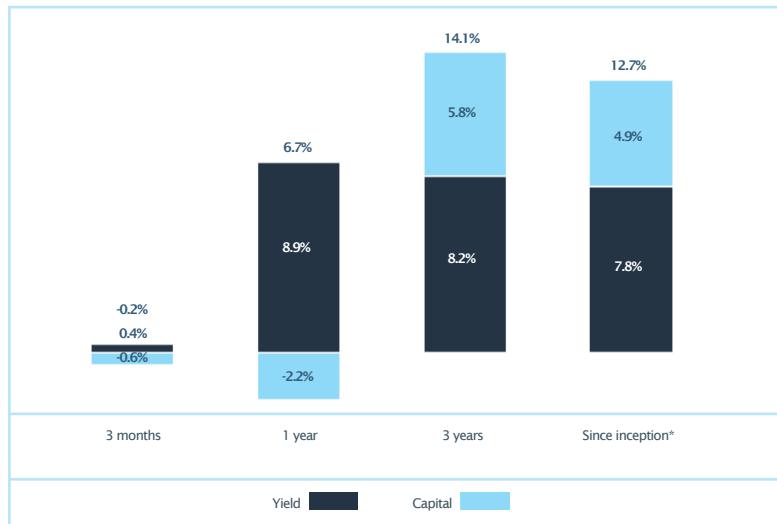
Portfolio composition as at 31 March 2020

* Includes expected deferred equity commitment to the project

Q3 Key Highlights

- Granville Harbour Wind Farm reached a significant number of key construction milestones over the quarter including completion of the final turbine hardstand platform and the commencement of Hold Point 2 testing with AEMO, which equates to 28MW of output
- The transition of operational management services from Tilt to Palisade Integrated Management Services for Snowtown 2 Wind Farm is on track for completion in June 2020

PREF Portfolio Performance



Gross Performance as at 31 March 2020

Returns for periods greater than 12 months have been annualised

* Inception date September 2016



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