



QUARTERLY REPORT DECEMBER 2020

Investing in the future of Australian infrastructure

Infrastructure Market

Infrastructure Australia report

As Australia continues to manage the Covid impact relatively well, Infrastructure Australia, an independent statutory body with a mandate to advise on nationally significant infrastructure, in December released a report on the impacts of Covid to Australian infrastructure, and importantly, the way in which demand behaviours have changed in the way that critical infrastructure is used. The report, prepared by independent consulting firm LEK Consulting, noted that Australian infrastructure had shown a resilience beyond many other OECD nations. This is largely a result of the various actions of the Federal and State governments to control the spread of the virus. Other findings from the report include:

- An estimated 4 million employees or 30% of the workforce have been working from home since March 2020, resulting in widespread office vacancies, greater internet /broadband usage and greater energy and water consumption in residential areas. The proportion of respondents who wished to remain working from home in some capacity has grown from 27% prior to Covid to 42% post Covid;
- Following a significant initial fall, public transport patronage has 'settled' at 60-70% of pre-Covid levels. Notably, second-hand car purchases have increased, possibly indicating a higher car mode share for the foreseeable future;
- There has been a 20% increase in municipal waste as a result of more people working and staying at home. This has been exacerbated by higher levels of food delivery and online shopping; and
- There has been an acceleration of "regionalisation", with a 200% increase in net migration from capital cities to regional areas creating additional demand for regional infrastructure.

Clearly, it remains to be seen to what extent these behaviours will translate into longer term trends. The report will supplement the work already underway on the 2021 Australian Infrastructure Plan, due for release in July 2021.

Renewable energy

Consistent with the theme of state governments driving the renewables agenda in Australia, this quarter saw Australia's largest state deliver the most ambitious renewable energy plan to date. On the expectation that four of its five coal fired generators are expected to close within 15 years, in November the New South Wales government delivered its Electricity Infrastructure Roadmap, a coordinated approach to the delivery of affordable and sustainable energy over the long-term. The centrepiece of the plan is the establishment of three renewable energy zones, or "REZs", in regional NSW, which will support an additional 12GW of new renewable energy capacity. Importantly, the plan involves the NSW Government entering into long-term energy service agreements, whereby the NSW Government will pay an agreed price for electricity in order to underwrite the mammoth \$32 billion in private investment required for the build-out. The NSW Government has also earmarked funding to support the development of up to 3GW of firming capacity in the form of pumped hydro. The plan is expected to bring a huge amount of investor confidence to the sector, which seeks to address both the network and intermittency issues that have been experienced in the renewables sector over the last few years.

Perhaps less ambitious in terms of size but equally as important, the Queensland Government has also issued expressions of interest in building out three "REZs" in the state. Queensland has a renewable energy target of 50% renewables by 2030.

Inside Palisade

GRESB

Palisade has been a contributor to the GRESB assessment process since 2017, when Palisade's Renewable Energy Fund (REF) participated in the fund assessment process. Palisade has encouraged assets within the portfolio to contribute via the asset assessment process, culminating in seven lodgements being made in 2020 (6 assets and 1 fund submission). The gas pipelines assets (North Queensland Gas Pipeline and Tasmanian Gas Pipeline) and Ross River Solar Farm contributed for the first time in 2020, joining the two other eligible (brownfield) renewable energy assets in the REF portfolio, and Port of Portland, in making asset-level submissions.

Inside Palisade

GRESB *continued*

Key results from the 2020 assessment include:

- Palisade's score on average was 16 points (out of 100) ahead of the GRESB average
- PREF's score, which includes a component relating to the scores of the assets within the PREF portfolio, placed the fund 2nd out of 10 peers
- All assets scored 70 or above (GRESB average 61), including those participating for the first time. 4 of the 6 assets ranked in the top three of their peer groups.
- Key YoY score improvements:
 - Hallett Wind Farm +24 points
 - Port of Portland +34 points

Palisade would like to thank the management teams of each asset. There is a significant amount of work required to launch a GRESB submission, review the results and implement improvements ahead of the next assessment cycle. The scores are reflective of that work, a strong ESG culture, and the ESG processes already in place at each of the assets.

Palisade remains committed to ongoing improvement in the ESG space. As noted in our 2020 Annual Report, we have commenced a refresh of our existing ESG framework and processes, including the introduction of ESG Priority Goals (available on our website at <https://palisadepartners.com.au/sustainability/>). We will continue to update investors on the work we are doing in this space.

Palisade's ESG Priority Goals



Good
governance



Climate
action



Supporting
communities



Environmental
sustainability



Fostering
diversity

New investment

During the quarter, Palisade was confirmed as the commercial partner for Coffs Harbour Airport (**CHA**), entering into a binding agreement for a 50-year lease of the airport (plus 49-year option) with Coffs Harbour City Council (**Council**).

CHA sits within the broader Coffs Coast region, one of the fastest growing regional areas within New South Wales and also a significant tourism destination. In 2019, CHA serviced more than 400,000 passengers.

The long-term lease of the airport includes an upfront payment of \$25m and additional payments totalling \$56.5m over the next seven years, including contributions to the development of the Airport Enterprise Park, a 23-hectare commercial, industrial and logistics precinct adjacent to the airport. Council will also receive a share of revenue from both airport and Enterprise Park operations subject to achievement of certain performance metrics.

The transaction is expected to reach financial close in the first half of 2021.



Coffs Harbour Airport

Fund overview

Palisade's Diversified Infrastructure Fund (PDIF)

PDIF provides investors with an opportunity to invest in a diversified portfolio of infrastructure assets and aims to provide investors with long-term capital growth and stable cash distributions.

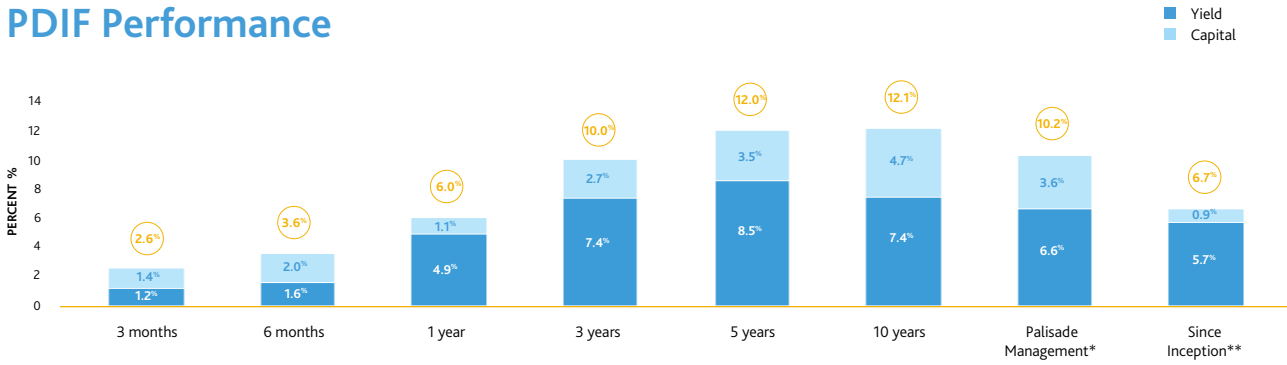


Q2 Key Highlights

- North Queensland Gas Pipeline and Dyno Nobel Moranbah (a subsidiary of ASX listed Incitec Pivot) executed a Gas Transportation Agreement underpinning a \$5m capex project for the business. The project was entirely equity funded from existing shareholders including PDIF.
- Despite challenging operating conditions, Sunshine Coast Airport has continued to successfully add new domestic routes to its network. New flights to Canberra with both Qantas and Alliance Airlines, Newcastle with Fly Pelican and Melbourne with Qantas have all been added during the quarter.



PDIF Performance



Gross performance as at 31 December 2020

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 Australian Social Infrastructure Fund (PASIF)

PASIF provides investors with an opportunity to invest in a portfolio of social infrastructure assets procured under the public private partnership delivery model with government bodies and aims to provide investors with low volatility and inflation-linked government revenue streams.

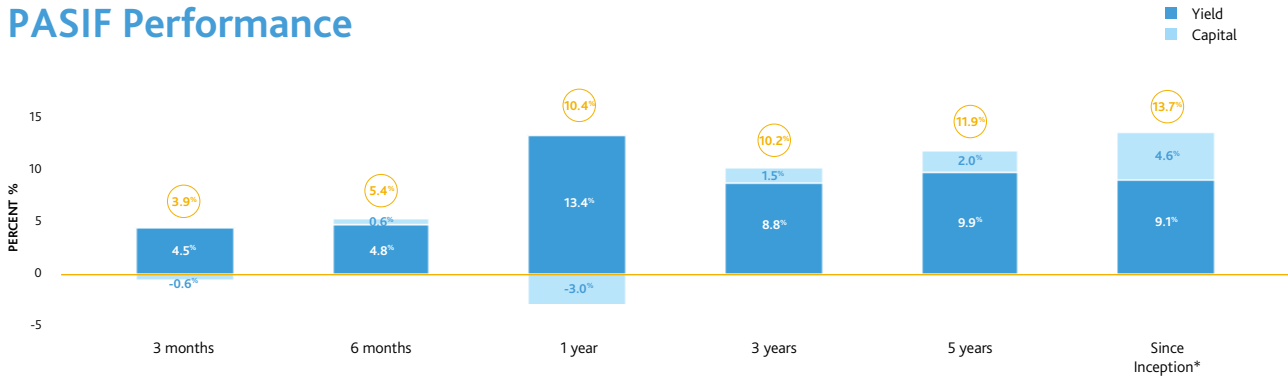


Q2 Key Highlights

- All parties continue to work towards Financial Close of Stage 3 of Gold Coast Light Rail expected in February 2021 with construction to commence shortly thereafter.
- In December 2020, LEAP 2 successfully refinanced its \$92 million 5-year debt facility. The facility was refinanced for a further 5-year term by incumbent lenders ANZ and NAB.



PASIF Performance



Gross Performance as at 31 December 2020

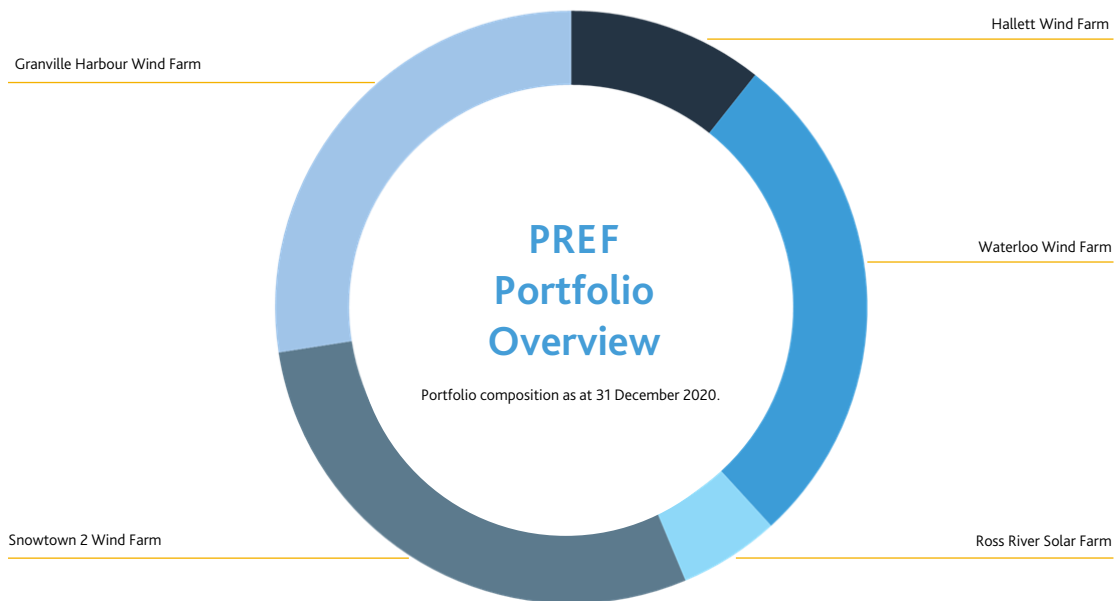
Returns for periods greater than 12 months have been annualised

* Inception date May 2011

Fund overview

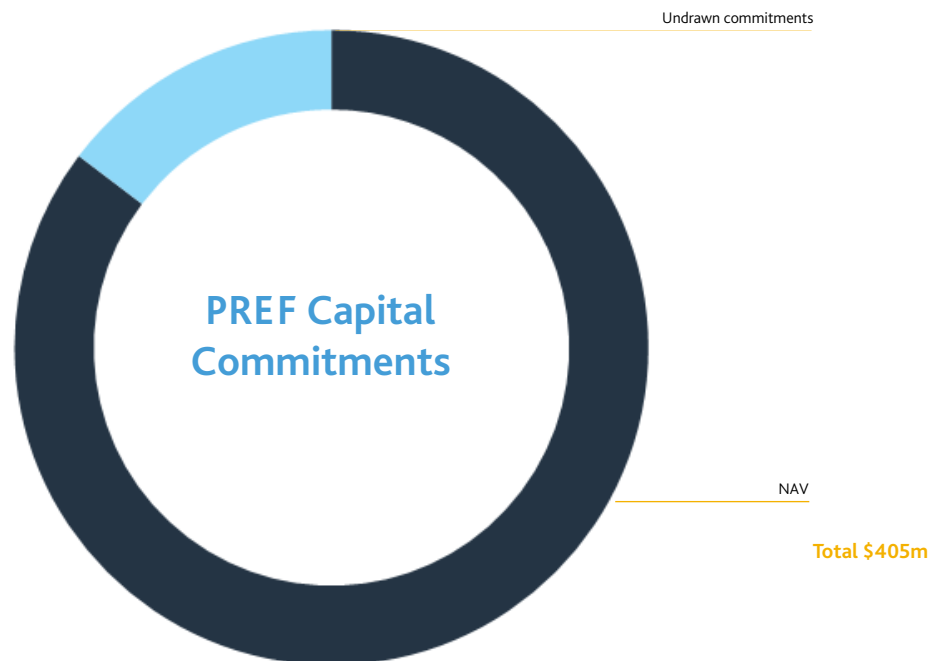
Palisade's Renewable Energy Fund (PREF)

PREF provides investors with an opportunity to invest in a portfolio of renewable energy assets including utility scale wind and solar farms in Australia and New Zealand and aims to provide investors with long-term capital growth and stable cash distributions.

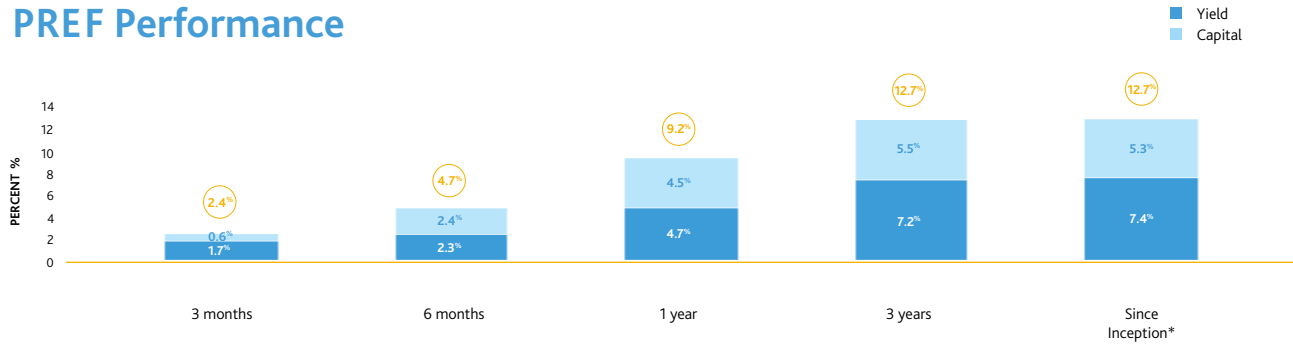


Q2 Key Highlights

- In December, Granville Harbour Wind Farm successfully reached construction completion, taking PREF's operating capacity to 750MW.



PREF Performance



Gross performance as at 31 December 2020

Returns for periods greater than 12 months have been annualised

* Inception date September 2016



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