



QUARTERLY REPORT SEPTEMBER 2022

Investing in the future of Australian infrastructure

Clean energy transition

Whilst many would consider that Australia's commitments pledged as part of COP26 this time last year did not go nearly as far as they should have, it is very clear that the last 12 months has seen a considerable shift in Australia's intention to expedite its ongoing buildout of renewable energy. In this regard, two significant events have occurred. The first was that in May 2022 Australia was delivered its first "progressive" government in close to a decade, with one of its first priorities being to legislate a 43% reduction in emissions from 2005 levels (an increase from 26-28% as part of Australia's COP21 pledge) which occurred in September. But perhaps more intriguing was the election delivering a record number of crossbenchers who had climate as a key tenet of their policy. This is no doubt reflective of a public who are demanding action on climate change. The second was an increased focus on global energy prices and energy security, which has been exacerbated by Russia's invasion of Ukraine. Rising energy prices (in addition to other factors such as significant unplanned outages on an aging coal generation fleet) was what ultimately led to the suspension of the Australian electricity market by AEMO in June. In our view these events have led to a considerable shift in mindset in Australia with respect to fast-tracking the rollout of renewable energy and storage projects, as well as the potential bringing forward of coal fleet closures.

In addition to the above, in June AEMO released its 2022 Integrated System Plan (ISP), a comprehensive roadmap for the National Electricity Market which will support Australia's complex and rapid transformation towards net zero emissions. The ISP was developed in consultation with over 1,500 stakeholders including energy consumers and providers, State and federal governments and regulators. Whilst a number of scenarios were considered as part of the development of the ISP, key points from the judged "most-likely" scenario include:

- A 3-fold increase of utility scale wind and solar to 2030 and a 9-fold increase to 2050
- Electricity usage to double by 2050 consistent with an "electrification of the nation"
- Storage capacity to increase from 2GW to 15GW by 2030 and 61GW by 2050
- 60% of the current coal fleet to be withdrawn by 2030 with 100% by 2043

Whilst these targets may seem ambitious (and perhaps unachievable), the more pertinent point is that there is a growing realisation that the public and private sector will need to come together to escalate the buildout required to not only continually reduce Australia's emissions, but ensure a reliable and cost-effective energy supply.

As an investor in renewable energy since 2006 and custodian of an existing 1GW renewable energy platform, Palisade is well positioned to play a part in the investment required for this buildout. We look forward to working with existing and new capital partners in achieving this.

Business update

During the quarter, Palisade was pleased to announce that it had opened an office in New York. Palisade has spent several years assessing other markets in which to be able to replicate our successful investment track record that we have delivered in Australia over the last 15 years. Palisade views the US small to mid-cap infrastructure market as an attractive market given the breadth of opportunities available – driven by the historic underinvestment in public infrastructure as well as the most ambitious target for CO2 emissions reduction in the OECD in absolute terms. Mike Reynolds (Managing Director, Americas) has transferred from Sydney to lead the office, together with Jonathan Yeung (Investment Manager), with the team to be built out through local hires over time. The firm will trade as "Palisade Infrastructure" in the North American market.

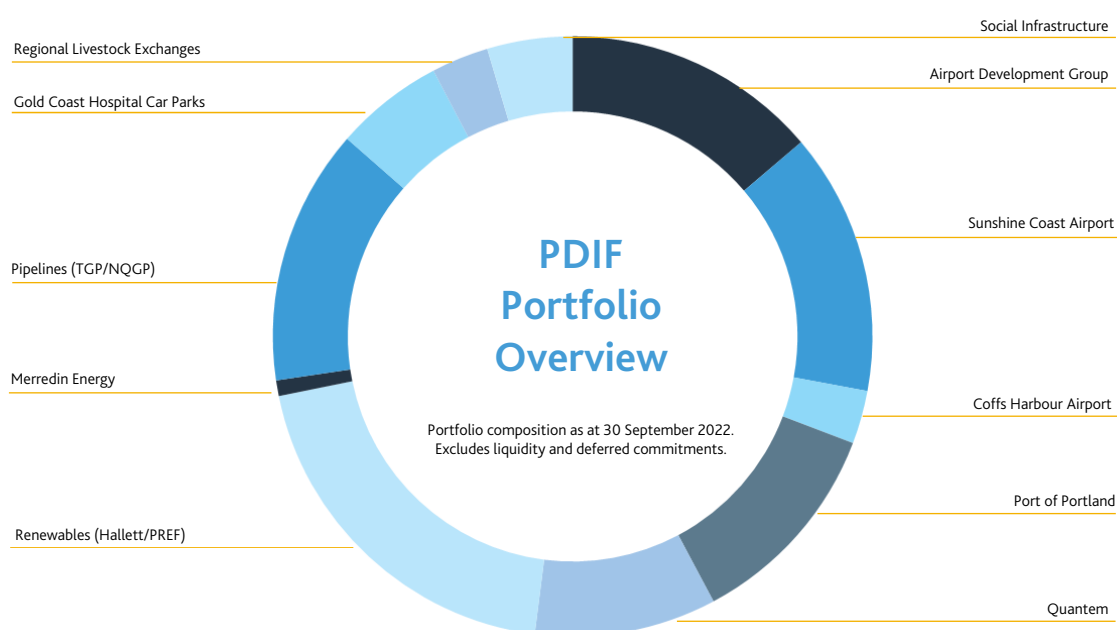
Transaction activity

In August 2022, Palisade (on behalf of its managed funds and mandates) sold its interest in GRL, alongside its co-investor, to Cleanaway Waste Management Limited, a leading ASX-listed waste management company. Given the recent policy developments in relation to mixed waste compost and the transition to source separation of food and garden organic waste (FOGO), Palisade's belief was that Cleanaway was the logical long-term owner of GRL, including their planned transition of GRL to a FOGO processing facility. During Palisade's ownership, GRL continued to invest in the facility to realise improved diversion from landfill, as well as EBITDA increasing by over 40% during this period. The investment generated an annualised return to Palisade-managed investors of approximately 14% since 2013.

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.

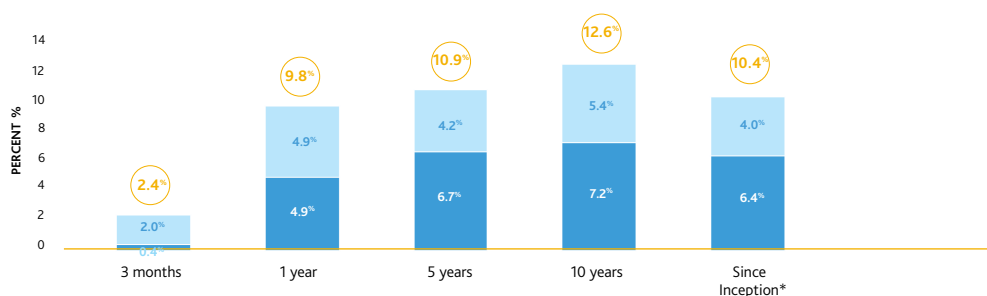


Q1 Key Highlights

- In August Palisade sold its managed interests in GRL waste treatment to Cleanaway. The investment generated an annualised return to Palisade-managed investors of approximately 14% since 2013.
- PDIF's airports continue to recover well from Covid with Darwin, Sunshine Coast and Coffs Harbour airports all operating at close to or in excess of pre-Covid passenger levels.
- Port of Portland has had a good start to the new financial year, driven by the strong grain harvest season from the previous year being extended into the first few months of the new financial year.

PDIF Performance

■ Yield
■ Capital



Gross performance as at 30 September 2022

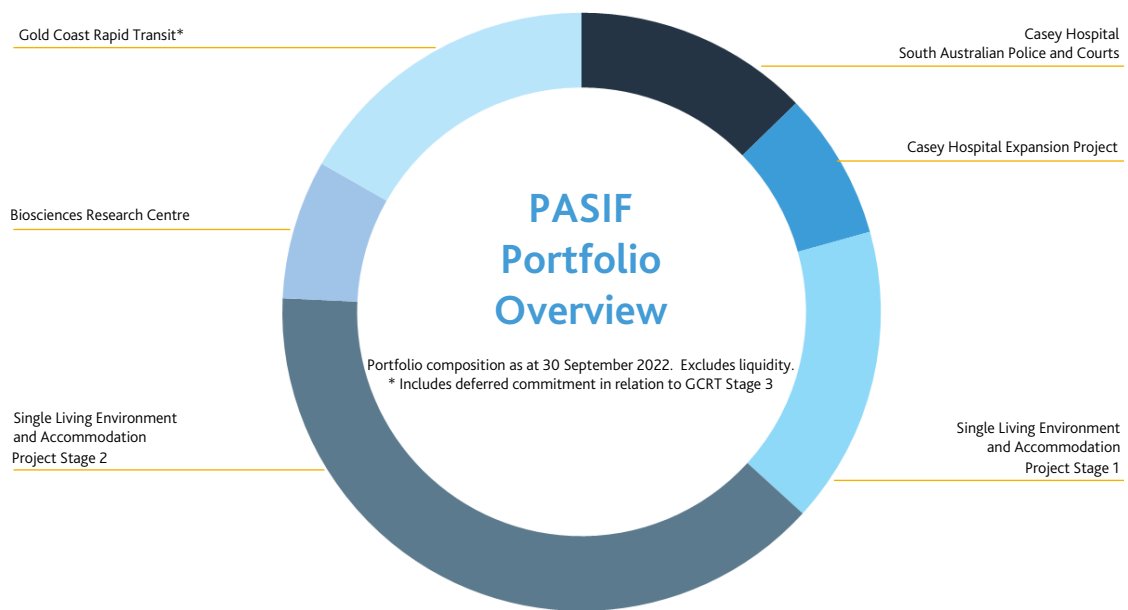
Returns for periods greater than 12 months have been annualised

* Inception date August 2008 (Palisade management)

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.

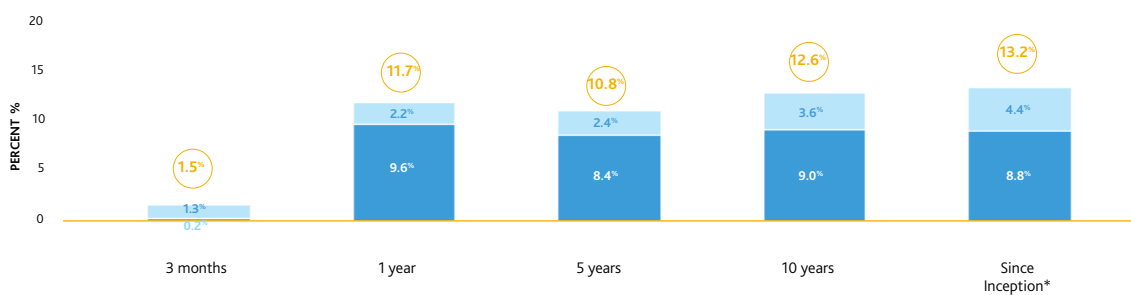


Q1 Key Highlights

- System availability at Gold Coast Light Rail continues to be strong at 99.8% over the last 12 months. Stage 3 construction down to Burleigh Heads remains ongoing.

PASIF Performance

■ Yield
■ Capital



Gross Performance as at 30 September 2022

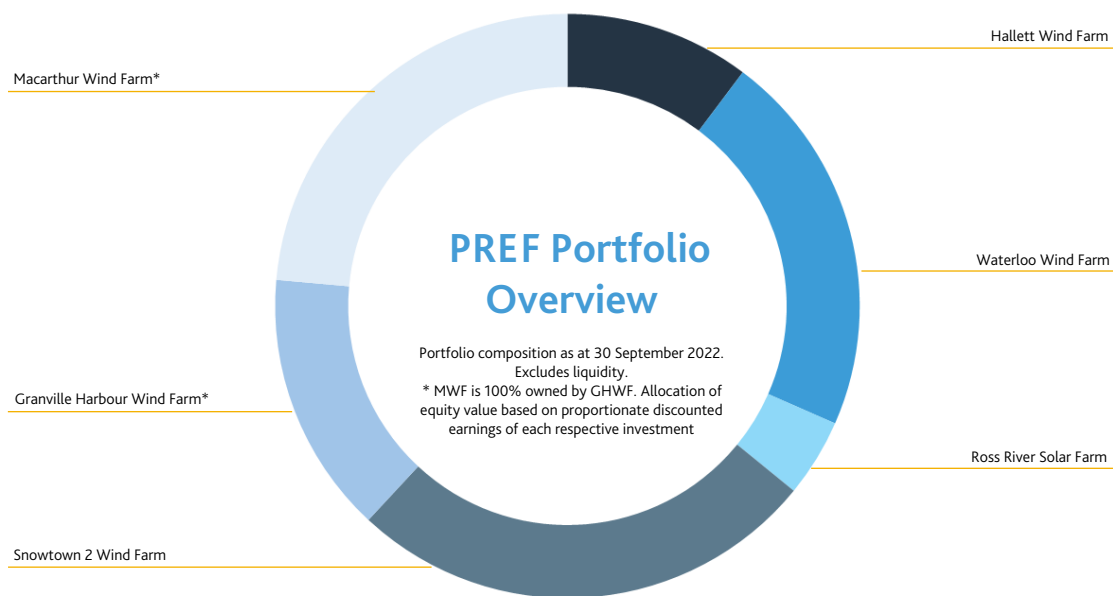
Returns for periods greater than 12 months have been annualised

* Inception date May 2011

Fund overview

Palisade's Renewable Energy Fund (PREF)

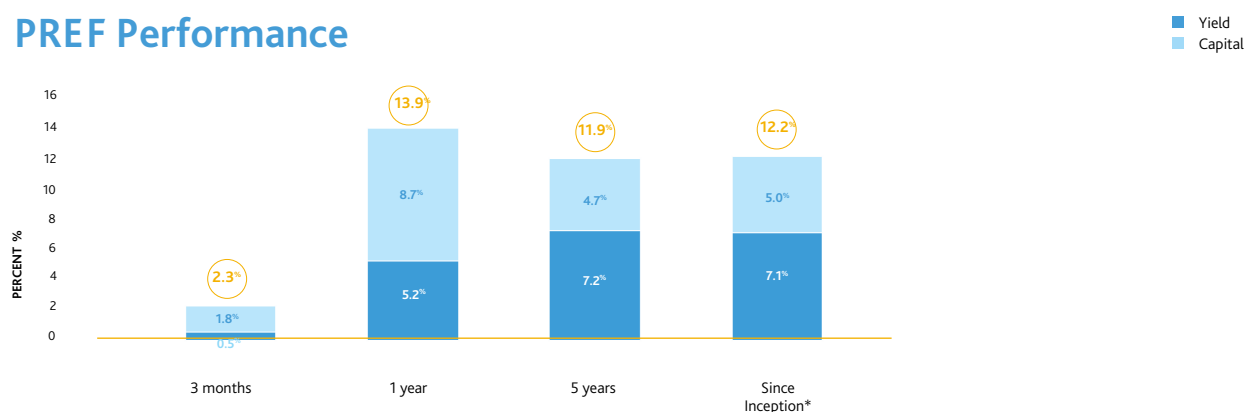
PREF provides investors with an opportunity to invest in a portfolio of renewable energy assets including utility scale wind and solar farms in Australia and aims to provide investors with long-term capital growth and stable cash distributions.



Q1 Key Highlights

- Both Waterloo Wind Farm and Ross River Solar Farm have benefitted from ongoing high merchant prices. Uncontracted generation represents approximately 15% and 20% for the two facilities respectively. The remainder of the PREF portfolio remains contracted under long-term fixed price agreements.

PREF Performance



Gross performance as at 30 September 2022

Returns for periods greater than 12 months have been annualised

* Inception date September 2016



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