

NZSIF ANNUAL SHAREHOLDERS MEETING

20 AUGUST 2012 11.30AM

CHAIRMAN'S ADDRESS to SHAREHOLDERS

NZSIF RAISED \$41M FROM ITS IPO IN MARCH 2010. NZSIF INVESTS AS A LIMITED PARTNER INTO THE PIP FUND (THE PUBLIC INFRASTRUCTURE PARTNERS LIMITED PARTNERSHIP). THE PIP FUND IS AN INSTITUTIONAL FUND ESTABLISHED BY MORRISON & CO TO INVEST IN PUBLIC PRIVATE PARTNERSHIPS – PPP's, THAT DELIVER SOCIAL INFRASTRUCTURE ASSETS SUCH AS SCHOOLS, HOSPITALS, CONVENTION CENTRES, PRISONS AND LOCAL GOVERNMENT FACILITIES TO THE COMMUNITY.

THE FINAL CLOSE FOR THE PIP FUND WAS 31 DEC 2010. THE PIP FUND HAS NINE LIMITED PARTNERS WITH COMMITMENTS TOTALLING \$176.5M. NZSIF'S INTEREST IN THE PIP FUND IS 22.95%, AND WE ARE THE SECOND LARGEST INVESTOR IN THE FUND, THE LARGEST BEING THE NZ SUPER FUND.

INVESTMENT PROGRESS

THE PIP FUND HAS SECURED TWO INVESTMENTS TO DATE

*THE FIRST BEING THE MELBOURNE CONVENTION AND EXHIBITION CENTRE (MCEC)
FOLLOWED BY THE*

RECENTLY ANNOUNCED HOBSONVILLE SCHOOLS PPP

MELBOURNE CONVENTION AND EXHIBITION CENTRE (MCEC)

THE MCEC INVESTMENT IS AN ESTABLISHED OPERATIONAL PPP ASSET.

THIS MITIGATES THE USUAL DEVELOPMENT RISKS ASSOCIATED WITH PPP GREENFIELD PROJECTS

THE TOTAL PIP FUND INVESTMENT IN MCEC WAS NZ\$39 MILLION COMPRISING 49.9% OF THE ORDINARY EQUITY ALONG WITH AN INVESTMENT IN PREFERRED EQUITY. MCEC MAKES UP 23% OF PIP FUND COMMITTED CAPITAL AS AT 31 MARCH 2011. THE MCEC INVESTMENT IS SIGNIFICANT WITH TOTAL ASSETS OF APPROX. A\$900M AND LONG TERM FUNDING.

THIS FIRST INVESTMENT IS SIGNIFICANT FOR NZSIF REPRESENTING A COMMITMENT OF NZ\$9.2 MILLION, BEING 22.4% OF NZSIF'S COMMITTED CAPITAL.

WHILE PROGRESS HAS NOT BEEN AS FAST AS SOME MIGHT HAVE ANTICIPATED, MCEC IS PROVING AN EXCELLENT INVESTMENT FOR PIP AND THE RECENTLY ANNOUNCED WINNING OF THE HOBSONVILLE SCHOOLS TENDER IS ENCOURAGING

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UPCOMING INVESTMENT OPPORTUNITIES

THE PIP FUND IS DESIGNED FOR LONG-TERM INFRASTRUCTURE INVESTING. TYPICALLY PPP INVESTMENTS ENTAIL A BUILD PROJECT. THE NEW ZEALAND MARKET IS ONLY JUST ADAPTING TO THE PPP PROCUREMENT CONCEPT, WITH TWO NEW ZEALAND PPP PROJECTS UNDERWAY: WIRI PRISON & HOBSONVILLE SCHOOLS.

THE PIP FUND'S NEW ZEALAND INVESTMENT ACTIVITY WILL PRIMARILY BE DRIVEN BY GOVERNMENT INFRASTRUCTURE PROJECTS BEING ROLLED OUT OVER THE NEXT FEW YEARS. WITH THE GOVERNMENT NOW UTILISING TWO PPPS THE PIP FUND EXPECTS THE PACE OF INFRASTRUCTURE INVESTMENT ACTIVITY TO INCREASE OVER THE NEXT 12-24 MONTHS AS THE VARIOUS CROWN ENTITIES ADOPT THE PPP MODEL AS AN ALTERNATIVE FORM OF INFRASTRUCTURE FINANCING.

THE PIP FUND WILL STEER AWAY FROM PRISON PPP'S, AND ROADING PPP'S THAT ARE DEMAND DRIVEN AND WHICH CARRY GREATER INVESTMENT RISK.

OUR INVESTMENT MANAGER'S WILL PROVIDE AN UPDATE ON THE HOBSONVILLE SCHOOL PPP AND MCEC, AND THE PIPELINE OF OPPORTUNITIES IN THEIR PRESENTATION WHICH FOLLOWS THE ASM.

INVESTMENT VALUATION- PIP FUND

THE PIP FUND EMPLOYS A THIRD PARTY EXPERT TO VALUE THE FUND'S ASSETS. THE VALUATION IS CALCULATED AT EACH 31 MARCH BALANCE DATE AND WAS COMPLETED THIS YEAR FOR ITS SHARE OF -MCEC .

THE VALUATION METHOD USED BY THE PIP FUND TO VALUE THE MCEC ASSET AT 31 MARCH 2012 WAS THE DISCOUNTED CASHFLOW METHOD WHICH IS APPROPRIATE FOR VALUING A SERIES OF CASHFLOWS TO EQUITY. THE REMAINING PIP FUND NET AUDITED ASSETS ARE TAKEN AT BOOK VALUE.

NZSIF'S INVESTMENT -IN THE PIP FUND WAS VALUED AT \$10.5M. (MCEC \$9.063M, OTHER ASSETS \$1.452M) THIS IS AN INCREASE OF \$1.08M (11.5%) ON 2011. TOGETHER WITH DISTRIBUTIONS RECEIVED FROM THE PIP FUND AND AFTER NZSIF'S COSTS, THIS REPRESENTS A RETURN TO NZSIF INVESTORS FOR THE YEAR OF APPROXIMATELY 7.7% GROSS.

DISTRIBUTIONS

ON 11 MAY 2012 NZSIF MADE A CAPITAL RETURN OF 2.768 CENTS PER SHARE.

THE CAPITAL RETURN RESULTED FROM THE REPAYMENT OF A LOAN ORIGINALLY MADE BY THE PIP FUND RELATING TO ITS INVESTMENT IN THE MCEC. THE LOAN WAS REPAYED FROM THE SUCCESSFUL REFINANCING OF THE PLENARY SUBORDINATED DEBT AS A RESULT OF CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC ("CAISSE" A LEADING CANADIAN FUND MANAGER) BECOMING A SHAREHOLDER IN THE MCEC.

IN ADDITION THE PIP FUND CONFIRMED A DISTRIBUTION OF \$427,778 COMPRISING PIP DISTRIBUTION (INCOME AND PROFIT) AND CAPITAL.

A 1.04 CPS GROSS DISTRIBUTION WAS MADE TO NZSIF SHAREHOLDERS ON 27 JULY 2012.

FINANCIAL REPORT

TURNING NOW TO THE FINANCIAL STATEMENTS FOR THE 12 MONTH PERIOD TO 31 MARCH 2012.

YOU WILL NOTE THAT NZSIF MADE A PROFIT FOR THE YEAR OF \$921,888. THIS PROFIT IS THE NET RESULT OF –

- INTEREST INCOME OF \$87,000
- CHANGES IN THE VALUE OF THE PIP FUND INVESTMENT +\$1,082,655 (MCEC)
- ADMINISTRATION COSTS OF \$267,000.

AT BALANCE DATE NZSIF HAD ASSETS OF \$12.8M (INCLUDING CASH \$2.28M) BEING 31.3 CPS. FOLLOWING THE DISTRIBUTION ON 11 MAY 2012 OF 2.768CPS WE ESTIMATE NTA at 28.6CPS

THE LAST SALE PRICE FOR NZSIF SHARES WAS 27c

NZSIF HAS 41M \$1 SHARES ON ISSUE PAID TO 30CPS. TO DATE WE HAVE MET CALLS TO THE PIP FUND OF \$9.2M (22.5 CENTS PER NZSIF SHARE)

I AM HAPPY TO TAKE ANY QUESTIONS YOU MAY HAVE.

THANK YOU.

NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LTD

KIM ELLIS

CHAIRMAN