



12 June 2020

Dear Shareholder

New Zealand Social Infrastructure Fund Shareholder Update

This update provides you with information on the sales progress for the PIP Fund (PIP) assets, follow-on investments in our School investments and the effect on dividend payments, and the impact of Covid-19 on PIP.

Sales Process

Negotiations are continuing with parties who are bidding for all PIP assets. The bid prices are in excess of the latest estimated net asset value per share of \$1.53 (based on unaudited 31 March valuations and including provision for performance fee payments to Morrison and Co).

The Board continues to recommend shareholders do not sell their NZSIF shares given the sale is anticipated to be value enhancing for shareholders.

Follow-on Investments - School Expansions

The Ministry of Education issued Change Notices for expansions at Hobsonville Point Primary School, Wakatipu High School and Rolleston College.

Hobsonville Point Primary School

- Preliminary Design - this scope of work follows the completion of the functional brief for an additional 270 students
- Temporary Accommodation – provision of six modular units on site to accommodate staff and students to meet current roll demand and to meet future roll growth during the construction phase of the expansion

Rolleston

- Preliminary Design - following on from the completion of the functional briefing for the 700 student spaces expansion. The delivery proposal to prepare the preliminary design has been approved and the works are in progress
- Temporary Accommodation – provision of six modular units on site

Wakatipu

- Detailed Design – following on from the developed design phase for a 600 student spaces expansion
- Gym Concept/Preliminary Design - a new double gym facility on site which was not included in the original briefing for the expansion
- Temporary Accommodation – provision of sixteen modular units on site

These follow-on investments are being funded by PIP from retained distributions. PIP expects to invest up to \$12 million in the school expansion projects this year and is confident that the follow-on investments will be value accretive for shareholders.

Distributions

The Board had expected that PIP would now be paying consistent quarterly distributions in line with the distribution cash flows it receives. PIP's decision to apply distributions to the follow-on investments, whilst value accretive, does mean a cessation of distributions to the limited partners, including NZSIF, until March 2021. PIP also plan to cover their 31 March 2020 performance fee payment from retained distributions.

The cessation of NZSIF distributions through to March 2021 is disappointing but the valuation upside for shareholders should more than compensate for the distributions forgone this year.

Covid-19

A Covid-19 update was provided by PIP in April and this is available to view on the NZSIF website under *Investor Information – Shareholder Notices*.

The Covid-19 risk has been well contained across the majority of assets, and cash flows from all investments, with the exception of the University of Wollongong (UoW), are unaffected. UoW relies on student numbers for its accommodation facilities, and occupied beds have reduced to 41% from an expected 83% as teaching has moved to principally online and will remain so for the remainder of the year. Three of the accommodation buildings may be mothballed from 2021 if occupancy does not return quickly. However, the UoW underwrite of a minimum occupancy of 85% means PIP's cash-flows (and valuation) are largely insulated from these issues albeit the scope for an upside outcome is reduced.

Our next report to you will be our annual report before the end of July when we hope to provide an update on the PIP Fund sales process.

If you have any queries regarding your investment in NZSIF, please discuss with your Investment Adviser or you may call Peter Lalor at NZSIF Management on 07 927 7927.

Yours sincerely

NEW ZEALAND SOCIAL INFRASTRUCTURE FUND LIMITED

A handwritten signature in black ink, appearing to read 'Kim Ellis', is positioned above the printed name and title.

Kim Ellis
Chairman