



6 November 2020

Dear Shareholder

New Zealand Social Infrastructure Fund Shareholder Update

This update provides you with information on the cessation of the sales process for the PIP Fund (PIP) assets, follow-on investments in NZ Schools 1 and 2, and the recommencement of dividend payments.

Sales Process

As you will be aware PIP has been undertaking a sales process. For some time, indications were very positive, with a preferred bidder having been selected. However, we have been advised that the sales process has now formally ceased without an outcome. This has been caused by COVID-19 related delays during the process and the withdrawal of the University of Wollongong Student Accommodation units (UoW) from the sales process.

The UoW accommodation units were withdrawn from the sales process as a result of the University deciding to exercise its right to acquire back ownership of those units given the impact of COVID-19 on the student accommodation market. The UoW exercised its rights of termination, which will result in an effective sale of that asset by PIP in early 2021.

The manager has determined that with the ongoing uncertainty created by COVID-19, the additional value-add opportunities described below and the significant reduction in interest rates that has occurred, deferring the sale process for a time will result in a more positive outcome, than starting a new process.

NZ Schools 1 & 2 Expansion – follow-on investment

PIP's assets include significant investments in the NZ Schools 1 and NZ Schools 2 PPPs. A number of these schools are already at capacity and as advised previously, the Ministry of Education requested PIP fund expansions of three schools (please see over). To date PIP has held back distributions to fund the necessary investigative work but now that the Ministry has committed to the expansions in full, and has asked the PIP Fund to project finance the expansions for all three schools using the Change Notices regime of the relevant PPP contract (i.e., the Project Agreements). PIP needs to source additional equity for the expansion investment. Existing investors, including NZSIF, have been offered the opportunity to make a follow-on investment on favourable terms in line with existing NZSIF investments. Any shortfall created by a non-participating limited partner will be taken up by PIP 3.

The NZSF board believes this is an attractive opportunity and as such NZSIF has agreed to participate in these follow-on investments. This requires an investment by NZSIF of approximately \$7.5m, which is to be initially funded by way of a bank facility. It is the NZSIF Board's intention to use its share of the UoW sales proceeds to repay this loan, with any remaining balance to be repaid over 5 years or, if economic to do so, replaced by a retail bond issue. Due to the likely short-term nature of this loan, an equity issue was not warranted.

Follow-on Investments - School Expansions

The Ministry of Education has issued Change Notices to increase the student capacities at Hobsonville Point Primary School, Wakatipu High School and Rolleston College.

Hobsonville Point Primary School

- Change notice issued to construct additional capacity for another 270 students; and
- Build 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

- Change notice issued to construct additional capacity for another 700 students; and
- Build temporary accommodation – provision of six modular units on site.

Wakatipu

- Change notice issued to construct additional capacity for another 600 students;
- Build temporary accommodation – provision of sixteen modular units on site; and
- Provide preliminary design to develop a gym concept - a new double gym facility on site, which was not included in the original briefing for the expansion.

Distributions

As a result of funding the Schools Expansions through new equity, PIP expects to recommence distributions shortly, and we anticipate making a distribution of approximately 1.0 cps before Christmas.

Net Asset Value

NZSIF's estimated net asset value remains unchanged at \$1.58 per share (30 June 2020 unaudited valuation).

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



Kim Ellis
Chairman