

# PALISADE'S UNLISTED INFRASTRUCTURE TRUST

Information Memorandum for an offering to wholesale investors

**Issued by**

Pinnacle Fund Services Limited  
ABN 29 082 494 362  
AFSL 238371

## About this Information Memorandum

### Eligible Investors

This Information Memorandum (IM) in respect of Palisade's Unlisted Infrastructure Trust (the **Fund**) is prepared for and can only be used by wholesale clients as defined in section 761G of the Corporations Act (**Eligible Investors**). The sole purpose of this IM is to provide Eligible Investors with general information to assist them in deciding whether to invest in the Fund.

This IM is not intended to be distributed to or read by anyone other than an Eligible Investor and this IM does not constitute an offer to sell units to or a solicitation of an offer to buy units from any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction. Any person who is in possession of this IM should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Any person who accepts this IM represents that they are an Eligible Investor.

Units issued pursuant to this IM are issued on the terms and conditions contained in this IM and the trust deed of the Fund.

### Glossary

Defined terms in this IM have the meaning provided in section 11 ('Glossary') unless separately defined.

### Issued by

**Pinnacle Fund Services Limited**  
ABN 29 082 494 362  
AFSL 238371

### Investment Manager

**Palisade Investment Partners Limited**  
ABN 32 124 326 361  
a Corporate Authorised Representative (No. 312944) of  
Pinnacle Investment Management Limited (ABN 66 109 659  
109), an Australian Financial Services Licensee (No. 322140)

### Contact details

**Pinnacle Investment Management Limited**  
Phone 1 300 010 311  
Email [invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com)  
Web [www.pinnacleinvestment.com](http://www.pinnacleinvestment.com)  
Post Palisade's Unlisted Infrastructure Trust  
C/- Pinnacle Investment Management  
PO Box R1313  
Royal Exchange NSW 1225

**One Registry Services (Registry Provider)**  
Phone (02) 8188 1510  
Email [palisade@oneregistryservices.com.au](mailto:palisade@oneregistryservices.com.au)  
Web [www.oneregistryservices.com.au](http://www.oneregistryservices.com.au)  
Post Palisade's Unlisted Infrastructure Trust  
C/- One Registry Services  
PO Box R1479  
Royal Exchange NSW 1225

# Palisade's Unlisted Infrastructure Trust Information Memorandum

## Contents

|   |    |
|---|----|
| IMPORTANT NOTICES                                   | 4  |
| 1. OVERVIEW OF INVESTMENT OPPORTUNITY               | 5  |
| 2. KEY FEATURES OF THE FUND                         | 8  |
| 3. INVESTMENT AND MANAGEMENT                        | 10 |
| 4. INVESTMENT RISKS                                 | 16 |
| 5. VALUATIONS AND DISTRIBUTIONS                     | 20 |
| 6. FEES AND OTHER COSTS                             | 21 |
| 7. PROCESSING APPLICATIONS                          | 23 |
| 8. FURTHER INFORMATION                              | 25 |
| 9. TAXATION   | 27 |
| 10. COMPLETING AND LODGING AN APPLICATION TO INVEST | 31 |
| 11. GLOSSARY  | 33 |
| 12. DISCLAIMER                                      | 35 |



*This page:  
Gold Coast Rapid Transit*

*Front cover, clockwise from top left:  
Port of Portland, North Queensland Gas Pipeline, Darwin Airport*



## Important notices

This IM is issued by Pinnacle Fund Services Limited (ABN 29 082 494 362, AFSL 238371) as the trustee of the Fund (the **Trustee**) and is dated 17 January 2020.

Palisade Investment Partners Limited (ABN 32 124 326 361) is the investment manager of the Fund (the **Investment Manager** or **Palisade**). Palisade is a Corporate Authorised Representative (No. 312944) of Pinnacle Investment Management Limited (ABN 66 109 659 109), an Australian Financial Services Licensee (No. 322140).

This IM:

- is not a Product Disclosure Statement or disclosure document under the Corporations Act, and has been prepared for use only by Eligible Investors
- is not required to be, and has not been, lodged with ASIC under the Corporations Act
- may be updated, supplemented or replaced by the Trustee and
- has been prepared for use only by investors that are wholesale clients as defined in section 761G of the Corporations Act.

All amounts in this IM are given in Australian dollars (unless otherwise specified). Fees and costs disclosed in this IM exclude any Goods and Services Tax (**GST**) that may be applicable.

Please carefully read section 12 ('Disclaimer') for important information regarding the qualifications and limitations which apply to this IM.

# 1. Overview of investment opportunity

## 1.1 About Palisade's Unlisted Infrastructure Trust

Palisade's Unlisted Infrastructure Trust 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 distributions.

The Fund's initial investment will be an aggregate \$100 million commitment to Palisade's Diversified Infrastructure Fund No. 1 (**PDIF 1**) and Palisade's Diversified Infrastructure Fund No. 2 (**PDIF 2**), being Palisade managed funds holding a portfolio of economic and social infrastructure assets, principally in Australia and New Zealand.

### Investment philosophy

Palisade is the investment manager of the Fund. Palisade's investment process is focused on identifying high quality infrastructure assets that aim to produce attractive risk-adjusted returns. Each investment in an underlying infrastructure asset is subject to rigorous due diligence and analysis and examined on its merits considering the following key fundamentals:

- strategic importance – an infrastructure asset which provides value to the community it services, exhibits a competitive advantage and has strong prospects for future growth
- risk assessment – rigorous risk assessment and appropriate risk allocation and
- capital structure – appropriate capital structure having regard to expected earnings and investment risk profile and sustainable operating cashflows.

### Diversification

Palisade aims to diversify the Fund's underlying asset exposure by asset maturity, industry/sector, geography and income source and the Fund aims to offer a portfolio which in the medium term will balance exposure to assets in different sectors and of different maturity to provide investors with capital growth and stable distributions at acceptable levels of risk.

### Active management

Palisade applies an active, consistent and disciplined approach to the ongoing management of the Fund in order to optimise medium to long-term performance. This is achieved through thorough and consistent investment analysis, ongoing monitoring and review of portfolio performance and operational activity.

Palisade also pursues active involvement in management and governance of investments, including through representation on investee company boards.

## Overview of investment opportunity

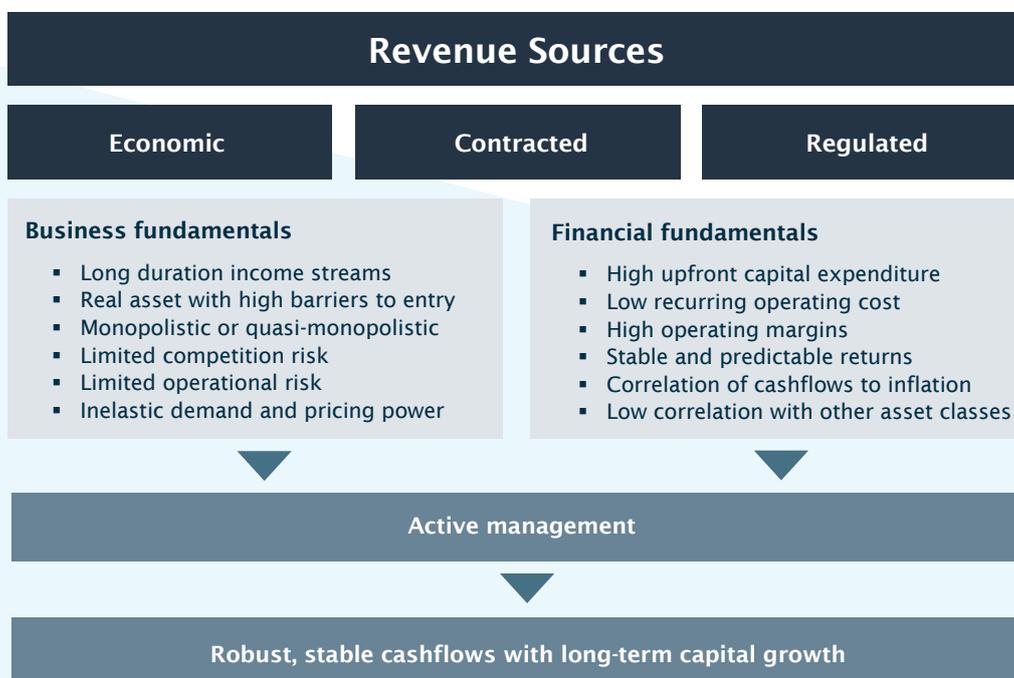
### 1.2 About infrastructure

Infrastructure encapsulates a wide range of essential services and facilities that are necessary for the efficient functioning of economies. It can take many forms but infrastructure assets share common fundamentals, being long-term, high quality assets with high barriers to entry, limited competition risk (monopoly or quasi-monopoly features) and relatively inelastic demand. Infrastructure assets also tend to require high upfront capital expenditure, have low recurring operating costs, high operating margins and low volatility of returns.

Unlike many other investment classes, infrastructure assets normally have a clear lifecycle which offer a variety of return profiles. Investment early in an asset’s lifecycle (ie prior to or during construction (**greenfield projects**)) tends to offer the potential for high growth and strong returns coupled with relatively higher levels of risk. Investment in mature, well established infrastructure assets (**brownfield projects**) tends to offer relatively lower but more stable returns.

Risk and return profiles also vary depending on industry or sector. Assets with regulated or contracted revenue profiles tend to offer relatively lower returns because they have lower associated risk. Examples include social infrastructure (eg hospitals and schools), assets with long-term government offtake arrangements or other fixed contracts (eg power purchase or gas transmission agreements) or even assets with well established and understood revenue streams (eg mature operating toll roads). Assets that are exposed to limited or full market risk typically offer higher returns (eg airports or greenfield toll roads).

The fundamentals of infrastructure investment are represented in the following diagram.



Investment in infrastructure is generally intended to provide long-term, stable income streams which in many cases are inflation protected, as well as long-term capital growth, providing investors an attractive total return.

## Overview of investment opportunity

### 1.3 About Palisade

Palisade is a specialist infrastructure manager providing dedicated and professional investment management services to the wholesale superannuation market and other specialist investors. Palisade offers a depth of resources and a strong investment culture focused on delivering solid performance and high standards of client service.

Palisade's philosophy is to deliver secure long-term returns, aligned with the interests and objectives of its investors and the community. Palisade's senior management team has significant infrastructure experience gained in a number of disciplines including corporate finance, project advisory, equity investment, funds management and law, both in Australia and offshore. Majority ownership of Palisade by its directors and staff provides a strong alignment of interests with investors.

Palisade was established in May 2007 as a specialist infrastructure-focused fund manager within the Pinnacle Investment Management Limited (ABN 66 109 659 109) (**Pinnacle**) group of boutiques. Pinnacle's multi-affiliate investment model allows Palisade's investment executives to focus solely on investment acquisition and management.

Palisade has extensive business relationships which provide access to a consistently strong pipeline of high quality investment opportunities. Palisade's close working knowledge of the major financial and technical participants active in infrastructure projects enable it to structure investments alongside the sponsors, operators, contractors and co-investors that it considers suitable for any particular project.

Palisade employs an experienced team of investment specialists. By combining their expertise with Palisade's investment philosophy, Palisade aims to provide investors with strong and consistent performance.

### 1.4 About the Trustee

Pinnacle Fund Services Limited is wholly owned by Pinnacle. Pinnacle supports the development of high-quality investment management businesses and is the distributor of the Fund.

In accordance with the trust deed of the Fund, the Trustee may retire as the trustee of the Fund by giving not less than 60 days' notice to all investors. The investors may require the Trustee to retire by passing an Extraordinary Resolution directing it to do so.

## 2. Key features of the Fund

| Features                                | Description   |
|---|---|
| <b>Investment objectives</b>            | <p>The Fund aims to provide investors with long-term capital growth and stable cash distributions via exposure to a portfolio of infrastructure assets, principally in Australia and New Zealand.</p> <p>The Fund's initial investment will be an aggregate \$100 million commitment to PDIF 1 and PDIF 2, being Palisade managed funds holding a diversified portfolio of infrastructure assets.</p>   |
| <b>Minimum investment commitment</b>    | <p>The minimum investment commitment is \$50,000.</p> <p>The minimum additional investment commitment is \$10,000.</p> <p>In each case, the Trustee reserves the right to accept a lesser investment commitment.</p>  |
| <b>Maximum investment commitment</b>    | <p>The Trustee reserves the right to limit the investment commitment for each Eligible Investor.</p>  |
| <b>Total investment commitment</b>      | <p>The amount of an investor's total investment commitment will be the amount specified in its executed Application Form (unless the Trustee rejects all or part of the application).</p>   |
| <b>Calls on investment commitments</b>  | <p>Investment commitments will be payable by instalments (<b>Calls</b>) as determined by the Trustee. The number and amount of any Calls on investment commitments will vary depending on the capital requirements of the Fund and availability of investment opportunities. Calls are made by giving investors not less than 5 business days' notice.</p> <p>All notices with respect to Calls will be sent to investors via e-mail.</p>   |
| <b>Issue Price</b>                      | <p>The issue price for units will be based on the Net Asset Value (<b>NAV</b>) of the Fund as at the date of issue of the relevant units, plus any applicable transaction costs (if any).</p>   |
| <b>Fees and other costs of the Fund</b> | <p>Please see section 6 ('Fees and other costs') for details on the Fund's management fee, performance fee and other expenses.</p>  |
| <b>Distributions</b>                    | <p>Distributions will generally be paid half yearly for the six months ending on 30 June and 31 December. The Trustee will aim to pay distributions as soon as possible and in any event within 90 days after the end of each period.</p> <p>Investors may elect to participate in a distribution reinvestment plan (<b>DRP</b>). The Trustee maintains the discretion to scale back the proportion of each distribution that will be reinvested under the <b>DRP</b> (including to nil) in each period having regard to, among other things, the liquidity requirements of the Fund.</p> <p>Investors may elect to participate (or cancel their participation) in the <b>DRP</b> at any time, and such participation (or non-participation) will continue until any change is notified by the investor. Any election (or change to an election) must be received before 31 May to apply to the 30 June distribution period and before 30 November to apply to the 31 December distribution period.</p> |

## Key features of the Fund

| Features                          | Description   |
|-----------------------------------|---|
| <p><b>Redemption of units</b></p> | <p>Investors may make redemption requests to the Trustee. Redemption requests are irrevocable unless the Trustee consents to the revocation.</p> <p>The Trustee will generally process redemption requests in six-month redemption windows ending on each 31 May and 30 November (<b>Redemption Window</b>). At the end of each Redemption Window, the Trustee will determine what amount will be available for the satisfaction of redemption requests for that Redemption Window (<b>Redemption Pool</b>), and will allocate the Redemption Pool between the redeeming investors to satisfy their redemption requests on a pro-rata basis. If the Redemption Pool is not sufficient to wholly satisfy all redemption requests, the unsatisfied portion of the redemption requests will be carried over for processing at the end of the next Redemption Window. Redemption requests received in earlier Redemption Windows will have priority over those received in later Redemption Windows.</p> <p>The Trustee will aim to satisfy redemption requests within 120 days from the expiry of the relevant Redemption Window, subject to adequate liquidity.</p> <p>The redemption price for units will be based on the NAV of the Fund as at the date of redemption of the relevant units, less any applicable transaction costs (if any).</p> <p>The Trustee may at any time suspend the processing of redemption requests if it is not possible or not in the best interests of investors for it to do so due to one or more circumstances outside of its control. This could occur if, for example, the Fund does not have sufficient liquidity.</p> |
| <p><b>Transfer of units</b></p>   | <p>Units may only be transferred in the manner prescribed by the Trustee and in accordance with the Fund's trust deed. A transfer of units does not affect an investor's liability in respect of their uncalled capital commitments.</p> <p>A transfer of units involves a disposal of units which may have tax and stamp duty implications. Please see section 9 ('Taxation') for further information on tax implications.</p>   |
| <p><b>Borrowings</b></p>          | <p>The Fund may make borrowings and may grant security over Trust Property (including, without limitation, over investors' uncalled capital commitments to invest in the Fund) for purposes consistent with the investment guidelines of the Fund, for example an underwriting facility to secure an investment commitment, a letter of credit facility to secure a future investment obligation or a bridging facility to assist in the timely settlement of an investment. Borrowings will not, at the time they are entered into, exceed 20% of the NAV of the Fund plus the amount of any uncalled capital commitments. In the case of cash borrowings only, the borrowings must also be for short-term purposes repayable within 12 months of drawdown.</p>  |

# 3. Investment and management

## 3.1 Investment objectives

The Fund aims to provide investors with stable, long-term capital growth and cash distributions via exposure to a portfolio of infrastructure assets, principally in Australia and New Zealand.

## 3.2 Investment approach

The Fund seeks to meet its investment objectives by investing primarily in equity securities issued by unlisted companies or trusts owning infrastructure assets (including other Palisade managed funds). Investments may also be made in mezzanine equity and debt instruments if it is considered that such an investment will enhance portfolio performance.

The Fund's initial investment will be an aggregate \$100 million commitment to PDIF 1 and PDIF 2, Palisade's flagship infrastructure funds established in 2003. PDIF 1 and PDIF 2 invest in a diversified portfolio of assets across multiple infrastructure sectors including airports, ports, bulk liquids storage, pipelines, renewable generation and social infrastructure. The investment objectives of PDIF 1 and PDIF 2 mirror that of the Fund, which is to provide investors with stable, long-term capital growth and cash distributions by investing in infrastructure assets principally in Australia and New Zealand. Please contact Pinnacle for further information on PDIF 1 and PDIF 2, including their underlying investments.

Where Palisade believes it will be in the best interests of the Fund, the Fund may also invest in other Palisade-managed funds (other than PDIF 1 and PDIF 2), and also directly in underlying assets.

Investment evaluation work will be carried out by Palisade and all investments in underlying assets (ie investments in infrastructure assets made directly by the Fund or by another Palisade managed fund) will be approved by the Palisade Investment Committee (PIC) (see 'Investment process and Investment Committee' below).

## 3.3 Investment characteristics

In identifying and analysing prospective investments, Palisade will target assets with the following characteristics:

- low competition risk
- low business risk
- low volatility of returns
- inelastic demand
- high barriers to entry and
- stable cash flows.

Palisade will seek to reduce investment specific risk by acquiring a diverse spread of investments. Portfolio diversification will be achieved by:

- geography (eg region, state, national)
- industry (eg transport, water, energy, communications)
- sector (eg airports, toll-roads, transmission) and
- maturity/business life cycle (eg construction/greenfield, growth, mature).

## Investment and management

Palisade will identify and test investment opportunities against key criteria, including:

- Strategic – investment universe, diversification constraints, investment guidelines and macroeconomic environment
- Qualitative – structure, industry sector, community benefit and environmental impact
- Legal – sale process, bid structure, shareholder positioning and risk allocation model
- Quantitative – expected return range, cash yield profile, growth potential and bid cost risks and
- Compliance – mandate guidelines, authorisation levels, portfolio issues and client constraints.

### 3.4 Portfolio construction

The Fund seeks to reduce risk through effective diversification and applying a disciplined approach to portfolio construction. This is achieved by the Investment Manager seeking to limit (at the time of a new investment) the Fund's exposure to any individual:

- industry or asset sector (identified in the Investment Guidelines below)
- revenue source
- specific risk event and
- macroeconomic factor risk.

Revenues from infrastructure assets can generally be categorised as: mature contracted revenues, mature throughput/patronage revenues, regulated revenues, greenfield contracted revenues, greenfield throughput/patronage revenues, or commodity priced revenues. The Fund seeks to weight its exposures to lower risk revenue sources (such as mature contracted revenues) and limit its exposure to high risk revenue sources (such as greenfield throughput/patronage revenues) in order to deliver long-term stable returns to investors.

Specific risk and factor risk exposures are assessed by applying sensitivity analysis to the financial models for each infrastructure asset. Factor risks identified and considered may, for example, include discount rates, inflation, economic regulation, interest rates and debt availability.

### 3.5 Investment guidelines

The Fund will only invest in infrastructure investments as set out in 'Authorised investments' below. 'Infrastructure' comprises physical assets and related operations to satisfy the need for access by the community to essential services or facilities.

Investments can be categorised as economic or social infrastructure in nature, but they must have one or more of the following characteristics:

- fixed assets which provide an ongoing stream of essential services
- private sector participation on a long-term ownership and/or operating basis
- government involvement in asset release, operating concessions and ongoing industry regulation, ensuring preferred access to customer base and, in certain circumstances, support of asset financing arrangements and
- construction of greenfield infrastructure as well as sale or restructure of established entities.

## Investment and management

The infrastructure assets that will be considered for investment include (but are not limited to) assets in the following categories:

- freight and passenger rail services
- air and sea port terminals
- major roads and tunnels
- electricity generation, transmission and distribution infrastructure
- communications infrastructure
- storage, treatment, transmission or distribution of water and waste water
- municipal waste management
- gas transmission and distribution pipelines
- social infrastructure and
- agribusiness infrastructure.

The following maximum investment limits will apply on a look-through basis to the underlying asset at the time of investment into the relevant investment or Palisade managed fund. Investments may be made outside the investment limits below with the approval of the Trustee.

| Type of investment   | Maximum %* |
|--|------------|
| <p><b>Greenfield projects</b></p> <p>Investments involving both:</p> <ul style="list-style-type: none"> <li>▪ construction risk – the majority by value of the project’s operating assets require construction post acquisition by the Fund and</li> <li>▪ patronage or revenue risk – the majority of the project’s operating revenue post-construction is uncontracted.</li> </ul> | 20%        |
| <p><b>Mezzanine debt or equity instruments</b></p> <p>a security or borrowing that falls between straight debt and equity, such as subordinated and convertible debt or equity-linked bond issues</p>  | 15%        |
| <b>Any single Fund investment excluding cash</b>   | 20%        |

\* Equal to the gross value of the underlying asset on a look-through basis divided by the greater of Fund size (being the gross value of all assets of the Fund on a look-through basis including uncalled commitments) and \$300 million. Where the Fund holds an asset on a look-through basis through another Palisade managed fund, the proportion that the Fund owns in the other Palisade managed fund for determining the look-through value of an asset is calculated on a fully-diluted basis (ie assuming that all uncalled commitments of the other Palisade managed fund have been called).

For cash management purposes, the Fund may hold a portion of its assets in cash or cash equivalents. This may be necessary prior to funding an acquisition, following receipt of a distribution or in respect of balances required for the compliance and administration costs of the Fund.

### 3.6 Authorised investments

Authorised investments for the Fund are:

- securities in any existing or proposed infrastructure fund or entity managed by the Manager
- ordinary shares, partly paid shares, rights, options, preference shares, cumulative convertible or redeemable preference shares, secured or unsecured convertible notes and warrants pertaining to infrastructure assets
- units, options on units and partly paid units pertaining to infrastructure assets
- mezzanine debt or equity instruments, subordinated debt, shareholder loan note securities or other form of shareholder debt pertaining to infrastructure assets
- unlisted securities pertaining to infrastructure assets that subsequently list on any recognised exchange
- listed securities pertaining to infrastructure assets with an intention to de-list such securities
- cash assets that may be invested in the money market and fixed interest securities
- cash or short-term securities issued by any Australian government or government authority
- cash or short-term securities issued by any Australian corporate with a long-term debt rating of not less than 'AA'
- bank deposits or equivalents and
- underwriting or sub-underwriting agreements.

#### Use of derivatives

The Fund may use derivatives in conjunction with authorised investments to:

- facilitate the future acquisition (including funding the timely settlement) or divestment of an investment
- underwrite or otherwise secure a binding bid or investment commitment
- secure a future, deferred or conditional investment obligation
- improve the credit risk or credit rating of an investment
- improve distribution yield or overall return from an investment
- assist in the management of interest rate risk and/or currency risk and
- otherwise mitigate financial risks associated with an investment.

### 3.7 Investment process and Investment Committee

#### Risk assessment and management

When considering an investment, Palisade will apply a rigorous risk allocation and management approach to gain an understanding of the risks associated with an asset and will apply an appropriate allocation of those risks between project parties via a process of comprehensive due diligence and review.

The key risk management steps that Palisade will undertake involve:

- preliminary investment analysis – assess key drivers eg market, industry and regulation issues
- risk identification – identify risks, their consequences and mitigants
- rigorous investment evaluation – conduct sensitivity analysis on returns, development and continuous review of valuation model inputs/outputs and contractual arrangements and
- independent review – to ensure all necessary approvals and compliance requirements are in place eg model audit, internal/external legal and technical sign-off.

## Investment and management

### Investment Committee

All investments in underlying assets (ie investments in infrastructure assets made directly by the Fund or by another Palisade managed fund) will be approved by the PIC whose members between them have extensive infrastructure and funds management experience. The PIC is comprised of majority independent members, as well as non-executive directors of Palisade. A quorum of the PIC is three members and decisions must be unanimous.

Investments into securities in any existing or proposed infrastructure fund or entity managed by the Manager will not require approval by PIC.

For more information on the members of the PIC please contact Pinnacle.

### Responsible investment

Palisade's philosophy is to deliver secure long-term returns, aligned with the interests of its investors and the community. Palisade recognises its duty to behave responsibly in its business activities and towards those whom its actions affect.

As an investment manager, Palisade believes that a high standard of business conduct as well as a responsible approach to environmental, social and governance (ESG) issues makes good business sense and is more likely to create sustainable value over the long-term. Conversely, poor management of those issues may pose a risk to the reputation and value of businesses.

Palisade considers long-term ESG factors in making investment decisions and in actively managing investments, encouraging better management of ESG factors and associated risks. Assets exhibiting strong ESG credentials are key to the alignment of interests and objectives of investors with those of the communities served by assets in which the Fund invests. Palisade considers ESG issues through each step of the investment process, from the preliminary due diligence stages, to a dedicated section in the investment committee papers.

Palisade spends considerable time participating in ESG related initiatives and driving ongoing ESG improvements within its portfolio companies.

Palisade is a signatory to the United Nations Principles for Responsible Investment, representing a commitment to take ESG factors into account in its investment decision making and management practices, and consistently scores within the top tier of investment managers globally in the annual assessment process.

### Active management

Palisade will apply an active, consistent and disciplined approach to the ongoing management of the Fund portfolio with the aim of optimising medium to long-term performance and facilitating future exit strategies. Palisade will utilise an active asset management approach through (among other things):

- the application of rigorous and consistent investment analysis by evaluating projects from high level analysis through to final due diligence including the development of comprehensive financial models and conducting sensitivity analysis to changes in key assumptions
- aiming to optimise the capital and legal structure of investments to enhance performance
- ongoing monitoring and review of portfolio performance and operational activity and
- active involvement in various aspects of strategic management and governance, including through board representation in investee companies.

Where appropriate, the asset may engage Palisade Integrated Management Services (PIMS) directly through a separate fee and services agreement to provide internal management services to the asset. All fees paid by the asset to PIMS are on a cost pass-through basis.

### 3.8 Reporting

Investors will receive the following information:

- an annual transaction statement setting out details of transactions in respect of the Fund, including issues of units, redemptions and distributions
- monthly transaction statements setting out NAV unit pricing
- a quarterly report outlining the Fund's performance
- an income distribution statement for each distribution
- the Fund's annual audited financial statements and
- an annual tax statement.

All correspondence to investors shall be via e-mail.

### 3.9 Investment Management Agreement

Palisade is appointed by the Trustee as investment manager of the Fund under an Investment Management Agreement (IMA). Palisade is appointed to invest and manage the assets of the Fund on behalf of the Trustee and to prepare reports for the Trustee.

Circumstances in which the Trustee may terminate the IMA include generally where:

- an insolvency type event occurs in relation to the Investment Manager or the Investment Manager ceases to carry on business
- the Investment Manager commits an act of fraud, gross negligence, willful misconduct, bad faith or reckless disregard of its duties
- the Investment Manager becomes unable to lawfully carry on a business of providing investment management services in Australia
- the investors of the Fund resolve by Extraordinary Resolution that the Investment Manager be replaced (provided that the Trustee also give at least 12 months' written notice to the Investment Manager of its termination following the passing of the Extraordinary Resolution) or
- the Fund is terminated.

Under the IMA, the Investment Manager is entitled to be indemnified by the Trustee, to the extent of the value of the Fund's assets, against any losses or liabilities reasonably incurred in connection with it acting under the IMA except to the extent the loss or liability is caused by the gross negligence, fraud or dishonesty of the Investment Manager or in certain other circumstances.

## 4. Investment risks

All investments involve some degree of investment risk. Investment risk can be defined as the probability of losing capital or not receiving income over a given timeframe. As a general rule, the higher the potential return on an investment, the higher the potential investment risk.

The Fund offers investors potential for stable returns. However, there is a significant level of investment risk as investors may lose their capital or the Fund may not produce income.

Due to the significant risks associated with infrastructure investments, before making an investment in the Fund, investors should consider whether such an investment is appropriate to their particular investment objectives, financial situation and needs.

It is important to note that returns to investors may vary according to the type of infrastructure investment, its stage of development and the type of returns received.

It is not possible to identify every risk factor relevant to investing in the Fund. However, set out below are a number of risks that can potentially affect the value of Fund investments and the distributions paid by the Fund.

### 4.1 Liquidity risk

While investors may request the redemption of their units, there is no assurance that investors will be able to quickly realise the value of their units after making a redemption request. Under the redemption process for the Fund (described in section 2), the Trustee will generally process redemption requests at the end of each Redemption Window by determining the Redemption Pool for that Redemption Window. There is no assurance that the Redemption Pool for a Redemption Window will be sufficient to satisfy the redemption requests received in that Redemption Window, or in any previous Redemption Windows. In addition, the Trustee may at any time suspend the processing of redemption requests if it is not possible or not in the best interests of investors for it to do so due to one or more circumstances outside of its control. This could occur if, for example, the Fund does not have sufficient liquidity due to the nature of the assets in which the Fund invests, which are relatively illiquid compared to those of funds that invest in other asset classes.

Units can be transferred only in the manner prescribed by the Trustee and on certain conditions.

The Fund expects to invest (either directly or indirectly via an investment in another Palisade managed fund) in project entities which are not listed on a stock exchange, or for which there may be only a limited number of potential investors. As a consequence, the underlying investments of the Fund may be difficult to sell and the Fund may not realise their full value. There is also a risk that market conditions might change before realisation of those investments can take place. This may result in losses for the Fund and its investors.

### 4.2 Construction and operation risks

Where the Fund invests (either directly or indirectly via an investment in another Palisade managed fund) in new infrastructure projects, Palisade's investment assessment aims to determine whether the projects are sponsored by organisations with suitable experience, expertise and financial strength, and that appropriate insurance, warranties and indemnities are in place. However, it is impossible to eliminate all construction and operational risks that are inherent in infrastructure projects.

Where an infrastructure asset is under construction, there is a risk that the project will not be completed within budget, within the agreed time frame or to the agreed specification. Completion delays may result in delay in the generation of project revenues and hence the distributions by the Fund. Failure to meet agreed specifications may permanently diminish revenues. In addition, it is impossible to fully insure against all loss or damage arising from events beyond the control of a party including acts of God, fire, earthquakes, flood, war, terrorism and strikes.

Once constructed, the long-term profitability of an infrastructure asset depends on the efficient operation and maintenance of the asset. Asset revenues and expenses may be adversely affected if an asset is not properly operated or maintained. Inefficient operation and maintenance of an infrastructure asset may reduce the level of returns received by the Fund from that asset.

## Investment risks

### 4.3 Market conditions

Any material change in the condition of the economy in Australia, or elsewhere, including a slow down in economic growth or changes in interest rates or foreign exchange rates, may have an adverse effect on the performance or valuation of entities and assets in which the Fund is invested. The performance of the Fund can be affected by a deterioration in public markets, movements in local and international private equity and share markets, interest rates and bond markets and by market events which can impact the inputs used to value assets.

The performance of the investments of the Fund will depend to some extent on the general level of economic activity and risks within specific industries to which the Fund may be exposed.

### 4.4 Gearing and interest rate risk

As most infrastructure assets carry a level of gearing, they may be exposed to adverse interest rate movements, increasing the cost of debt. While this risk is generally reduced through relevant and appropriate interest rate hedging, for example interest rate swaps or other mechanisms, there is sometimes residual exposure. This risk also arises on refinancing of debt, and in these circumstances hedging may be less effective at reducing exposures. The impact of interest rate movements on refinancing can be reduced through the use of multiple tranches of debt with different maturities.

Movements in interest rates may affect the appropriate discount rate to be used to value investments.

The use of gearing can magnify the impact of good or poor performance by an asset and therefore involves a higher degree of investment risk than if debt was not used. The returns using gearing depend on the type of investment as well as the level of gearing and the costs of borrowing, including interest rates.

In determining the appropriate level of gearing for an investment, consideration will be given to project risk factors including stage of life cycle, level of contracted revenues, counterparty credit quality and level of operating risk, as well as financial risk factors across the portfolio, such as average debt maturity and interest rate hedging levels.

### 4.5 Inflation risk

As some forecast cashflows for an infrastructure investment are escalated based on an assumed rate of inflation, returns from the Fund's investments can be affected by changes in the rate of inflation.

### 4.6 Regulatory/change of law risk

Governments could change existing laws or introduce new legislation that could adversely affect infrastructure investments (eg changes in workplace health and safety laws), including by increasing costs.

### 4.7 Investment in greenfield projects

Greenfield projects are defined in section 1.2. The risks associated with investments in greenfield projects are greater than the risks associated with established infrastructure assets or companies that have an established record of profitable performance. The Fund intends to invest (either directly or indirectly via an investment in another Palisade managed fund) in greenfield projects but will limit its exposure to these types of investments (see section 3.5 ('Investment guidelines') for further details about investment limits).

## Investment risks

### 4.8 Other issues

Other issues which investors should consider when investing in the Fund include:

#### Availability of investments

Although appropriate investments will be actively pursued, there is no certainty that investments can be sourced and hence the Fund may not achieve its investment objective. There is a risk that there may be a lack of suitable investment opportunities for the Fund to invest in, given the Fund's investment philosophy and strategy.

#### Taxation

Investing in the Fund may result in a different tax outcome than investing directly because of the application of tax laws to the Fund. For more information on the tax consequences of investing in the Fund please refer to section 9 ('Taxation').

#### Valuation

Unlike listed securities, the price of which is determined daily on public markets, infrastructure assets are typically valued by an independent expert on an annual basis. In this respect, valuations of the portfolio are inevitably less certain. A valuation is only an estimate of value and is not a precise measure of realisable value. Ultimate realisation of the market value of an asset depends to a great extent on economic and other conditions beyond the control of Palisade or the Trustee, and valuations do not guarantee the price at which an investment can ultimately be sold. See section 5.1 ('How investments are valued') for further information.

#### Currency risk

To the extent the Fund has exposure to underlying assets outside of Australia, fluctuations in exchange rates between AUD and the relevant local currencies, and the costs of conversion and exchange control regulations, will directly affect the value of the investments and the ultimate rate of return realised by investors. For future acquisitions, while the Fund may enter into hedging arrangements to mitigate this risk to some extent, there can be no assurance that such arrangements will be entered into or that they will be sufficient to cover such risk.

#### Related party risk

The operation of the Fund will involve a number of transactions and ongoing arrangements between the Trustee, Palisade and their related parties. Related party transactions may give rise to conflicts of interest that need to be carefully managed to ensure that priority is given to the interests of investors. Examples of related party arrangements relating to the Fund which could give rise to such conflicts include:

- relationship between Palisade and the Trustee – the Trustee is a member of the Pinnacle group, which also holds an ownership interest in Palisade and
- investment in PDIF 1 and PDIF 2 and other Palisade managed funds – the Fund has made an initial capital commitment to PDIF 1 and PDIF 2, which are funds managed by Palisade, and may from time to time make investments in other Palisade managed funds.

The Trustee and the Investment Manager have processes in place to ensure that any potential conflicts of interest are appropriately managed, including processes to ensure that any related party arrangements are entered into on arms' length terms. In addition, where the Fund invests in other funds managed by Palisade, to prevent the double charging of fees Palisade will rebate to the Fund any management or performance fees charged in relation to the other Palisade managed funds.

## 4.9 Managing these risks

While investment risks cannot be completely eliminated, Palisade aims to manage the impact of these risks through prudent investment guidelines and the adherence to a rigorous investment process. The management of risk is integral to each part of the investment process.

When investing, it is important that investors consider their investment timeframe and risk tolerance. Consultation with an investment adviser is recommended.

Neither Palisade nor the Trustee guarantee the performance of the Fund, the return of an investor's capital, or any specific rate of return. The value of an investment in the Fund and the associated returns are subject to fluctuations and other risks inherent in investing in infrastructure assets. There is no assurance that the investment objective of the Fund will be achieved. The value of investments and the income derived from it, may fall as well as rise, and may be affected by domestic and international economic forces that are beyond the Trustee's or Palisade's control, and investors may not recoup the expected returns from investing in the Fund.

# 5. Valuations and distributions

## 5.1 How investments are valued

The underlying assets of the Fund will be valued in accordance with Palisade's valuation policy. Assets will be valued at least once per financial year by an independent expert, with roll forward equity values adopted at the end of each quarter to the extent that the valuation assumptions remain appropriate.

Valuation of the assets will allow for changes in factors such as operating performance and forward budgets, the macroeconomic environment, industry structure and risk profile.

The Fund's unit price calculation will take account of the latest asset valuations and other relevant information. The NAV of the Fund is calculated by deducting from the value of Trust Property, the value of accrued expenses and the liabilities of the Fund determined in accordance with the Fund's trust deed. The NAV per unit of the Fund will be calculated monthly.

## 5.2 Distributions

A distribution is the payment of the Fund's distributable income to investors at predetermined intervals. The distributable income of the Fund may include interest, dividends, unit trust distributions, realised net capital gains and/or revenue gains, and other taxable and/or non taxable amounts.

The Fund's distribution periods are the six months ending 30 June and 31 December. The Trustee may also make interim distributions of income or realised net capital gains at any time in accordance with the Fund's trust deed.

The amount of the distribution that an investor receives will depend on the distributable income of the Fund and the number of units held as a proportion of the total number of units on issue of the Fund. The amount of the distribution will vary from year to year, and there may be times when there are no amounts distributed.

During a distribution period, the Fund's unit price includes not only the value of unrealised capital gains but also any income and realised capital gains accrued but not yet distributed. At the end of each distribution period, the Fund's unit price may decline as it is adjusted to reflect the amount of any distribution.

The composition and timing of distributions could affect investors' tax positions. Further taxation information is set out in section 9 ('Taxation').

The Trustee will aim to pay distributions as soon as practicable, but in any event within 90 days after the end of each distribution period.

## 6. Fees and other costs

This section shows fees and other costs that investors may be charged. These fees and other costs may be deducted from the returns on investments or from the Fund's assets as a whole.

Unless stated otherwise, fees and costs disclosed in this section are exclusive of GST.

| Fees and costs   | Amounts  | How and when payment is made   |   |                         |               |              |        |             |
|--|--|--|---|-------------------------|---------------|--------------|--------|-------------|
| <b>Management cost</b><br>This is the total of the management fee, the trustee fee and expense recoveries (see 'Management cost' below for more information)   | <b>Management fee</b><br>1.20% pa of the Invested Capital of the Fund.   | Calculated monthly and payable quarterly in arrears. Deducted directly from the Fund and reflected in the unit price.  |   |                         |               |              |        |             |
|  | <b>Trustee fee</b>   |  | Calculated monthly and payable quarterly in arrears. Deducted directly from the Fund and reflected in the unit price. |                         |               |              |        |             |
|  | <table border="1"> <thead> <tr> <th><i>Invested Capital</i></th> <th><i>Fee pa</i></th> </tr> </thead> <tbody> <tr> <td>First \$100m</td> <td>0.085%</td> </tr> <tr> <td>Next \$200m</td> <td>0.05%</td> </tr> <tr> <td>Greater than \$300m</td> <td>0.03%</td> </tr> </tbody> </table> <p>The Trustee fee is subject to a minimum of \$85,000 pa escalating annually by 5%.</p> |  |   | <i>Invested Capital</i> | <i>Fee pa</i> | First \$100m | 0.085% | Next \$200m |
| <i>Invested Capital</i>  | <i>Fee pa</i>  |  |   |                         |               |              |        |             |
| First \$100m   | 0.085%   |  |   |                         |               |              |        |             |
| Next \$200m  | 0.05%  |  |   |                         |               |              |        |             |
| Greater than \$300m  | 0.03%  |  |   |                         |               |              |        |             |
| <b>Expense recoveries</b><br>Expenses properly incurred in the management of the Fund may be recovered by the Trustee and Palisade in accordance with the Fund's trust deed. Expenses are estimated to be 0.10-0.20% of NAV. |  | Deducted directly from the Fund, when applicable.  |   |                         |               |              |        |             |
| <b>Performance fee</b><br>This is a fee charged if the Fund Return exceeds the Benchmark Return for that Year (see 'Performance fee' below for more information)   | 15% of the Fund Return above the Benchmark Return (taking into account any Accumulation Deficit) multiplied by the Average NAV.  | Where applicable, charged to the Fund annually and payable within 60 days after the end of each Year. Deducted directly from the Fund, when applicable, and reflected in the unit price. |   |                         |               |              |        |             |

To avoid claiming fees twice, if the Fund invests in other funds managed by Palisade, Palisade will rebate to the Fund any management or performance fees charged in relation to the other managed funds.

### 6.1 Management cost

The management cost includes:

- the management fee
- the trustee fee and
- expense recoveries.

#### Management fee and trustee fee

The Trustee and Palisade receive the trustee fee and the management fee respectively for the services they provide to the Fund, as detailed in the above table.

#### Expense recoveries

The Trustee is entitled to be reimbursed out of the Trust Property for expenses properly incurred in the administration, management and operation of the Fund, and other incidental expenses. The Trustee is also entitled to be indemnified out of the Trust Property for all expenses, losses and liabilities properly incurred. This entitlement does not exist in relation to an expense, loss or liability attributable to a failure to properly perform the duties of the Trustee.

## Fees and other costs

Generally, Palisade can recover expenses, losses and liabilities properly incurred in connection with the Fund from the Trustee (who can then generally recover them from the Fund through its entitlement to be reimbursed and indemnified out of Trust Property for such costs).

### 6.2 Performance fee

Palisade will be entitled to receive a performance fee paid out of the Fund if, in any Year, the Fund Return exceeds the Benchmark Return for that Year.

No performance fee will be payable if the Fund Return is less than the Benchmark Return.

If the Fund Return is less than the Benchmark Return in any Year, then the difference (Accumulation Deficit) shall be taken into account by effectively reducing the Fund Return for the purpose of calculating any performance fee payable in subsequent years. The Accumulation Deficit is carried forward until sufficient performance has been achieved to extinguish the total Accumulation Deficit.

The performance fee for each Year, including the above Accumulation Deficit test and any adjustment that results, is calculated as follows:

$$\text{Performance fee} = 15\% \times [(\text{Fund Return} - \text{Accumulation Deficit}) - \text{Benchmark Return}] \times \text{Average NAV}$$

The performance fee is calculated as at the last day of each Year and is payable by the Fund within 60 days after the end of that Year.

### 6.3 Termination fees

If the Investment Manager's appointment is terminated for any reason, the Trustee will be required to pay to the Investment Manager any accrued, but unpaid, management fee as at the date on which the termination takes effect, together with the pro-rata proportion of the management fee that would have been payable to the Investment Manager for the month in which the termination takes effect.

Unless the Investment Manager's appointment is terminated due to its fraud, gross negligence, wilful misconduct, bad faith or reckless disregard for its duties (**Cause**), it will also be entitled to receive the performance fee calculated for the period beginning on the last performance fee calculation date and ending on the date on which the termination takes effect (**Accrued Performance Fee**).

The Accrued Performance Fee will not be paid to the Investment Manager if its appointment is terminated for Cause, or if the Trustee reasonably considers that the Investment Manager has acted to artificially increase the Accrued Performance Fee and the Investment Manager does not rectify that conduct.

The Trustee is entitled to receive a fee of \$50,000 (escalating annually by 5%) on termination of the Fund.

### 6.4 Fees for additional services

Entities associated with the Trustee or Palisade, or the Trustee or Palisade themselves, may charge the Fund or entities in which the Fund invests for additional services provided to the Fund outside the scope of their roles as trustee or investment manager. For example these fees may include initiating, structuring and executing investment opportunities, arranging debt and negotiating project documentation or providing operational management services for the Fund's underlying assets.

### 6.5 Differential fees

The Trustee or Palisade may negotiate a reduction, rebate or waiver of all or part of the management costs with Eligible Investors.

The payment and terms of rebates or waivers are at the Trustee's or Palisade's discretion (as applicable).

## 7. Processing applications

### 7.1 Commitment to invest

An investor in the Fund must be an Eligible Investor. If an application to invest is made jointly, each joint investor must qualify as an Eligible Investor. To invest in the Fund, please complete an Application Form and return it to the Registry Provider.

Once received by the Registry Provider, a commitment set out in an Application Form is irrevocable. If the Trustee accepts an application to invest (as set out in an Application Form) in part or full, the amount of the total investment commitment set out in the Application Form will be an irrevocable commitment payable by instalments (**Calls**) as determined by the Trustee. The Trustee will notify investors when an application to invest has been accepted.

The Trustee will make Calls against investment commitments to meet the capital requirements of the Fund. The number and amount of any Calls on investment commitments will vary depending on the capital requirements of the Fund and the availability of investment opportunities.

The Trustee will give not less than 5 business days' notice of the requirement to pay any instalment before the due date for payment (**Call Date**). All notices with respect to Calls will be sent to investors via e-mail.

Investors will be issued with units in the Fund equal to the dollar amount of an investor's Call divided by the unit price on the date of issue. Units will be issued at the then applicable NAV per unit, plus any applicable transaction costs (if any).

The Trustee reserves the right to accept or reject applications in whole or in part in its absolute discretion. It also reserves the right to accept a lesser amount, or to limit the investment commitment.

#### **Foreign Investment Review Board (FIRB)**

Prospective investors from jurisdictions other than Australia or who are "foreign persons" under the Foreign Acquisitions and Takeovers Act 1975 (Cth) may need to obtain FIRB approval.

### 7.2 What happens if investors can't meet a Call?

By submitting an Application Form an investor agrees to meet all Calls on its total investment commitment within the relevant notice period.

A late payment of an instalment will incur interest which will accrue at the interest rate published from time to time by an Australian bank specified by the Trustee as its corporate overdraft rate plus 2%.

If an investor defaults on a Call, the Trustee on behalf of the Fund may commence recovery proceedings against that investor, which may include damages for any additional loss suffered by the Fund as a result of the payment default. In addition, any or all of the units held by the defaulting investor are liable to be forfeited and sold, disposed of or redeemed by the Trustee. The Trustee may also recover from the defaulting investor further moneys to cover any expenses incurred in respect of the forfeiture and sale, disposal or redemption of the units and interest on the unpaid money. Neither the Trustee nor Palisade is liable to defaulting investors for any loss suffered as a result of such a sale, disposal or redemption.

After all costs and any remaining shortfall have been paid, any remaining units may be returned to the defaulting investor. Residual sale proceeds, if any, will be returned to the defaulting investor.

Any forfeiture of units will be treated as a disposal for tax purposes, which may have tax implications for investors (see section 9 ('Taxation') for further information on tax implications).

Any forfeited units become the property of the Fund upon their forfeiture and as such the relevant defaulting holder will cease to have any voting rights and entitlements to distributions of income in connection with the forfeited units.

## Processing applications

### 7.3 Application and distribution accounts

Application money and distribution amounts are held in trust accounts prior to being processed.

### 7.4 Who else can operate my investment?

An investor may wish to appoint a person, partnership or company as their Authorised Representative by having them complete an Authorised Representative Form and attaching it to their Application Form. An investor's Authorised Representative will be empowered to act on its behalf in all matters relating to the investor's holdings in the Fund (including the receipt of payments).

Each investor releases, discharges and indemnifies the Trustee, Palisade and related bodies corporate of the Trustee and Palisade from and against all losses, liabilities, actions, proceedings, accounts, claims and demands arising directly or indirectly from instructions received from any Authorised Representative.

Each investor agrees that a payment or purported payment made in accordance with the instructions of an Authorised Representative shall be in complete satisfaction of the Trustee's obligations to the investor for a payment, even if it was requested, made or received without the knowledge or authority of the investor.

## 8. Further information

### 8.1 The trust deed

The trust deed of the Fund governs its operation and, together with applicable laws, regulates the Fund and the Trustee's legal relationship with investors. The trust deed sets out many of the powers, obligations, rights and liabilities of investors and those of the Trustee of the Fund.

The trust deed also contains detailed provisions relating to the nature of the unit valuation methods, reimbursable expenses, pricing, distribution rights, retirement of the Trustee, terms of appointment of the Investment Manager, termination of the Fund and meetings of investors.

The trust deed may be amended if:

- the amendment is authorised or required by a Special Resolution, or all unitholders and the Trustee consent in writing to the amendment or
- if the Trustee so determines, provided that the Trustee gives at least 5 business days' notice of its intention to make the amendment to all unitholders, and the amendment does not result in any defeasance of the entitlement to income or capital of the Fund that a unitholder would otherwise have had unless the amendment is also approved by Special Resolution,

and, in each case, if the amendment relates to the Trustee's or Palisade's entitlement to any amount under the trust deed, the Trustee's or Palisade's consent (as applicable) is also required.

Free copies of the trust deed are available by contacting Pinnacle.

### 8.2 Indemnity

The Trustee and each of its respective officers and agents are entitled to be indemnified out of the Trust Property for all expenses, losses and liabilities properly incurred.

Generally, Palisade can recover expenses, losses and liabilities properly incurred in connection with the Fund from the Trustee (who can then generally recover them from the Fund).

### 8.3 Investors' liability

Subject to its compliance with all Calls, an investor's liability as an investor in the Fund is generally intended to be limited by the terms of the Fund's trust deed to the value of the investor's interests or units in the Fund. However, no absolute assurance can be given that an investor's liability will be so limited. An investor will also be liable in limited circumstances for certain costs that are incurred by the Fund that are specific to the investor (for example, any work carried out by the Trustee at the investor's request that goes beyond the Trustee's responsibilities as trustee of the Fund).

An investor's obligation to pay a Call is set out under section 7.2 ('What happens if investors can't meet a Call?').

If an investor defaults on a Call it could also become liable for default payments, which include expenses and costs, interest and potentially damages.

### 8.4 AML/CTF

The Trustee is required to comply with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Law). This means that the Trustee will require each investor to provide personal information and documentation in relation to its identity when it invests in the Fund. The Trustee may need to obtain additional information and documentation from an investor to process its application or subsequent transactions or at other times during its investment.

## Further information

The Trustee may need to identify:

- an investor prior to issuing units in the Fund. The Trustee will not issue units until all relevant information has been received and an investor's identity has been satisfactorily verified and
- anyone acting on an investor's behalf, including its power of attorney.

In some circumstances, the Trustee may need to re-verify this information.

By applying to invest in the Fund, an investor also acknowledges that the Trustee may decide to delay or refuse any request or transaction, including by suspending the issue or redemption of units in the Fund, if it is concerned that the request or transaction may breach any obligation of, or cause the Trustee to commit or participate in an offence under, any AML/CTF Law, and the Trustee will incur no liability to investors if it does so.

### 8.5 Privacy

Privacy laws apply to the handling of personal information by the Trustee and Palisade. Personal information is collected about investors from Application Forms to establish and support the ongoing administration of an investment in the Fund and to advise investors of new developments relevant to their investment in the Fund and other Palisade funds. For legal reasons, the Trustee and Palisade will not be able to process an investor's application or administer an investor's investment if the investor does not provide personal information.

The Trustee and Palisade will collect, use and disclose an investor's personal information in accordance with each of their privacy policies, which may include details about the following matters as or where applicable:

- the kinds of personal information the Trustee and Palisade collect and hold
- how the Trustee and Palisade collect and hold personal information
- the purposes for which the Trustee and Palisade collect, hold, use and disclose personal information
- how an investor may access personal information that the Trustee and Palisade hold about them and seek correction of such information (note that exceptions apply in some circumstances)
- how an investor may complain about a breach of the Australian Privacy Principles (APP), or a registered APP code (if any) that binds the Trustee and Palisade, and how the Trustee and Palisade will deal with such a complaint and
- whether the Trustee and Palisade are likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for us to specify those countries.

To arrange access to personal information, or for any questions, please call Pinnacle. The Trustee's and Palisade's privacy policies are available by contacting Pinnacle.

### 8.6 Fund documentation

A copy of the Fund's trust deed may be obtained by contacting Pinnacle.

## 9. Taxation

The taxation information below is of a general nature only and therefore cannot be relied upon by investors. The taxation consequences of investing in managed investment schemes can only be properly determined by reference to an investor's particular circumstances. Accordingly, it is recommended that investors seek professional advice from a financial and/or taxation adviser having regard to their particular circumstances.

### 9.1 Tax position of the Fund

The Fund is an Australian resident trust estate for Australian income tax purposes. The Fund should be considered to be a withholding managed investment trust (MIT) and should also be eligible to elect into the attribution MIT (AMIT) regime (see further below). On the basis that all of the Fund's distribution components are attributed to investors on a fair and reasonable basis under the AMIT regime, or have distributable income to which investors are presently entitled for each year of income ended 30 June in the event the Fund is not an AMIT, the Fund should generally be treated as a "flow through" vehicle and no income tax will be payable by the Fund.

If for any reason the Fund is not an AMIT and there is net income of the Fund to which no investor is presently entitled, then the Fund will be subject to tax at the highest marginal individual tax rate (plus the Medicare levy).

It is the Trustee's intention that the Fund invest in such a manner that the Fund will not be treated as a public trading trust which would be taxed at the corporate tax rate under Division 6C of the Income Tax Assessment Act 1936 (ITAA 36).

The comments outlined in sections 9.2 to 9.4 below have been prepared on the basis that the Fund will elect into the AMIT regime. The tax outcomes for investors in the Fund where the Fund does not elect into the AMIT regime (covered in section 9.5) should not materially differ to the tax outcomes noted in section 9.2 to 9.4.

#### Tax losses

If the Fund incurs a net tax loss, the loss is required to be carried forward and, will be applied against assessable income derived in future years by the Fund providing certain loss recoupment tests are met.

#### Deemed Capital Gains Tax (CGT) election

Eligible MITs are able to make an irrevocable election to apply a deemed capital account treatment for gains and losses on disposal of certain investments (including equities and units in other unit trusts, but excluding derivatives and foreign exchange contracts). It is expected that the Fund will make the election to be on capital account where it satisfies the eligibility requirements to be a MIT.

The impact of making this election is that the net income of the Fund may include realised gains and losses on disposals of assets qualifying for deemed capital treatment.

#### Taxation of Financial Arrangements (TOFA) rules

The TOFA rules apply tax timing methods to certain "financial arrangements". Broadly, the TOFA rules have the effect of treating gains and losses from financial arrangements on a revenue account and recognise certain gains and losses on an accruals basis which may, in certain circumstances, result in a taxing point prior to the realisation of the investments.

#### Withholding tax obligations

The Trustee may be required to deduct tax from non-resident investors, or from investors that do not quote a Tax File Number (TFN) or Australian Business Number (ABN).

## 9.2 Tax position of Australian resident investors

### Distributions

Under the AMIT regime, the attribution of 'trust components' is made on a "fair and reasonable" basis to the class of unitholders.

The trustee determines the trust components of particular characters into the following categories:

- Characters relating to assessable income
- Characters relating to exempt income
- Characters relating to non-assessable non-exempt income
- Characters relating to a tax offset.

Streaming of components based upon the tax characteristics of members is not permitted subject to certain safe harbour rules (eg where the trust deed allows for the streaming of amounts arising from unitholder redemptions to the redeeming unitholder).

Members of an AMIT will be taxed on the amount of the AMIT's trust components that are attributed to them as if they derived those amounts in their own right and in the same circumstances as the AMIT.

### Franking credits

If the Fund is entitled to distribute franking credits, investors must include their share of franked dividend income and franking credits in their taxable income.

Certain requirements, including the 45 day holding period rule (see below), may need to be satisfied in order to obtain franking credits in relation to dividends. The investor's particular circumstances will be relevant to determine whether the investor is entitled to any franking credits, in respect of franked dividends. A tax offset equal to the franking credits will be applied against the tax otherwise payable by investors on their total taxable income, subject to the investor satisfying specific conditions. Corporate investors may be entitled to convert any excess franking credits into tax losses. Certain other investors may obtain a refund of any excess franking credits.

If the Fund is not an AMIT, investors will be denied the benefit of franking credits in respect of distributions referable to units that they have not owned at risk for a continuing period of 45 days (ignoring the date of acquisition and disposal), unless they satisfy specific exemptions. In determining whether the 45 day period is satisfied, a 'last in first out' methodology is applied. We note a unitholder of an AMIT is taken to be a "qualified person" for the purposes of the 45 day holding period rule.

### Capital gains tax

Any transfer of units in the Fund (including the forfeiture of units resulting from an investor defaulting on a Call) may give rise to a taxable gain or loss to investors. The taxable gain or loss will be treated as a capital gain or loss, or as ordinary income, depending on an investor's particular circumstances.

In calculating the assessable amount of a capital gain, investors should take account of capital gains and losses from all sources, including those distributed by the Fund as indicated on their 'AMMA statement' (see section 9.4 ('Attribution MIT Member Annual (AMMA) statement')).

Complying superannuation entities may be entitled to a capital gains tax discount of one third if they have held their units continuously for at least 12 months.

Individuals and trusts may be entitled to a capital gains tax discount of 50% if they have held their units continuously for at least 12 months.

Non assessable amounts (eg tax deferred) distributed by the Fund may give rise to cost base adjustments, and therefore may affect the capital gain/loss on disposal of the units. Under the AMIT regime, amounts of tax deferred distributions received by the unitholder in a trust reduce the cost base of the units. However, an upward cost base adjustment would arise where the unitholder had amounts included in their assessable income on an attribution basis, but received or was entitled to receive a lesser distribution.

### 9.3 Australian tax position of non-resident investors

Non-resident investors should seek professional advice from a taxation adviser in relation to their particular circumstances prior to investing in the Fund.

Australian tax will be deducted from distributions of certain Australian source income to non-resident investors. Non-resident investors may also be subject to tax in the country in which they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

### 9.4 Attribution MIT Member Annual (AMMA) statement

Trustees are required to issue AMMA statements to unitholders within three months after the end of the income year. The AMMA statement should contain the amounts and nature of “member components” and a reasonable estimate of net cost base adjustments for the unitholders.

### 9.5 Managed Investment Trust (MIT) taxation regime

The Fund should satisfy the requirements to be a withholding MIT based on its expected activities and the number and classification of unitholders. Where the Fund does not elect into the AMIT regime, it should be subject to the MIT regime.

Under the MIT regime, the allocation of taxable income is based on present entitlement in accordance with the trust deed. As such, an investor’s share of distributable income for a distribution period, which may include a share of realised capital and/or revenue gains (where applicable), will be based on their unit proportional entitlement as at the end of the relevant distribution period.

Each year the Fund will calculate its net income for tax purposes and this will be allocated to investors in proportion to their entitlement to distributable income from the Fund for that particular year. The net income allocated to investors by the Fund must be included in the investor’s income tax return in the year in which the entitlement arises, even where the distribution is received in the following year.

### 9.6 Tax reform

The comments above are based on the taxation legislation and administrative practice as at the issue date of this IM, together with changes to the taxation legislation as announced by the Government. However, it should be noted that the Australian tax system is in a continuing state of reform. Any reform of a tax system causes a degree of uncertainty, whether it be uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process.

As these reforms may impact on the tax position of the Fund and its investors, it will be necessary to closely monitor the progress of these reforms, and it is strongly recommended that investors seek their own professional advice, specific to their own circumstances, in relation to the taxation implications of investing in the Fund.

Current reforms in progress include the ATO’s revision of the *Draft Privatisation and Infrastructure Framework*. The ATO has issued draft guidance in its document titled “Privatisation and Infrastructure – Australian Federal Tax Framework (January 2017 Draft)” with respect to its views on what constitutes “control” for the purposes of Division 6C of the ITAA 36, and in particular the ATO’s views on veto rights and their impact on control for the purposes of Division 6C of the ITAA 36. This is particularly relevant for the Fund in respect of the investments the Fund holds (directly or indirectly) in active trading businesses. The ATO has advised that it expects to reissue an amended draft of this framework. Palisade, in conjunction with its advisors, will continue to monitor any developments in this area.

## 9.7 Tax File Number / Australian Business Number

Providing a Tax File Number (TFN) is not compulsory. However, without an investor's TFN or appropriate exemption information, the Trustee is required to withhold tax from the investor's distributions at the highest marginal tax rate (plus Medicare levy) until a TFN or exemption is quoted. An Australian Business Number (ABN) may be used as an alternative to a TFN if the investment in the Fund is undertaken in the course of carrying out an enterprise. The Trustee is authorised under taxation laws to collect TFNs in connection with an investment in the Fund.

Please note, after 21 July each year, the law prevents the Trustee from refunding any tax deducted in the previous financial year. After this date, an investor will be entitled to claim a credit on assessment for the amount deducted or, if this is not appropriate, an investor can apply directly to the Commissioner of Taxation for a refund of the tax deducted.

Non-residents do not have to supply a TFN or ABN.

## 9.8 GST

The GST disclosures contained in this IM are of a general nature only.

Fees (including management and performance fees payable by the Fund to the Trustee), costs and expenses payable in respect of the management and operation of the Fund are, unless stated otherwise, disclosed in this IM, exclusive of GST.

The management and performance fees payable by the Fund to the Trustee are set out in section 6 ('Fees and other costs'). GST will apply to the management and performance fees. These are taxable supplies for GST purposes, upon which the Trustee incurs a GST liability of one-eleventh of the total amount payable by the Fund for those services. GST will also apply to most other expenses incurred by the Fund.

Generally, the Fund cannot claim a credit for the GST paid but it may be entitled to claim a reduced input tax credit (RITC) on fees and other expenses. The Fund may not be entitled to claim a RITC for GST paid on some Fund expenses.

GST is not applicable to the acquisition of units in the Fund.

## 9.9 Foreign Account Tax Compliance Act (FATCA)

The United States (US) has introduced rules (known as FATCA) which are intended to prevent US persons from avoiding tax. Broadly, the rules may require the Fund to report details of all US persons and suspected US persons in the Fund to the US tax authorities, to prevent a 30% FATCA withholding tax on certain income and proceeds of the Fund. The Trustee may therefore request that investors and prospective investors provide certain information in order to comply with the requirements.

## 9.10 Common Reporting Standard (CRS)

The CRS is the single global standard for the collection, reporting and exchange of financial information on foreign residents. This standard is intended to reduce international tax evasion and, following the introduction of the above mentioned FATCA rules in the US, represents the next significant wave of tax reporting for financial institutions and account holders. Similar to FATCA, under the CRS, Australian financial institutions and account holders are required to carry out due diligence procedures to identify the tax residence of account holders and report relevant data to the ATO. This information may then be shared by the ATO with tax authorities in other jurisdictions.

The CRS is often referred to as the global version of FATCA, and there are certain commonalities between the due diligence and reporting obligations. However, given the CRS is a global standard, the scope of the due diligence activities required to be carried out by financial institutions and account holders is much broader.

In order for the Fund to comply with the CRS, the Trustee may request that investors and prospective investors provide certain information, including the identification of their tax residency. This information, together with the details of distributions received by investors may then be shared with the tax jurisdictions in which those investors are resident of.

# 10. Completing and lodging an application to invest

## 10.1 Completing an Application Form

To invest in the Fund an investor should complete and sign an Application Form.

Please note:

- this IM is not a Product Disclosure Statement or disclosure document under the Corporations Act, and has been prepared for use only by Eligible Investors
- this IM is not required to be, and has not been, lodged with ASIC under the Corporations Act
- this IM may be updated, supplemented or replaced by the Trustee
- this IM can only be used by investors that are wholesale clients as defined in section 761G of the Corporations Act
- the minimum investment commitment is \$50,000 per Eligible Investor
- cash amounts are not accepted, however the Trustee reserves the right to determine other acceptable means of payment and
- investors will be required to provide information to satisfy the Trustee's obligations, including under the AML/CTF Law and tax laws.

## 10.2 Authorised signatories

- For joint investors, all written changes including changing the account address and changing bank details must be signed by both joint investors unless the Trustee is subsequently notified otherwise in writing.
- For company investors, if the Trustee does not receive additional information, only the directors, company secretary or attorneys (in the case of execution under power of attorney) signing the Application Form will be the authorised signatories for the investment. Investors can add additional authorised signatories or change the authorised signatories by informing the Trustee in writing. Requests must be signed by all new authorised signatories.
- Authorised Representatives may also sign on behalf of investors – see section 7.4 ('Who else can operate my investment?') for further information.

## 10.3 Lodging an Application Form

Please send completed Application Forms to:

Palisade's Unlisted Infrastructure Trust  
C/- One Registry Services  
PO Box R1479  
Royal Exchange NSW 1225

By submitting an Application Form, an investor, amongst other things:

- warrants and represents that they are an Eligible Investor and, in the case of joint investors, each investor is an Eligible Investor
- warrants and represents that they have read and understand this IM and the Application Form, and agrees to be bound by the provisions of the trust deed of the Fund and the Application Form
- has read and understood the privacy disclosure as referred to in this IM and consents to their personal information being collected, held, used and disclosed in accordance with the privacy disclosure and
- understands that the Trustee and Palisade may be required to pass on their personal information or information about their investment to the relevant regulatory authorities, including for compliance with AML/CTF Law or associated regulations and any tax-related requirements for tax residents of other countries.

## Completing and lodging an application to invest

### 10.4 Important information

- In relation to trust investors, only the trustee has rights and obligations under the Fund.
- Joint applicants will be assumed to be joint tenants unless otherwise notified to the Trustee.
- If signed under power of attorney, the attorney certifies that he or she has not received notice of revocation. The original power of attorney, or a certified copy, must be sent to the Registry Provider with the Application Form if it has not been previously provided.
- The Trustee has an absolute discretion to accept or reject any application in whole or in part.
- By signing the Application Form the relevant investor agrees to pay the total investment commitment by instalments, as determined by the Trustee.

# 11. Glossary

| Term                                  | Definition   |
|---------------------------------------|--|
| <b>Accumulation Deficit</b>           | For a Year, means: <ul style="list-style-type: none"> <li>▪ the amount, if any, by which the Benchmark Return exceeds the Fund Return for that Year plus</li> <li>▪ the result, if it is greater than zero, obtained by deducting the amount, if any, by which the Fund Return exceeds the Benchmark Return for the calculation period from the amount calculated in accordance with this definition for the immediately preceding Year</li> </ul> |
| <b>Allocated Equity</b>               | Any amounts irrevocably committed (but not yet paid) by the Trustee (in its capacity as trustee of the Fund) to directly or indirectly acquire, develop, fund or otherwise invest into infrastructure assets   |
| <b>AML/CTF Law</b>                    | <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth)  |
| <b>Application Form</b>               | The application form for investors to apply to invest in the Fund in the form determined by the Trustee  |
| <b>ASIC</b>                           | Australian Securities and Investments Commission   |
| <b>Authorised Representative</b>      | Person(s) nominated by an investor to give any instruction or notice to the Trustee  |
| <b>Authorised Representative Form</b> | The form to be completed by an investor nominating their Authorised Representative   |
| <b>Average NAV</b>                    | In relation to a Year, the monthly average of the NAV for the Year (that is, the sum of the NAV for each month of the Year divided by 12)  |
| <b>Benchmark Return</b>               | The daily average of the Australian 10 year Commonwealth Government bond yield for a year plus a margin of 3.5%  |
| <b>Call Date</b>                      | The due date for a payment of a Call   |
| <b>Calls</b>                          | Instalments payable as determined by the Trustee in relation to investment commitments   |
| <b>Corporations Act</b>               | <i>Corporations Act 2001</i> (Cth)   |
| <b>Eligible Investors</b>             | Wholesale clients as defined in section 761G of the Corporations Act   |
| <b>Extraordinary Resolution</b>       | A resolution of the unitholders of the Fund passed with 75% or more of the total votes that may be cast by all unitholders   |
| <b>FIRB</b>                           | Foreign Investment Review Board  |
| <b>Fund</b>                           | Palisade's Unlisted Infrastructure Trust   |

## Glossary

| Term                                  | Definition  |
|---------------------------------------|---|
| <b>Fund Return</b>                    | The percentage difference between the NAV at the end of the Year less the NAV at the start of the Year, adjusted for the following items occurring during the relevant Year: <ul style="list-style-type: none"> <li>▪ adding back to the NAV at the end of the Year any distributions of income (including franking credits) or capital paid or provided for by the Trustee</li> <li>▪ adding back to the NAV at the end of the Year any performance fee provided for by the Trustee in relation to that Year</li> <li>▪ deducting from the NAV at the end of the Year any additional subscriptions made for units of the Fund and</li> <li>▪ adding back to the NAV at the end of the Year any amounts paid for the redemption of Units</li> </ul> |
| <b>GST</b>                            | Goods and Services Tax  |
| <b>IM</b>                             | This information memorandum of the Fund dated 17 January 2020   |
| <b>IMA</b>                            | The investment management agreement under which Palisade is appointed as the investment manager of the Fund   |
| <b>Invested Capital</b>               | The sum of the NAV and the Allocated Equity   |
| <b>Investment Manager or Palisade</b> | Palisade Investment Partners Limited (ABN 32 124 326 361)   |
| <b>NAV or Net Asset Value</b>         | The value of the Trust Property less the accrued expenses and other liabilities of the Fund at that time determined in accordance with the trust deed of the Fund   |
| <b>PDIF 1</b>                         | Palisade's Diversified Infrastructure Fund No. 1 (ARSN 106 369 779)   |
| <b>PDIF 2</b>                         | Palisade's Diversified Infrastructure Fund No. 2 (ARSN 111 225 042)   |
| <b>PIC</b>                            | Palisade Investment Committee   |
| <b>PIMS</b>                           | Palisade Integrated Management Services Pty Ltd (ABN 37 606 141 119), Palisade's operational management team  |
| <b>Pinnacle</b>                       | Pinnacle Investment Management Limited (ABN 66 109 659 109)   |
| <b>Redemption Window</b>              | Each period of six months ending on 31 May and 30 November of each year   |
| <b>Registry Provider</b>              | One Registry Services Pty Limited (ABN 69 141 757 360)  |
| <b>Special Resolution</b>             | A resolution of unitholders in the Fund passed by at least 75% of the votes cast by unitholders entitled to vote on the resolution  |
| <b>TFN</b>                            | Tax File Number   |
| <b>Trust Property</b>                 | All the property, rights and income of the Fund   |
| <b>Trustee</b>                        | Pinnacle Fund Services Limited (ABN 29 082 494 362, AFSL 238371)  |
| <b>Year</b>                           | A 12 month period ending 30 June  |



## FOR MORE INFORMATION CONTACT US

C/- Pinnacle Investment Management  
PO Box R1313, Royal Exchange, NSW 1225 Australia  
Phone 1300 010 311  
Email [invest@pinnacleinvestment.com](mailto:invest@pinnacleinvestment.com)

### 12. DISCLAIMER

This IM contains a summary of the terms of the investment opportunity and features of the Fund. However, it should be read in conjunction with the trust deed of the Fund, a copy of which can be obtained from the Trustee free of charge. Nothing in this IM limits or qualifies the powers and discretions conferred on the Trustee or the Investment Manager of the Fund except as provided for in the trust deed. In the event of any inconsistency between the trust deed and this IM, the trust deed shall prevail. Information in this IM is qualified in its entirety by reference to the information in the trust deed.

This IM may not contain all the information that a prospective investor or their adviser may expect or require in order to make an informed decision as to whether to subscribe for units in the Fund. Prospective investors should rely upon their own enquiries in deciding whether to invest. No personal financial product advice is given in this IM and Pinnacle Fund Services Limited is not licensed to provide financial product advice in relation to interests in managed investment schemes. There are no cooling off rights in relation to the acquisition of units in the Fund.

This IM is not, and under no circumstances is it to be construed as, a prospectus or Product Disclosure Statement and the offering contemplated in this IM is not, and under no circumstances is it to be construed as, a public offering of the units. The delivery of this IM does not imply that the information contained in it is correct as at any time subsequent to the date of this IM, unless otherwise indicated. The Trustee reserves the right to modify any of the terms of the investment opportunity described in this IM. In addition, the Trustee may amend or withdraw this IM at any time and may issue a new or an amended IM from time to time. In such circumstances, any existing unitholders of the Fund who continue to hold units are taken to have acknowledged and accepted the application of the new or amended IM. No representation or warranty, express or implied is made in relation to the accuracy or completeness of the information provided in this document or any other information concerning the Trustee, Palisade, their agents or the Fund otherwise provided to an Eligible Investor.

Forward looking statements in this IM (including statements of intention and projections) are made only as at the date of this IM based on current expectations and beliefs but involve risks, uncertainties and other factors beyond the control of the Trustee or the Investment Manager which may cause actual outcomes to be materially different. Assumptions underlying such statements involve judgements which may be difficult to accurately predict. Therefore, such forward looking statements included in this IM may prove to be inaccurate and should not be relied upon as indicative of future matters.

Investors should also consider the tax implications of investing in the Fund. It is recommended that Eligible Investors seek and rely on independent professional taxation advice in assessing the tax implications of their potential investment in the Fund. A tax adviser will be able to assist investors in this regard.

Neither Palisade nor the Trustee guarantees the performance of the Fund, the return of an investor's capital or any specific rate of return.

This IM has been prepared based on information available (at the time of preparation) and from sources believed to be reliable. While the Trustee, Palisade and their respective directors, employees, advisers and consultants (each a Relevant Affiliate) have taken care in the preparation of the information within this IM, to the maximum extent permitted by law, the Trustee, Palisade and the Relevant Affiliates do not warrant or represent (expressly or impliedly) as to the adequacy, accuracy, timeliness, reliability, completeness or reasonableness of the information in this IM (including any of the assumptions, information, opinions, estimates or forecasts). To the maximum extent permitted by law, the Trustee, Palisade and the Relevant Affiliates do not accept any liability or responsibility for any loss or damage (however caused including without limitation negligence) arising from reliance placed on information contained in this IM.

By retaining this IM, a recipient agrees that it waives, and will not take any action in relation to (and that it will procure that each of its associates each waive and will not take any action in relation to), any rights (howsoever arising) that it may have against the Trustee, Palisade or any Relevant Affiliate in relation to the IM or its contents. Each recipient agrees to submit to the jurisdiction of the courts of New South Wales in respect of any disputes, actions, suits, demands, claims or proceedings in connection with this IM or its contents.

This IM is not a recommendation to invest and does not take into account the investment objectives, financial situation or particular needs of investors. Before making an investment in the Fund an investor should read this IM in its entirety, consider whether such an investment is appropriate to their particular investment objectives, financial situation and needs, and consult an investment adviser or other professional adviser if necessary.

Any reference in this IM to the Application Form or its terms is a reference to the template of that document provided to investors by the Trustee and the terms contained therein. Any such reference is made by the Trustee on the basis that the template Application Form may be subject to amendment, following which, it may cease to be consistent with the references made to the Application Form or its terms in this IM.