



QUARTERLY REPORT DECEMBER 2022

Investing in the future of Australian infrastructure

Clean energy transition - Part 2

Last quarter we shared our views regarding a seemingly renewed push to accelerate the clean energy transition in Australia. Whilst in reality this is due to many factors which have been slowly gaining momentum over a long period of time, there is little doubt that a large part of this renewed push has been a function of a new, and somewhat more progressive party forming government. As noted previously, one of the first actions of the incoming Labor government following their election win in May 2022 was to legislate a 43% reduction in emissions from 2005 levels (an increase from 26-28% as part of Australia's COP21 pledge).

Related to this, one of the key election commitments of the Labor government was its "Rewiring the Nation" initiative, a \$20bn funding scheme to accelerate the construction of new electricity transmission links between states and regions as the east coast power grid moves from predominantly centralised coal-fired generation to decentralised renewable generation. Ultimately, the government predicts that strengthening the network in this manner will allow renewable generation to account for over 80% of total generation by 2030 (compared with about 30% currently).

In October, the Victorian and Tasmanian governments became the first beneficiaries of the scheme, with an announcement that the Federal Government will partner with these state governments to fund the \$3.5 billion 1.5GW Marinus Link, a two-way electricity and telecommunications connection between the two states. A key part of Marinus Link will allow greater amounts of clean energy generated in Tasmania from pumped hydro and wind to be exported to the mainland.

In addition to funding, a key tenet of Australia's (more coordinated) approach to the clean energy transition has been the establishment of Renewable Energy Zones (**REZs**) by the state governments. REZs – which simply speaking are a combination of renewable energy generators (such as wind or solar farms), storage (such as batteries or pumped hydro) and transmission infrastructure – allow multiple renewable energy projects in a particular region to be interconnected in a manner which delivers clean, cheap and reliable energy. The eastern states have been at the forefront of planning work with respect to the establishment of REZs, with support from the Federal Government to the tune of almost \$5 billion for funding transmission needs within these zones in New South Wales and Victoria.

These same states also continue to provide support mechanisms to underwrite new renewable projects. In October, the NSW Government launched a first round tender for Long-Term Energy Service Agreements (**LTESAs**) for approximately 1GW of generation capacity. LTSEAs will provide revenue certainty for private investment in new renewable generation, firming and storage, by providing generators an option to sell electricity at an agreed minimum fixed price.

Similarly, following its successful first round tender (VRET1) several years ago, in October the Victorian Government announced that a further six projects with over 600MW of capacity have been awarded 10-year offtake agreements with the government.

There is little doubt that Australia is embarking on the next wave of its renewable energy buildout, and it is certainly pleasing to see not only funding support, but perhaps more importantly, coordination between both levels of government, such that our clean energy transition objectives can be achieved.

Transaction activity

In December 2022, Palisade's US-based subsidiary, Palisade Infrastructure, announced it had entered into an agreement to acquire 100% of Rainier Connect, a last mile broadband and fiber company operating in greater Tacoma, Washington, US. Palisade's strategy is to build a residential and commercial fiber platform in the Pacific Northwest region, with Rainier Connect as a seed asset. The platform will be built out through organic fiber expansion in areas adjacent to the existing Rainier Connect footprint, as well as potential synergistic acquisition targets in the region. Bilateral discussions for a smaller bolt-on opportunity in the region are currently underway.

Palisade has also secured the services of Mr Anand Vadapalli as incoming CEO to lead the Rainier Connect business and platform buildout. Anand was identified through industry contacts that Palisade has developed over the last 12 months, and acted as an independent adviser to Palisade with respect to conducting due diligence and development of a business plan. Anand is currently based in Seattle (~65km from Tacoma), and has over 25 years' experience in the telecom / broadband sector.

Financial close is expected mid 2023 following regulatory approval from the Federal Communications Commission.

Also in December, Palisade, alongside Aware Super, announced the acquisition of a 49% interest in the 528MW Stockyard Hill Wind Farm, the largest operating wind farm in the National Electricity Market. The project, which commenced operations in September 2022, has a power offtake agreement for all electricity and Large-scale Generation Certificates with Origin Energy to 2030. The transaction is expected to reach financial close in January 2023.

Investments in both Rainier Connect and Stockyard Hill Wind Farm will be undertaken by Palisade's Diversified Infrastructure Fund, and will represent approximately 6% and 11% of the fund respectively.

Fund overview

Palisade's Diversified Infrastructure Fund (PDIF)

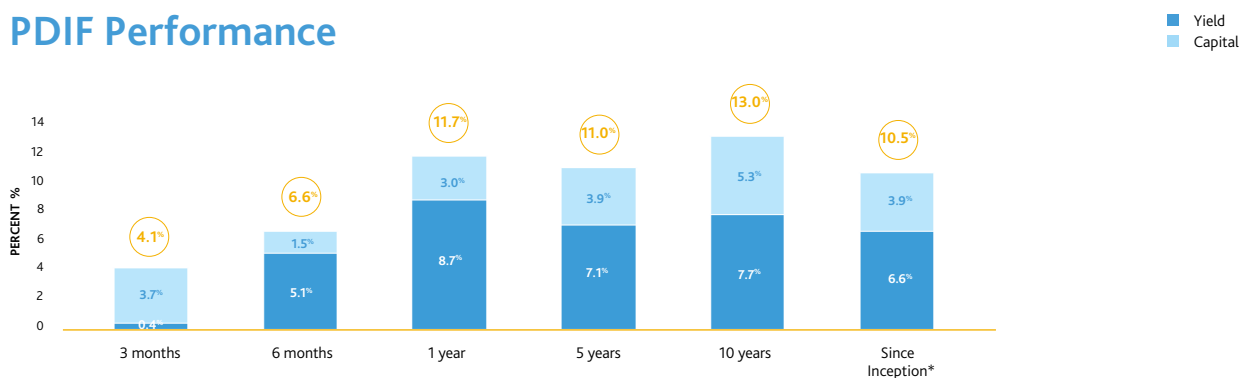
PDIF provides investors with an opportunity to invest in a diversified portfolio of infrastructure assets and aims to provide investors with long-term capital growth and stable cash distributions.



PDIF Q2 Key Highlights

- Strong 3 month performance of 4.1%, driven by a number of assets benefitting from higher near-term inflation projections
- PDIF's airport assets continue to perform well with continued growth in passenger numbers. Sunshine Coast Airport has commenced design work on a major expansion of its existing terminal
- Port of Portland continues to trade well given the strong grain volumes experienced in its catchment

PDIF Performance



Gross performance as at 31 December 2022

Returns for periods greater than 12 months have been annualised

* Inception date August 2008 (Palisade management)

Fund overview

Palisade's Australian Social Infrastructure Fund (PASIF)

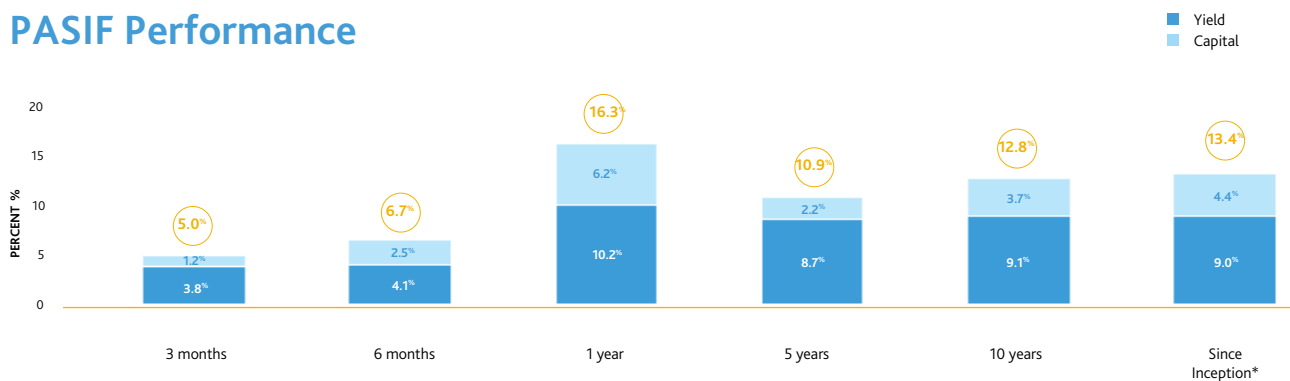
PASIF provides investors with an opportunity to invest in a portfolio of social infrastructure assets procured under the public private partnership delivery model with government bodies and aims to provide investors with low volatility and inflation-linked government revenue streams.



PASIF Q2 Key Highlights

- Strong 3 month performance of 5.0%, driven by a number of assets benefitting from higher near-term inflation projections
- Construction of Gold Coast Light Rail Stage 3 is continuing, with vehicles due for delivery in mid 2023

PASIF Performance



Gross Performance as at 31 December 2022

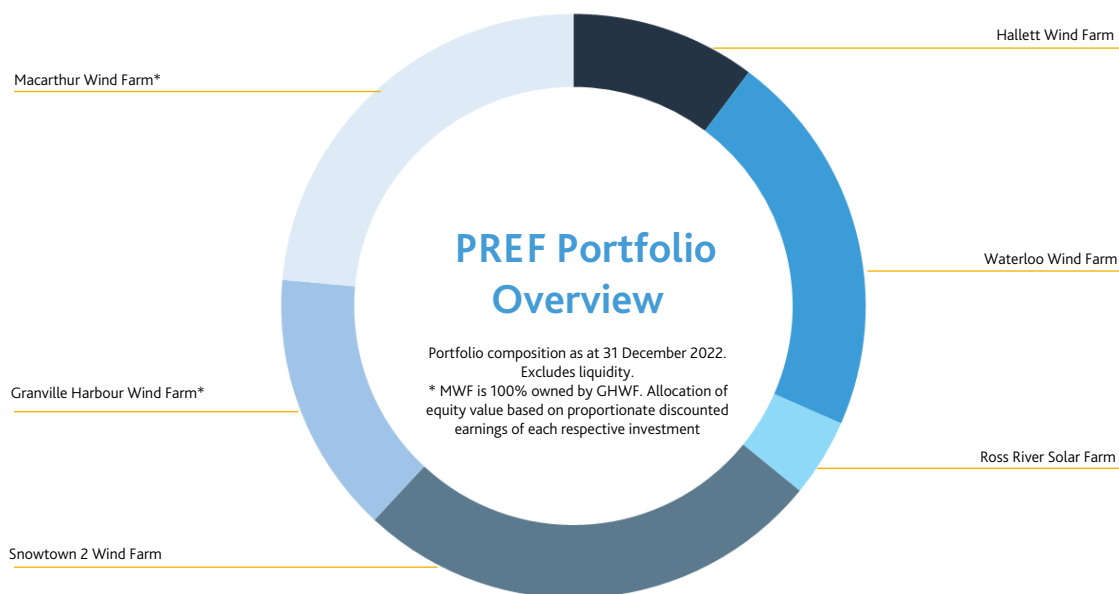
Returns for periods greater than 12 months have been annualised

* Inception date May 2011

Fund overview

Palisade's Renewable Energy Fund (PREF)

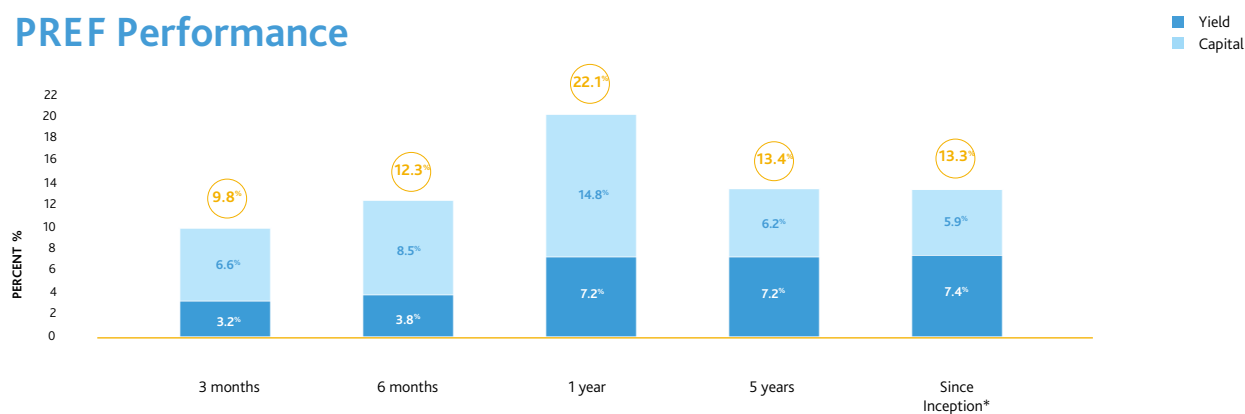
PREF provides investors with an opportunity to invest in a portfolio of renewable energy assets including utility scale wind and solar farms in Australia and aims to provide investors with long-term capital growth and stable cash distributions.



PREF Q2 Key Highlights

- Very strong 3 month performance of 9.8% following independent valuations being completed for each asset. Strong capital growth was largely a result of higher near-term inflation projections and higher long-term merchant price forecasts (relevant for the forecast period post PPA maturity)

PREF Performance



Gross performance as at 31 December 2022

Returns for periods greater than 12 months have been annualised

* Inception date September 2016



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