



ANNUAL REPORT JUNE 2023



Palisade's Diversified Infrastructure Fund (PDIF)



From the CEO

I am pleased to present to you Palisade's Annual Report for FY23. It has been another great year for Palisade with strong investment performance, continued deployment into new and existing markets, and a growing team. Whilst we continue to see broader market volatility, our various portfolios continue to be resilient against short-term market stresses. In this regard, we are pleased to report that our flagship fund, Palisade's Diversified Infrastructure Fund, generated a gross total return of 12.3% (now 11.9% over 10 years), whilst our sector specialised renewable energy and social infrastructure funds generated gross total returns of 16.4% and 10.8% respectively. What is more pleasing in this result however is the quality of the return, with gross yields of 7.6%, 7.1% and 6.6% across the three strategies respectively, with all three portfolios exhibiting strong correlation to inflation. This strong investment performance was recognised by AsianInvestor with Palisade being awarded APAC Infrastructure Asset Class Winner in their Annual Awards.

We have continued to invest strongly with over \$500 million invested or committed to invest during the year. In this regard we were pleased to see continued investment from our existing investors, whilst also welcoming new investors into our funds. Since opening our US office last year we have transacted on two investments in the community solar and last-mile fibre sectors which will seed two new platforms – Pure Sky Energy and Pacific North West Networks respectively. The tailwinds for private sector investment in US infrastructure are undeniable, which will only be further strengthened by policy such as the Inflation Reduction Act which will have a profound impact on renewable energy development in the country. We look forward to discussing the opportunity set in the US with our investors and our plans to bring a new fund to market later this year to take advantage of these opportunities.

We have also continued to invest well in our home market. During the year we acquired an interest in Stockyard Hill Wind Farm, the largest operating wind farm in Australia, whilst also successfully combining our 1GW renewables portfolio under a single entity, Intera Renewables, to create one of the largest renewable energy platforms in Australia. With a total renewable energy portfolio of over 2GW globally, we remain extremely excited about Palisade's participation in the next phase of energy transition in Australia and the US through our Intera and Pure Sky platforms.

Our team remains strong and during the year we added several new faces to the Palisade family to ensure we remain well resourced to continue to invest and actively manage our portfolios. Importantly, Palisade's senior management team have each been with Palisade for at least six years and we were pleased to promote James Hann, Karen Gould and Mike Reynolds during the year who will join Vicki Rigg as Managing Directors. I have the utmost confidence in the depth and strength of the Palisade team.

The two new strategies that we established last year – Palisade Impact and Palisade Real Assets – have also continued to flourish. Palisade Impact achieved a first close with over \$500 million in fund capital and co-investments to pursue next generation infrastructure and infrastructure-like assets that intentionally target solutions to environmental and social challenges, whilst for Palisade Real Assets, the acquisition of UK-based Malaby Biogas will form the seed asset for the newly established Biotic NRG, a dedicated UK bioenergy platform focused on anaerobic digestion assets and adjacent infrastructure.

As we look ahead, whilst the next 12 months may very well be a challenging period for investors, our portfolios are forecast to continue to provide our investors with strong returns. As important is the confidence we have in the opportunity set, particularly in light of strong tailwinds in the energy transition and digitisation themes which form a deep part of our skillset.

As always, we very much appreciate the support of all our clients and we wish you the best for the year ahead.

Roger Lloyd

Chief Executive Officer

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With a total renewable energy portfolio of over 2GW globally, we remain extremely excited about Palisade's participation in the next phase of energy transition in Australia and the US through our Intera and Pure Sky platforms.

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Palisade Group Overview

Palisade is a leading independent, global infrastructure and real assets manager



4

Pooled Funds



7

Co-Investments



40

Investment Executives



15

Specialist Operational Management Personnel



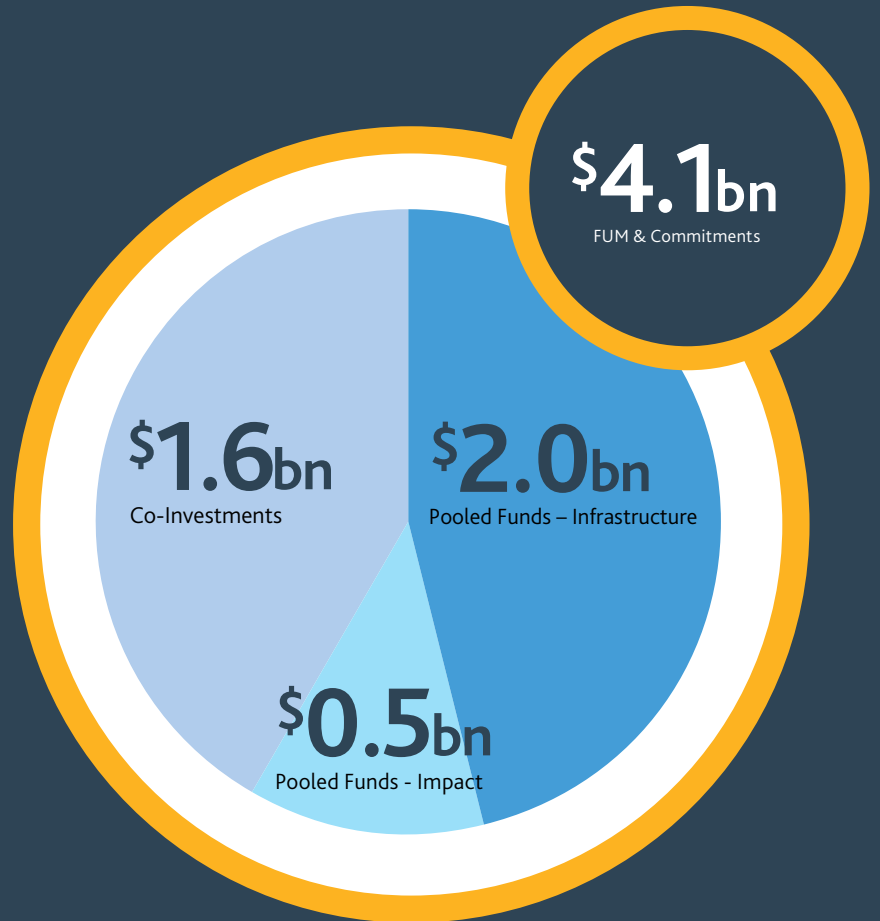
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Assets



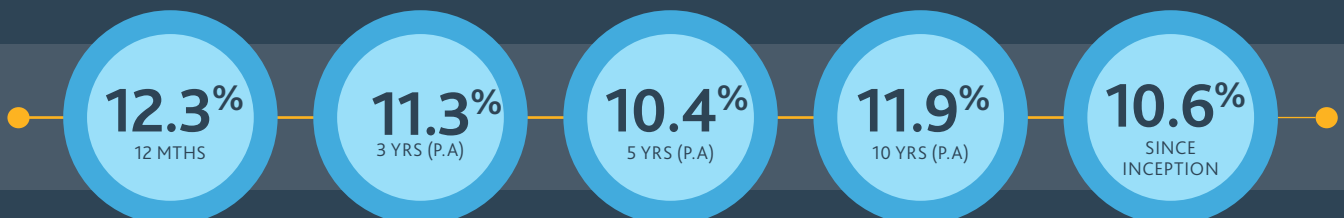
50+

Investor Relationships



Note: All figures in Australian Dollars

PDIF Gross Total Return to 30 June 2023



FY23 Transaction Activity

Palisade has invested over \$500m during FY23

Australia



Asset: Intera Renewables

Location: QLD, VIC, SA, TAS

Sector: Renewable Energy

Transaction type: Platform roll-up

Interest acquired: 100%

Aggregation of five of Palisade's operational renewable energy assets into a single entity of scale, with a common ownership, governance, management and financing structure.



Asset: Global Renewables

Location: NSW

Sector: Waste

Transaction type: Divestment

Hold Period: 10 Years

Realised IRR: 14% p.a

Sale of GRL to Cleanaway Waste Management Limited, a leading ASX-listed waste management company. During Palisade's ownership, EBITDA increased by over 40%.



Asset: Stockyard Hill Wind Farm

Location: VIC

Sector: Renewable Energy

Transaction type: Acquisition

Interest Acquired: 49%

Acquisition of a 49% stake in the 528MW Stockyard Hill Wind Farm, the largest operating wind farm in the National Electricity Market. All electricity and Large-scale Generation Certificates generated are sold under a long-term offtake agreement with Origin Energy Limited.

USA



Asset: Rainier Connect

Location: WA

Sector: Digital Infrastructure

Transaction type: Acquisition

Interest Acquired: 100%

Acquisition of Rainier Connect, a last mile broadband services provider in the Pacific Northwest with an established footprint in Tacoma and surrounding areas in Washington State.



Asset: Amp US

Location: NY, MA, MN

Sector: Renewable Energy

Transaction type: Acquisition

Interest Acquired: 50%

Acquisition of Amp US, a leading developer, owner and operator of US community solar and storage projects with generation capacity of approximately 200 MWDC across 39 operating or under construction projects expected to be completed in the short term.

Sector Commentary



Infrastructure Market

Palisade continues to see a number of attractive opportunities for investment in the mid-market, both in Australia and the US. As a long-term investor we have always adopted a “through-the-cycle” approach to pricing our investments, and whilst we remain cognisant of broader market volatility and the impact this is having on broader asset prices, our approach to investing remains unchanged.

From an opportunity standpoint, the two major global investment themes from an infrastructure perspective are undoubtedly decarbonization and digitization, and we continue to see strong opportunity for investment across both. Palisade has extensive experience in both of these thematics with the majority of our new investments for FY23 falling within these sectors.

Whilst we expect assets within these sectors will form a significant part of our investment activity over the medium term, Palisade continues to see a robust pipeline in other sectors such that we continue to invest across the infrastructure spectrum and ensure that our clients continue to have exposure to a diversified portfolio of mid-market infrastructure assets. Most notably these other sectors include transport, supply chain infrastructure and agri-infrastructure, with Palisade actively diligencing opportunities within each of these sectors. Importantly, Palisade has an existing footprint within these sectors, allowing us to continue to pursue both organic and bolt-on investment opportunities through our existing platforms within these sectors.



Vicki Rigg
Managing Director



Andrew Killesteyn
Executive Director



Airports

The last 12 months has seen a rapid recovery in the airline and airport sectors. This follows a period of unprecedented disruption during the 2020-2022 COVID period, during which the International Civil Aviation Organization estimates that there was US\$870bn in foregone gross passenger operating revenues across airlines globally.

Despite this disruption, which also included sustained impacts to aircraft availability and labour challenges, the aviation industry has continued to recover. Based on Qantas Group's latest forward estimates, Australian domestic capacity is expected to achieve pre-COVID levels by the end of June 2023 and international capacity is expected to reach pre-COVID levels by March 2024 (currently ~85% of pre-COVID levels, up from ~45% 12 months ago).

Right-sizing of aircraft to routes and demand continues to be a dominant focus globally, with the next generation of longer range and more fuel-efficient narrow body jet aircrafts providing increased flexibility for airlines across both domestic and international services. This is particularly relevant for inbound international tourism visitation and is expected to create future route opportunities for regional airports including those in Palisade's portfolio.

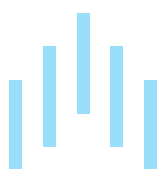
There will be multiple milestones in Australian aviation in FY24 with new entrant Bonza completing its initial rollout of 27 routes domestically and Virgin Australia planning its IPO later this year. Bonza selected Sunshine Coast Airport as its airport base and head office, further enhancing the airport's domestic connectivity.



Karen Gould
Managing Director



Simon Parbery
Executive Director





Renewables & Energy

The key themes of the past 12 months in energy markets globally have been disruption caused by the war in Ukraine and continued strong government support for decarbonisation.

The US Inflation Reduction Act (**IRA**) was passed in August 2022, shortly after the opening of Palisade's New York office. The IRA provides a strong long-term policy framework to support the US energy transition, supported by nearly US\$400 billion in federal funding and incentives. President Biden's emissions targets will require 100GW of renewables built per year or more, compared to ~30GW estimated for 2021.

In Australia, the global interruption to gas supplies caused by Russia's invasion of Ukraine directly impacted the East Coast natural gas market, to the point where the Federal Government imposed temporary one year price caps on both natural gas and coal prices in an effort to minimise the impact on local electricity prices, which had increased significantly.

Separately, the Federal Government's commitment to decarbonisation has been further cemented by the passage of the Climate Change Act in September 2022. This codifies Australia's greenhouse gas emissions reduction target of 43% below 2005 levels by 2030. It is estimated that, in order to achieve this target, approximately \$76 billion in new investment will be required by 2030.

There have been several other significant Federal Government initiatives announced over the past 12 months, including a Capacity Investment Scheme to support the development and construction of dispatchable generation and storage facilities across the National Electricity Market. The Federal Government has also made a \$20 billion commitment to Rewiring the Nation, focused on strengthening Australia's electricity network to facilitate increased penetration of renewables.

These important Government policies come against the backdrop of other fundamental drivers of the energy transition: the need to replace ageing coal-fired generation with new sources of renewable generation; and the increasing electrification of the economy such as through large-scale uptake of electric vehicles, among other things, which will drive large increases in electricity demand.

To put this task in context, AEMO's 2022 Integrated System Plan estimates that, under the most likely "Step Change" scenario, by 2050 the NEM will need to increase current renewable capacity by 9 times, distributed solar PV generation by 5 times, and storage capacity by 20 times.

Natural gas remains an important transition fuel and Palisade's existing investments in gas transmission infrastructure will remain critical elements of the NEM for some time to come. Palisade is strongly supportive of Australia's 2030 and 2050 emissions reduction targets and through our gas pipeline businesses we continue to pursue opportunities which can support Australia's transition.

Palisade has been a longstanding investor in Australia's energy sector, and our extensive experience in developing, delivering and managing these assets makes us uniquely placed to play a leading role in the transition. In this regard, the past 12 months marked an important evolution in our renewable energy investment journey. In March 2023, Palisade launched the Intera Renewables business which combines a significant portion of our existing renewable energy investments into a single corporate vehicle. This new platform has immediate scale with more than 1GW of generation capacity, annual revenues of over \$200 million and the backing of some of Australia's largest institutional investors. Intera will be a critical developer, funder and manager of assets which places Palisade at the forefront of Australia's decarbonisation efforts.



Karen Gould
Managing Director



James Hann
Managing Director



Simon Parbery
Executive Director



James Ward
Executive Director



Ports & Bulk Liquids

Australian container volumes have softened in FY23, retreating from elevated FY22 volumes. Pandemic-related supply chain disruptions have eased, with shipping costs also falling to more normalised levels.

FY23 dry bulk export volumes were supported by record Australian crop production. Current soil moisture levels indicate FY24 grain volumes are likely to be closer to the 10 year average. In recent years Port of Portland, a 100% managed Palisade asset, has exported ~25% of Victorian grain volumes after establishing its own export facility.

Improvements in the trade relationship between Australia and China has seen the restoration of log, copper, barley and coal exports to China. Log exports to China from the Port of Portland are expected to recommence in the September 2023 quarter. China's weaker than anticipated recovery from pandemic restrictions may impact demand for Australian exports in FY24.

Bulk liquid import volumes have continued to recover from the pandemic-driven decline, with gasoline volumes now comparable to pre-pandemic levels although aviation fuel is yet to fully recover.

Strong demand for port-side bulk liquid storage capacity continued through FY23, driven by customers preferring to hold larger inventories and growing demand for tallow exports. With respect to Palisade's bulk liquid storage platform, Quantem Bulk Liquid Storage & Handling (**Quantem**), its Australian facilities are operating at full capacity, with expansions currently being developed at a number of sites relating to a range of commodities. The trend towards "re-shoring" in response to geopolitical tension is likely to create new storage opportunities for Quantem.



Alastair Pollock
Executive Director



Digital Infrastructure

Activity in the digital infrastructure sector has softened due to the higher interest rate environment and cost pressures associated with expansionary capital expenditure, however there remains a strong pipeline of investment opportunities in the sector.

In particular, the last mile broadband sector remains compelling in the US and in Australia given the relatively low availability of fibre penetration and high-speed products in both geographies. This creates an opportunity for providers to roll out fibre and other high-speed technologies to establish a market-preferred position. In the US, the Broadband Equity, Access and Deployment program from the Federal Government provides US\$42 billion of funding to roll out fibre in unserved and underserved areas in the US.

Elsewhere, the data centre sector continues to experience strong growth in underlying demand, particularly from major content providers and cloud service providers. These have driven significant growth in build-to-suit hyperscale data centre opportunities, although these have generally been bid at tight returns. The demand has also translated to increased activities for smaller data centres and edge data centres with these operators pursuing content/cloud provider revenues.

Significant capital will also continue to be required by mobile operators to continue 5G deployments, particular for small cell networks, whilst continued growth in Distributed Antenna Systems and In Building Coverage providers has been observed.

Palisade will continue to selectively consider opportunities to take advantage of the sector tailwinds.



Mike Reynolds
Managing Director, Americas



Social Infrastructure (PPPs)

Public Private Partnerships (**PPPs**) remain an important delivery model for complex and large infrastructure projects throughout Australia, and have demonstrated their investment strength in the current high interest rate and inflation environment.

A major theme playing out in the greenfield PPP market is being driven by the housing affordability crisis that we are witnessing across Australia. A quasi-PPP model with similar risk sharing mechanisms is being utilised by State Governments to build out their stock of social and affordable housing. This is also being supported by the Federal Government through the National Housing Finance and Investment Corporation and soon to be legislated Housing Australia Future Fund. Palisade continues to monitor new investment opportunities as they come to market.

There also continues to be a strong pipeline of brownfield opportunities driven by investors capitalising on continued demand for high performing fully contracted assets, the sale of projects held within closed ended funds that have liquidity windows approaching, and developers selling down projects post the delivery phase. We also continue to see commitment from Government to expand well performing PPPs. Palisade's investors have benefited from this via stages 2 & 3 of the Gold Coast Light Rail and Casey Hospital Expansion Project, with potential to further expand both projects.



Vicki Rigg
Managing Director



James Ward
Executive Director



Debt & Macroeconomic Environment

Australian and global credit markets have experienced a period of rising all-in borrowing costs during the year, driven by a combination of increasing base interest rates and widening credit spreads.

Global central bank monetary policy tightening has continued over the last 12 months, leading to a series of accelerated base interest rate increases in response to inflation levels remaining persistently well above central bank target levels. The market anticipates this period of policy tightening to be near its peak, represented by a relatively uniform market forward curve across all maturities. Credit spreads for new issuances have also widened during the year as a result of increased bank funding costs being passed through to borrowers.

Notwithstanding this recently observed volatility, sufficient levels of liquidity remain in the Australian loan market with banks able to maintain price competitiveness for core relationship borrowers presenting well-structured deals. Supply for longer-dated loans also remains available however is more subdued than previous periods, as lenders move towards safer forms of credit and shorter tenor instruments.

Energy de-carbonisation also remains a key theme, with lenders bidding more favourably for well-structured renewables transactions than other sectors. This was observed when Palisade recently secured the \$1.3 billion portfolio financing for Intera Renewables at market leading pricing and terms during relatively challenging credit market conditions.

The application of Palisade's Treasury Risk Management Framework has resulted in limited negative exposure to the recent credit market volatility through diversified loan tenor and long-term, diversified interest rate risk management strategies. As a result of these initiatives, the majority of the portfolio's debt and associated equity positions are protected against movements in the recently observed short-to-medium end of the curve and general credit market volatility.



Simon Parbery
Executive Director

Renewable Investments

Palisade investing for a sustainable future

2 Regions



Australia



USA

2 Platforms

INTERA
Renewables

PureSky
Energy

Palisade Group's Renewable Energy Platforms



Powers over

800,000

homes



Over

2GW

of renewable
generation



Abates over

3,000,000

tonnes of CO₂ per year

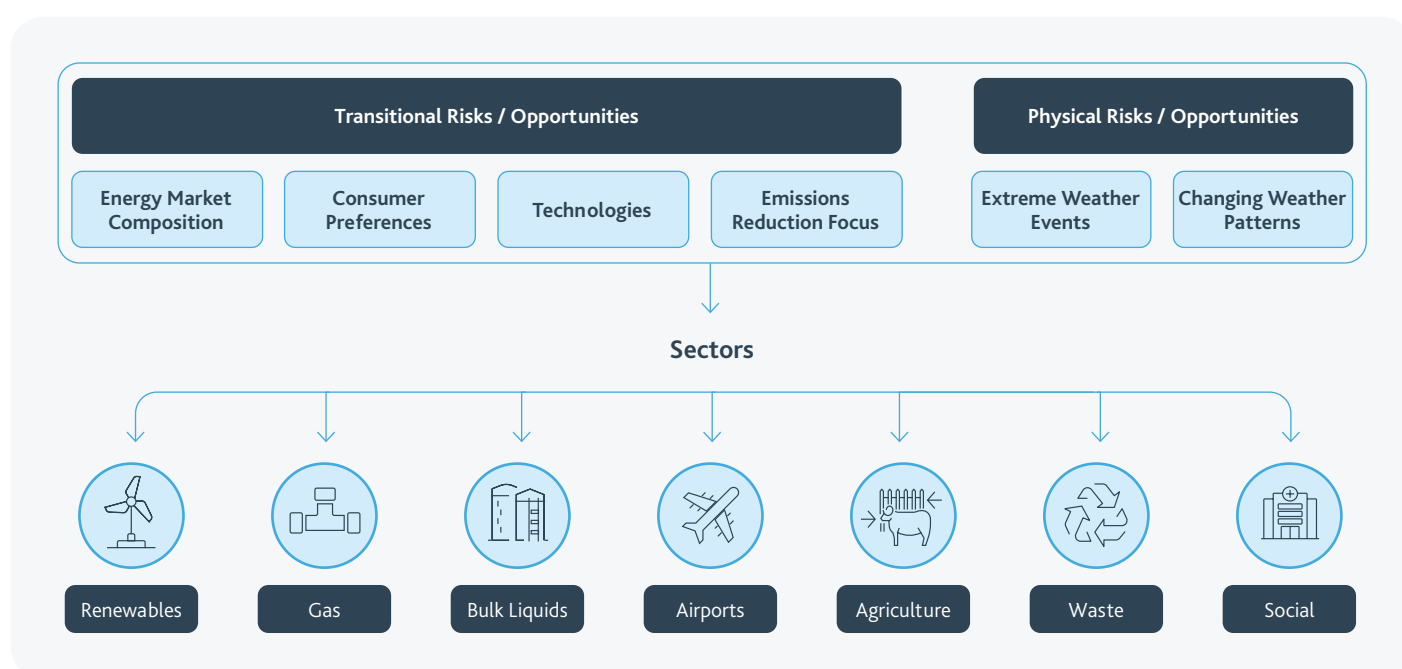


ESG Highlights



During the year, Palisade continued to use its ESG framework across portfolio companies, including the incorporation of time-series portfolio data.

Palisade also completed a portfolio-level Climate Change Impact Assessment (**CCIA**), which summarises Palisade's approach to climate change in line with the recommendations from the Task Force on Climate-Related Financial Disclosures. A key aspect of the CCIA involved understanding the climate-related risks and opportunities across Palisade's existing portfolio. The CCIA maps different risks and opportunities across the sectors to which Palisade has exposure, ranging from physical risks such as changing weather patterns, to economic opportunities such as new technologies reducing operating costs through resource efficiency. In addition, heat mapping was performed for all assets and sectors, with each asset's risk level mapped depending on its exposure to physical and economic risks. The figure below shows the high-level categories of risks/opportunities considered as part of the CCIA across all sectors.

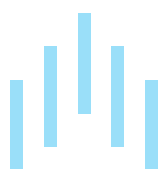


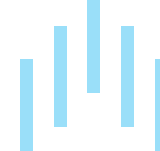
An important priority for our portfolio leading up to 2030 is the reduction of our gross carbon emissions, as outlined in our Climate Action ESG Priority. Palisade is committed to continuously enhancing our carbon emissions data collection and reporting processes. Recent improvements include changes in how our assets report emissions data, including an increased reporting focus on controllable scope 3 emissions.

Over the next 12 months, Palisade will concentrate on ensuring consistency and comparability of emissions data across our assets. We will enhance our portfolio reporting metrics, for the benefit of investors, and consider further alignment with relevant external standards. Further, we aim to expand the coverage of decarbonisation plans throughout our portfolio.

On the governance front, 39 per cent of portfolio companies completed a Board Management and Effectiveness Survey (compared to 9 per cent in the prior year) and ~90 per cent of portfolio companies now have appropriate cyber security policies and processes (compared to 8 per cent in the previous year).

Finally, Palisade has changed the timing of its ESG reporting to align with other asset reporting, with ESG Goals and Annual Asset Reports to be based on financial year as opposed to calendar year results. Therefore, the portfolio-level results for FY2023 will be presented in Palisade's fund reporting for December 2023.

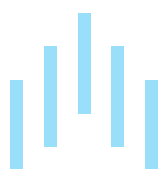
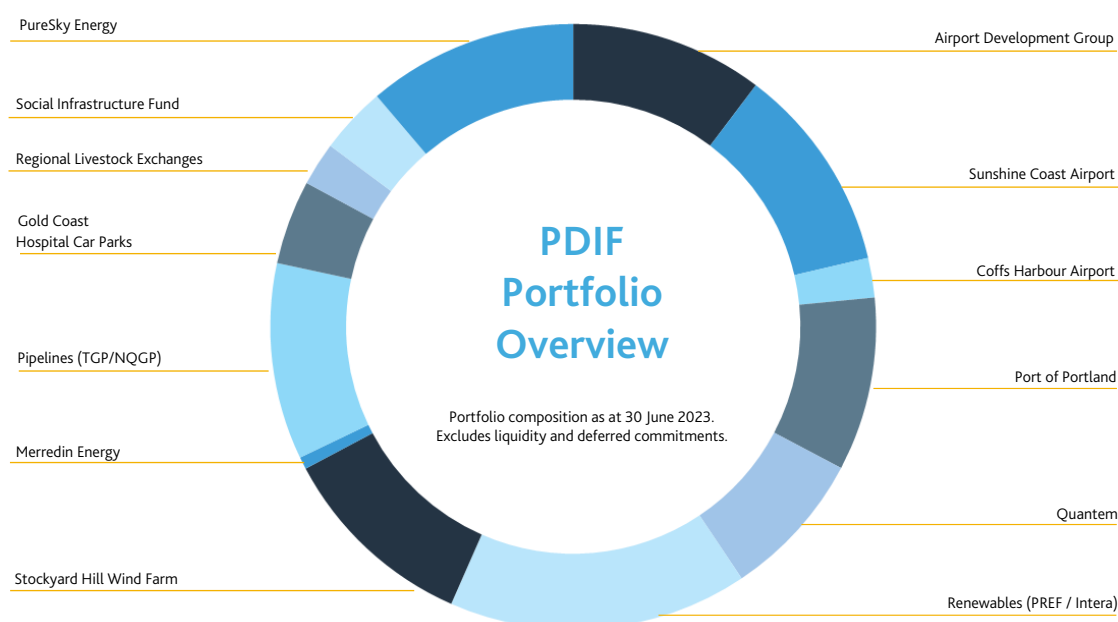




Fund overview

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.



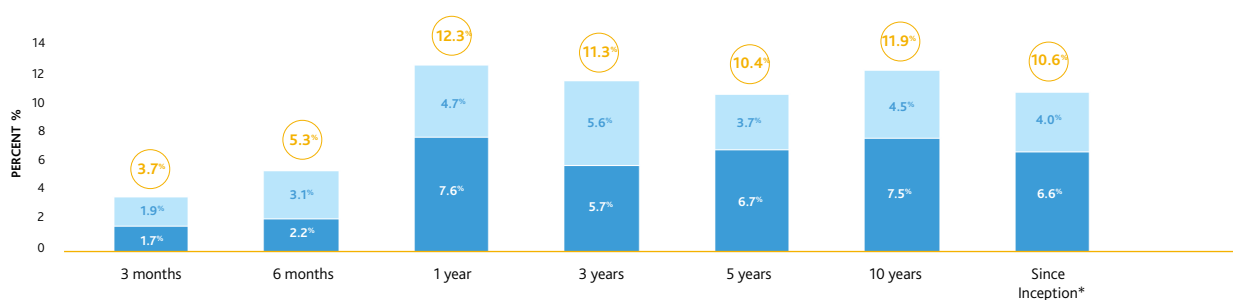


PDIF Q4 Key Highlights

- FY23 performance was strong with total gross return of 12.3%, including 7.6% yield. The portfolio continues to benefit from a large portion of assets having CPI passthrough.
- During the quarter, Palisade reached financial close on Amp US (now PureSky Energy), a leading developer, owner and operator of US community solar, C&I and battery storage projects.

PDIF Performance

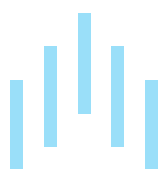
■ Yield
■ Capital

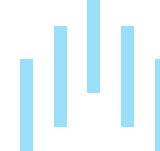


Gross performance as at 30 June 2023

Returns for periods greater than 12 months have been annualised

* Inception date August 2008 (Palisade management)

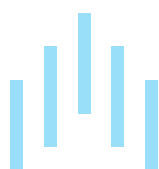
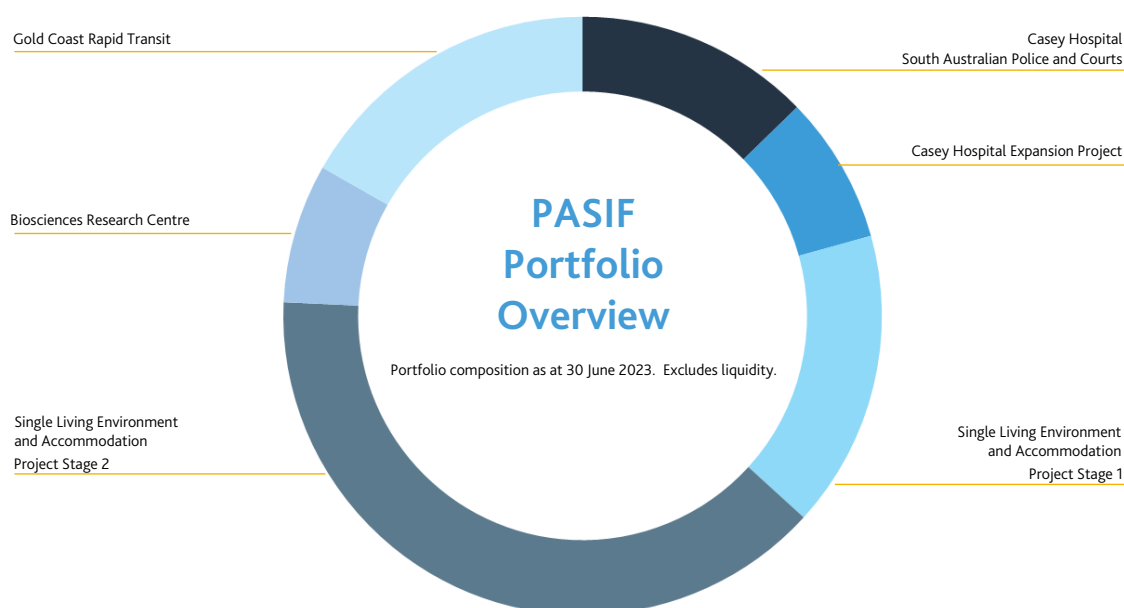




Fund overview

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.

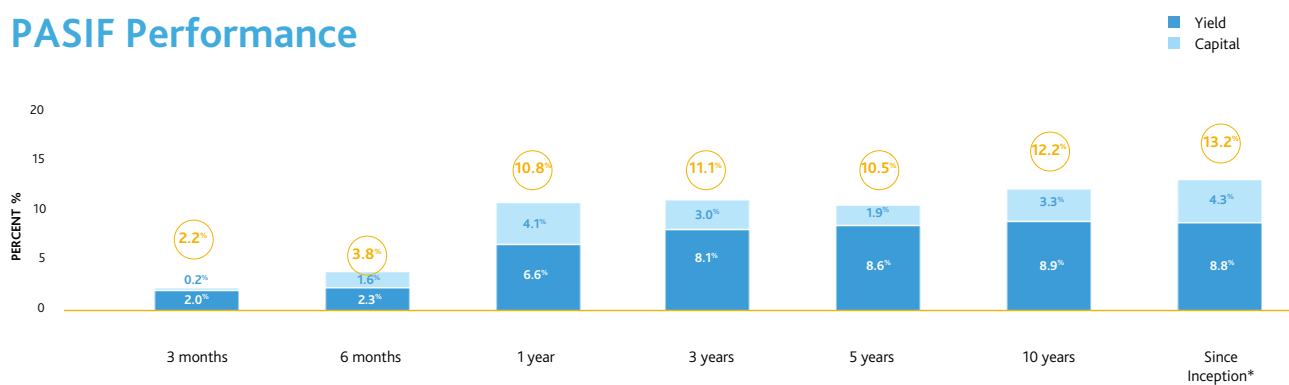




PASIF Q4 Key Highlights

- All assets continue to perform to expectations.
- FY23 performance was strong with total gross return of 10.8%, including 6.6% yield.

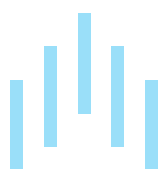
PASIF Performance



Gross Performance as at 30 June 2023

Returns for periods greater than 12 months have been annualised

* Inception date May 2011

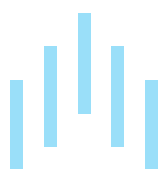
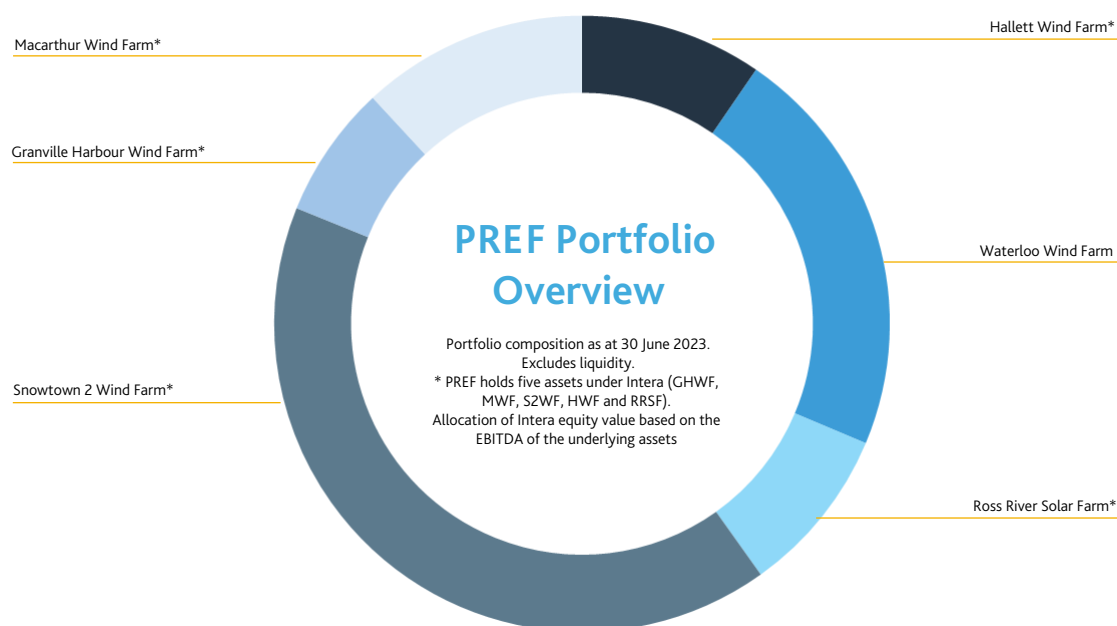




Fund overview

Palisade's Renewable Energy Fund (PREF)

PREF provides investors with access to Intera Renewables, a leading 1GW Australian renewable energy platform comprising Hallett Wind Farm, Ross River Solar Farm, Granville Harbour Wind Farm, Macarthur Wind Farm and Snowtown 2 Wind Farm.



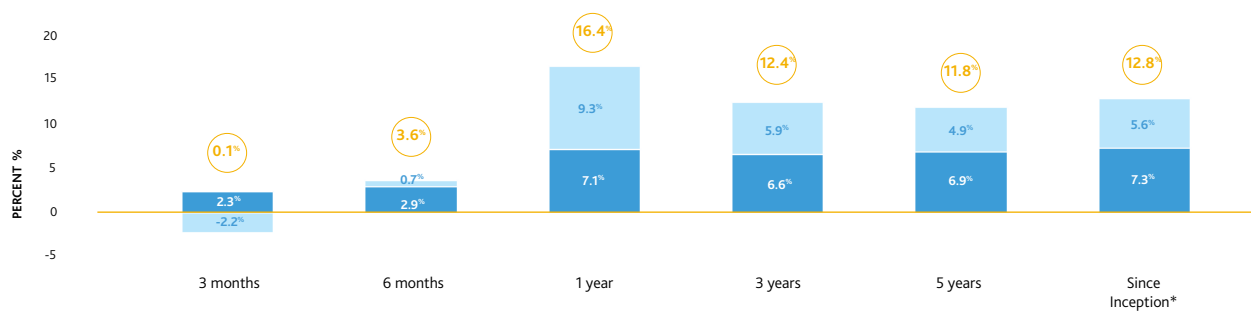


PREF Q4 Key Highlights

- Despite most assets slightly performing below budget due to lower than expected generation, FY23 performance was strong with a total gross return of 16.4%, including 7.1%, largely driven by asset valuations benefitting from elevated forecast CPI.
- Following the closing of Intera Renewables, the Palisade team continues to review a number of opportunities for further expansion of the platform.

PREF Performance

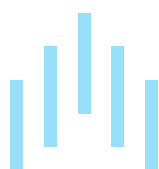
■ Yield
■ Capital



Gross performance as at 30 June 2023

Returns for periods greater than 12 months have been annualised

* Inception date September 2016





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