



# ANNUAL REPORT JUNE 2024

Palisade's Diversified Infrastructure Fund (PDIF)



# From the CEO



“

It is in times like these that we often have the most thought-provoking discussions with our clients, as they turn to defensive asset classes such as infrastructure that are well-known to provide stable, risk-adjusted returns through the cycle.

”

I am pleased to present to you Palisade's Annual Report for FY24. It has been a busy year for the Palisade team, and when I look across the business at our various fund offerings and co-investment platforms, I am genuinely excited about the opportunities that lie ahead to work with our existing and new partners in meeting their investment objectives.

One would be forgiven for thinking, at least from an investment standpoint, that the world we are in now is perhaps more complex and uncertain than before. Notwithstanding inflation appears to be subsiding across the globe, sustained higher interest rates continue to put pressure on both public and private balance sheets. Geopolitical unrest is also adding to uncertainty. It is in times like these that we often have the most thought-provoking discussions with our clients, as they turn to defensive asset classes such as infrastructure that are well-known to provide stable, risk-adjusted returns through the cycle. In this regard, I am pleased to report that our flagship fund, **Palisade's Diversified Infrastructure Fund**, delivered a 12 month total return of 10.6% to 30 June 2024, and **11.5% p.a. over 10 years**.

Capital raising activity has certainly picked up over the last six months, and we continue to see strong support for our offerings. During the year we also launched our new **wholesale product, Palisade's Feeder Infrastructure Trust**, which has achieved 'Recommended' ratings from both Zenith and Lonsec. We were also very honoured to be awarded **Emerging Fund Manager of the Year** at the Money Management / Lonsec awards. Being able to offer our capability to the wholesale market has long been a goal of mine, and I know the Palisade team shares in my excitement that our portfolio that we have built over the last 16 years is now able to be accessed directly by individual investors.

The **investment pipeline** also remains strong. The incumbency that we have created within the Australian mid-market infrastructure sector continues to bear fruit, with our pipeline as strong as ever. Pleasingly this is across a wide variety of sub-sectors including transport and logistics, energy transition, digital and social infrastructure. Importantly our presence in the **US market** also continues to grow substantially. We are well entrenched into the fibre and renewable sectors through our existing platforms Lightcurve and PureSky Energy respectively, and we continue to see enormous deal flow both through our existing platforms but also in new verticals. To this end, we are currently finalising documentation for our **North American-focused mid-market infrastructure fund**, with strong feedback from investors both seeking to build-out their infrastructure exposures, and those seeking a complement to their large-cap portfolios. The new fund will be available for investor commitments from Q3 onwards.

Finally, our value-add **Impact and Real Assets strategies** continue to flourish. After achieving a first close of \$500 million, our Impact Fund is back in the market seeking further capital with close to 70% of the first close deployed across the digital, circular economy and energy transition thematic. Similarly, our Real Assets strategy recently announced a significant commitment from APG, one of the world's largest pension investors, to continue to build out our bioenergy platform in the UK.

Our team very much continues to have passion for what we do, which is fundamentally investing and managing our clients' capital, and above all else, generating strong returns. We once again thank you for your unwavering support and the trust that you place in us.

**Roger Lloyd,**  
Chief Executive Officer

# Palisade Group Overview

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



**4**

Pooled Funds



**8**

Co-Investment Mandates



**48**

Investment Executives



**20**

Specialist Operational  
Management Personnel



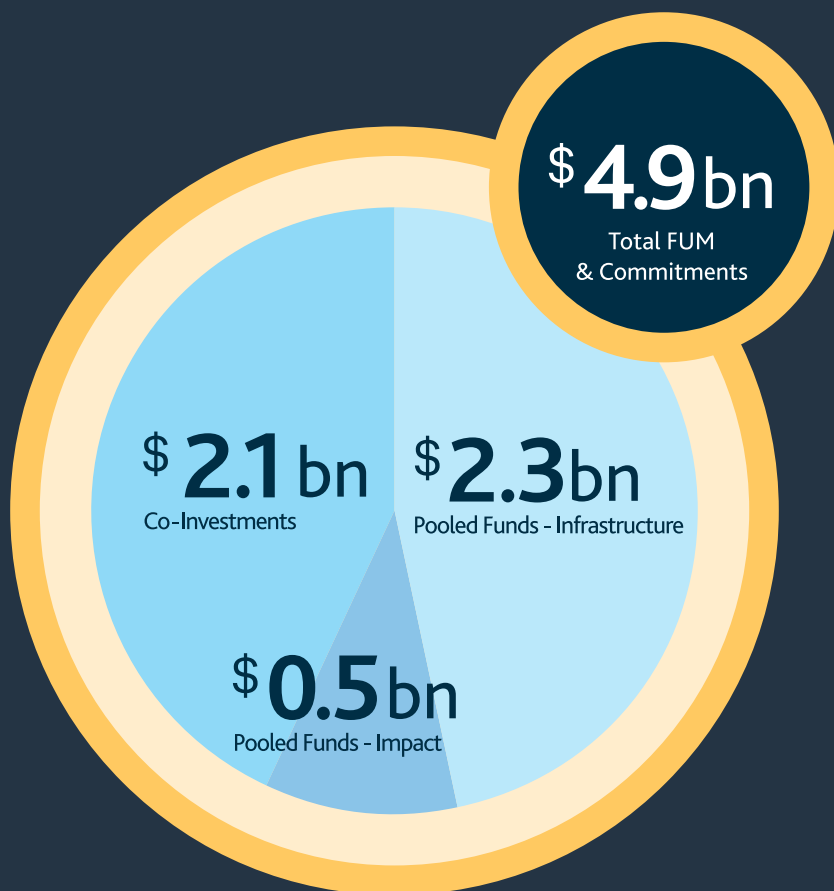
**31**

Assets



**64%**

Staff Ownership



# Key Highlights

## Performance to 30 June 2024

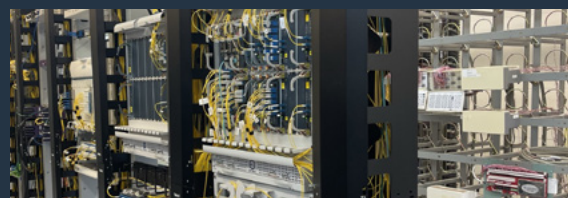


## Capital Update

Launch of Palisade's Feeder Infrastructure Trust, a wholesale fund available on platforms with Recommended ratings from Lonsec and Zenith.



## Transaction Activity



### Lightcurve

Acquisition of Consolidated Communications' Washington state assets through Palisade's US fibre platform Lightcurve.



### Gold Coast Light Rail

Commenced funding into Gold Coast Light Rail Stage 3, a 6.7km extension south of the existing G:link network to Burleigh Heads.



### Regional Livestock Exchanges

Expansion of Palisade's agri-infrastructure platform with the acquisition of saleyards in Yass (NSW) and Mortlake (Victoria).



# Sector Commentary



## Renewables & Energy



**Karen Gould,**  
Managing Director



**James Hann,**  
Managing Director



**Simon Parbery,**  
Executive Director



**Mike Reynolds,**  
Managing Director,  
Americas

The momentum around renewable energy policy has continued over the past 12 months both in Australia and the US. In Australia, the Federal Labor Government continued its decarbonisation commitments in November by announcing a significant expansion of the existing Capacity Investment Scheme (CIS). The scheme (which was previously in place for new dispatchable storage) has been expanded to include renewable energy generation.

The CIS provides for long-term revenue underwriting through a price floor/ceiling mechanism for 23GW of new renewable generation capacity and 9GW of dispatchable capacity. This will be delivered through regular tenders to be held approximately every six months, with the first tender launched in late May 2024.

We expect the introduction of a nationally coordinated policy for Australia's clean energy transition will provide greater certainty for all stakeholders, including financial investors, who stand ready to fund the next phase of Australia's renewable buildout.

Notwithstanding new policy, the fundamental drivers of the energy transition remain unchanged: namely, 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 and the build-out of data centre infrastructure which will drive large increases in electricity demand. Palisade remains well-positioned to participate in the next phase of Australia's renewable buildout through our proprietary platform Intera Renewables, one of the largest operating platforms of renewable energy in Australia

with over 1GW of generation across South Australia, Victoria, Tasmania and Queensland.

Palisade has highlighted previously that natural gas remains an important transition fuel and that Palisade's existing investments in gas transmission infrastructure will remain critical elements of the National Electricity Market for some time to come. Thus, Palisade welcomed the Federal Government's Future Gas Strategy announced in May 2024 which outlined the critical role of gas in achieving Australia's net zero ambitions, up to 2050 and beyond. We continue to explore creative ways in which our gas infrastructure assets can support these objectives.

The US has continued to see strong deal volumes of renewable development, particularly solar and storage, albeit the timeline for commercialisation for many projects has been delayed due to interconnection constraints, particularly for utility scale projects. The significant increase in intermittent generation and the need for transmission upgrades has prompted reforms around the broader interconnection process.

Despite these delays, the policy framework for renewables development in the US remains highly favourable. The Inflation Reduction Act is a significant positive for renewables investment in the US, with projects eligible to receive additional tax credits based on location as well as domestic content usage (e.g. solar modules manufactured in the US).

At a state level, we have continued to see a strong focus on achieving emissions reduction targets which has continued the generally positive momentum around the adoption of community solar frameworks across the country.

While the policy framework remains supportive under current settings, we will be closely monitoring the upcoming US presidential election in November and considering the potential impacts of different electoral outcomes on the sector.

Finally, the outlook for underlying US electricity load growth has materially improved, due both to

electrification (as described previously) and to the acceleration in hyperscale data centre development which is particularly pronounced in the US market. This has been triggered in part by the unprecedented demand for data center capacity arising from new AI training workloads.

In the US market, Palisade continues to focus on the broader renewables sector along with pursuing continued growth in our portfolio company, PureSky Energy, which is focused primarily on community solar and distributed generation. We see substantial opportunity to capitalize on the favourable sector tailwinds over the coming years.

## Airports



**Karen Gould,**  
Managing Director



**Simon Parbery,**  
Executive Director



**Alastair Pollock,**  
Executive Director

The latter half of FY24 has seen overall domestic airline capacity return to 100% and total Australian airport passenger volumes reach approximately 95% of pre-pandemic levels. Both incumbent airline groups (Qantas/Jetstar and Virgin) have committed to substantial fleet upgrades with more efficient and longer-range aircraft. Combined with the opening of Western Sydney Airport in 2026/27, and Melbourne Airport's third runway (expected to be operational in the early 2030s), the Australian domestic aviation market is expected to experience a step-change in capacity and passenger demand. This is expected to benefit multiple capital city and regional airports (including Palisade's airport investments) by stimulating incumbent airlines, as well as potential new airline entrants notwithstanding Bonza's voluntary administration.

Post-pandemic, airports with strategic landbank assets have had an increased focus on growing property revenue to diversify existing aeronautical income streams. With respect to Palisade's airport

investments, around 22% of Airport Development Group's (Darwin and Alice Springs Airports) income is sourced from property leases, whilst Sunshine Coast Airport and Coffs Harbour Airport are both currently executing significant property strategies to further diversify revenue.

Palisade continues to see strong investment value in mid-market airports where there is relatively less competition and greater opportunities for commercialisation.



## Ports & Bulk Liquids



**Alastair Pollock,**  
Executive Director

Palisade's exposure to the ports sector comes via our 100% managed interest in Port of Portland, a bulk commodity port in Victoria specialising in various commodities including grain and forestry products. Australia-wide, grain volumes experienced an overall decline in FY24. Weaker volumes occurred in WA, QLD and northern NSW, more than offsetting strong conditions in southern NSW, VIC and SA. In recent years Port of Portland, which exports grain from VIC and SA, has experienced very strong grain volumes, and currently exports approximately 25% of VIC grain volumes after establishing its own export facility. Despite the lack of autumn rainfall, current soil moisture levels indicate FY25 grain volumes are likely to be similar to FY24, with VIC, NSW and SA experiencing more favourable conditions than WA and northern east coast regions.

Log exports to China from the Port of Portland recommenced in FY24 (following the lifting of the export ban), with volumes gradually recovering through the period. Woodchip demand from China and Japan has remained relatively weak, in part reflecting a substitution by Asian paper mills into lower quality non-Australian woodchips in response to tight margins.

More broadly, Australian container volumes (which Palisade currently has no material exposure to)

continued to soften in FY24, reflecting the impact of inflation and rising interest rates on the volume of consumption goods.

Bulk liquid import volumes grew by approximately 10% over the past 12 months, with all categories including aviation fuels now exceeding pre-pandemic volumes. Strong demand for port-side bulk liquid storage capacity continued through FY24, driven by incremental demand for tallow exports (input into sustainable aviation fuel and renewable diesel) and construction cost inflation restricting the supply of new storage capacity. With respect to Palisade's bulk liquid storage platform, Quantem Bulk Liquid Storage & Handling (**Quantem**), its Australian facilities continue to operate at full capacity, with terminal expansions under construction in Adelaide and under development at other locations. Palisade continues to have a positive outlook on the sector, particularly given the trend towards "reshoring" of manufacturing. Domestic critical minerals processing is also likely to create new storage opportunities for Quantem in products such as acids, caustic soda and other commodities.



## Digital Infrastructure



**Mike Reynolds,**  
Managing Director,  
Americas

Investment activity in the digital infrastructure sector remains relatively robust as participants continue to deploy capital for growth, particularly in the data centre space, with more modest activity levels in enterprise and residential fiber, mobile towers, and related sectors.

The key focus of participants in the last mile broadband sector has been to take advantage of a "land grab" phase, looking to roll out fibre to establish a market-preferred position given the relatively low availability of fibre and other high-speed alternatives in Australia and US. The US\$42bn Broadband Equity, Access and Deployment program has fuelled further growth in the US as providers look to take advantage of government subsidies in building to unserved and underserved areas. In Australia, despite the presence of a government funded broadband provider, there is

an emergence of smaller private providers looking to grow and win market share. This wave of greenfield expansion activity created cost pressures in 2023 although these pressures have moderated in 2024. Over the next few years, this sector will likely pivot from an organic growth phase to a consolidation phase across both geographies.

Leasing demand for data centre capacity hit an inflection point over the past 18 months following the broad adoption of generative AI technologies and an associated need for AI training workloads. This came on top of already robust growth in the sector due to the migration of IT workloads to the cloud. Whilst such trends have had the most impact on the hyperscale data centre segment, the outlook for smaller facilities (including carrier hotel and edge data centre segments) remains positive, particularly with a shift in focus from AI training to inference workloads which will need to be located closer to the end user.

The global data centre market is forecast to grow by approximately 10% p.a. to 2030. The capital requirements to support this outlook, in turn, have driven increased activity for primary capital raises as well as secondary transactions in the data centre space. Palisade will selectively participate in opportunities to take advantage of these industry tailwinds.



## Social Infrastructure



**Vicki Rigg,**  
Managing Director



**James Ward,**  
Executive Director

Australia is in the midst of a housing crisis, which is directly affecting Australia's most vulnerable. 175,000 households, or approximately 437,000 people are on Australia's public housing waiting list. As a result, 122,000 Australians experience homelessness on any given night. Fundamentally, housing affordability is at its lowest levels in 30 years, and social and affordable housing stock is not growing at the same rate as population growth.

To deal with the housing crisis, both the Federal and a number of state governments have recently adopted new policies to incentivise private sector investment into the social and affordable housing sector. These new



policies look to bridge the gap between market rent and the rent that can be charged to social and affordable tenants, and is paid in the form of a service payment similar to a Public Private Partnership (which have been mainstays of infrastructure portfolios for decades).

Palisade believes the sector presents a significant investment opportunity, while at the same time making a positive and direct impact on Australia's most vulnerable. Working with Mission Australia, a Tier 1 Community Housing Provider, we are currently pursuing investments via the Queensland Government's social and affordable housing subsidy program, to deliver over 600 dwellings across seven sites.



## Debt Markets



**Simon Parbery,**  
Executive Director

Borrowing costs across Australian and global credit markets have remained relatively constant throughout the year, driven by a combination of high but stable base interest rates and marginally declining credit spreads.

Global monetary policy tightening has stabilised across FY24, with central banks opting to keep cash rates on hold as inflation trends toward target levels. The market anticipates this period of policy tightening to be at or near its peak, including some easing of

central bank monetary policy over the coming 12 months towards a lower terminal cash rate than current levels.

Supply for longer-dated loans has increased over the last 12 months, with lower Asian and European lender funding costs across longer tenors providing more attractive options for borrowers. Energy decarbonisation also remains a key theme, with lenders continuing to provide preferential terms for well-structured renewables transactions than other sectors. Palisade recently took advantage of these two intersecting dynamics, securing a significant volume of 10-year debt for Intera Renewables at market leading pricing and terms.

The domestic bank market saw significant liquidity for strong borrower names during the year, providing competitive tension and moderate downward pressure on margins. The aviation sector saw a number of transactions with significant volumes hitting the domestic bank market. Most notably, Palisade's Airport Development Group recently executed a full refinancing of its capital structure across multiple tenors at attractive pricing and terms.

The application of Palisade's Treasury Risk Management Framework has resulted in limited negative exposure to the current high borrowing cost environment, 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 have been protected against the recently observed high borrowing cost environment.





# Palisade Scholarships

Palisade established the Regional Women's Undergraduate Scholarship Program in 2019 in partnership with selected universities across the regions where our assets are situated.

This program provides financial support to women who are seeking to enter professions typically under-represented by women, such as engineering.

## Key Stats



**\$232,000**

Scholarship funding committed to date



**8 SCHOLARSHIPS**

have been awarded

**3 SCHOLARSHIPS**

to be awarded next semester



**Affiliated universities**



## Anna Cernev



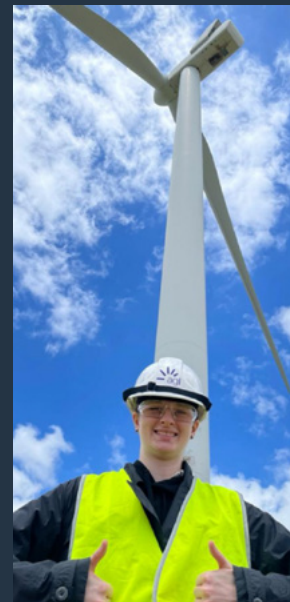
The scholarship helped relieve some of the financial pressure while studying, allowing me to focus on becoming a well rounded engineer through lots of practical experience.



## Cate Wallace



The scholarship has allowed me to concentrate on my academics while facilitating an invaluable mentoring experience by senior engineers in my field.



## Hannah Dinning



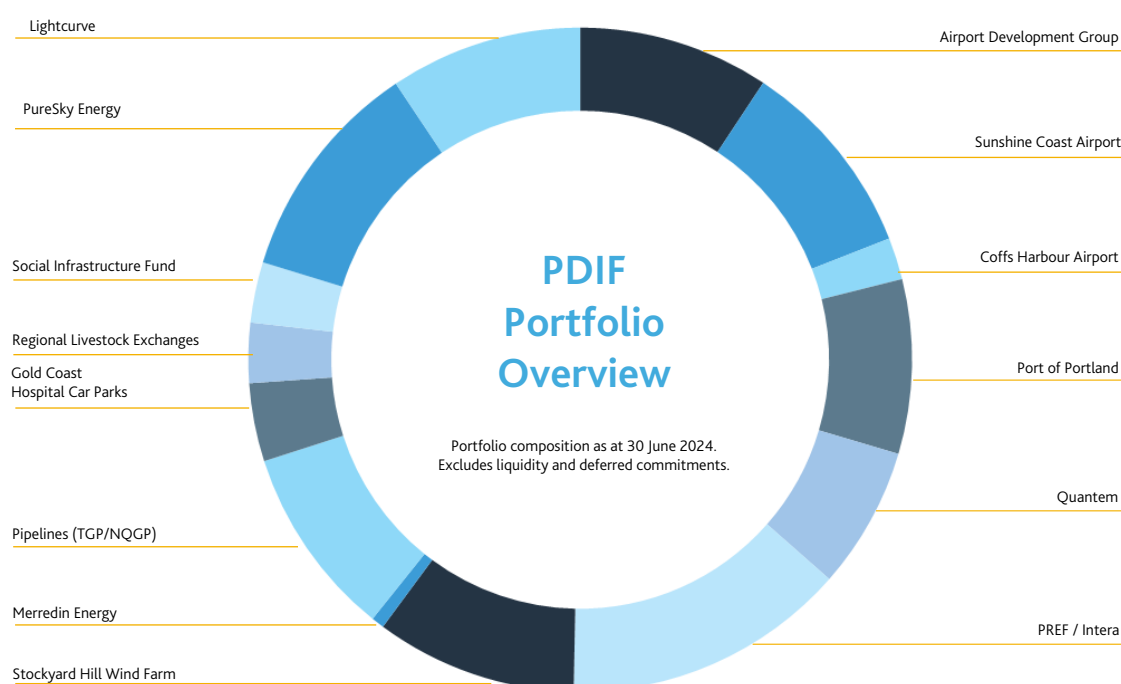
The scholarship has empowered me to fully dedicate my time to my studies, while simultaneously allowing me to explore and pursue other fields of interest.



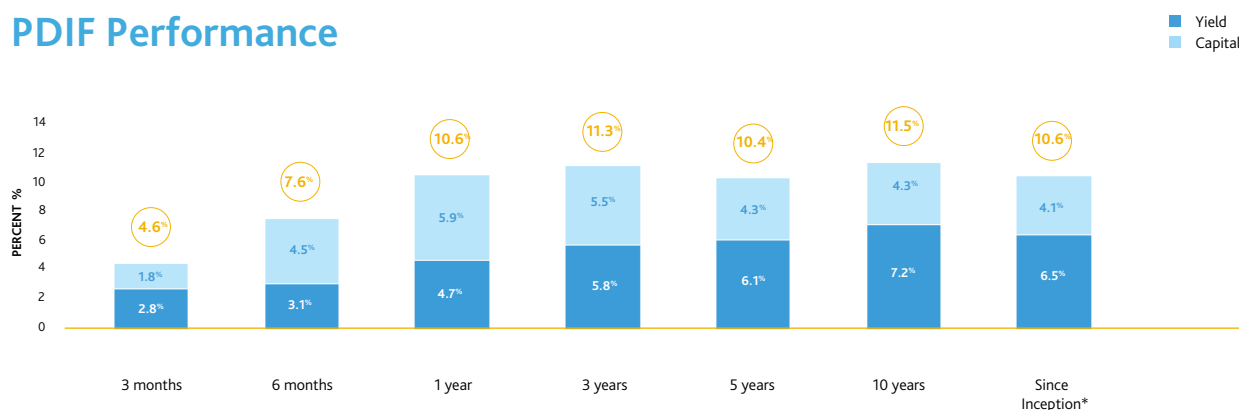
## Fund overview

# 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 Performance



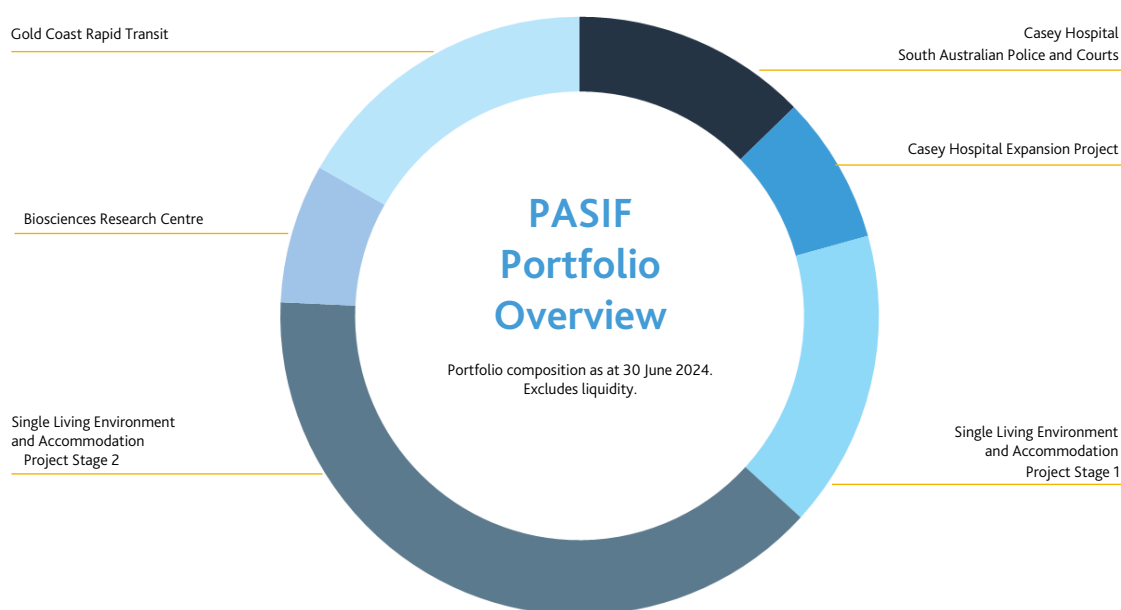
Gross performance including franking credits as at 30 June 2024  
Returns for periods greater than 12 months have been annualised  
\* Inception date August 2008 (Palisade management)  
Past performance is not indicative of future returns



## 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 Performance

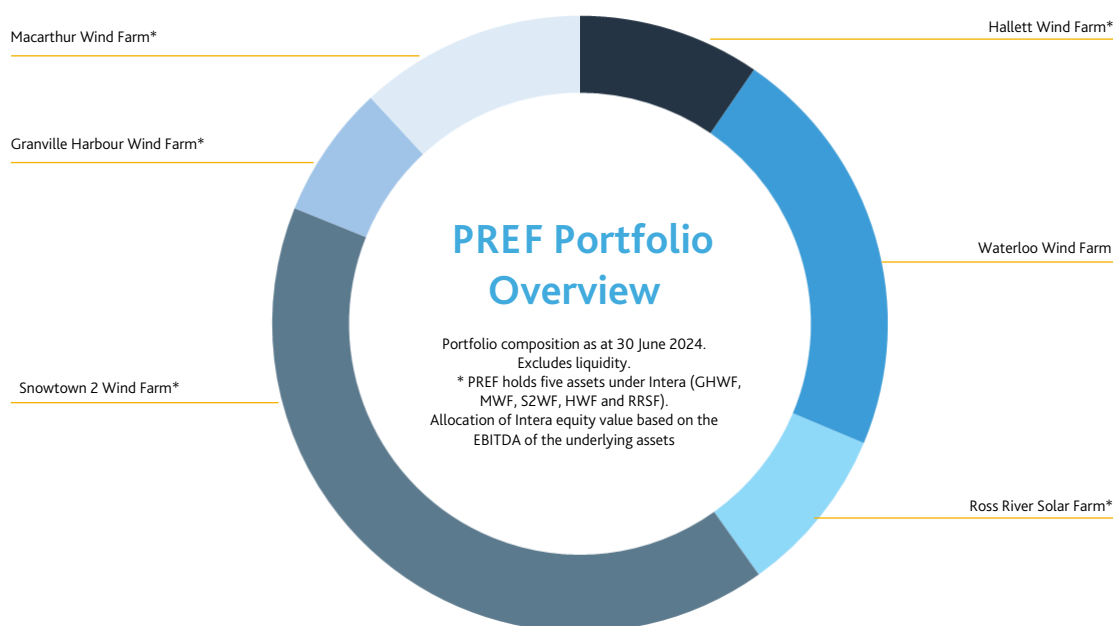


Gross Performance including franking credits as at 30 June 2024  
Returns for periods greater than 12 months have been annualised  
\* Inception date May 2011  
Past performance is not indicative of future returns

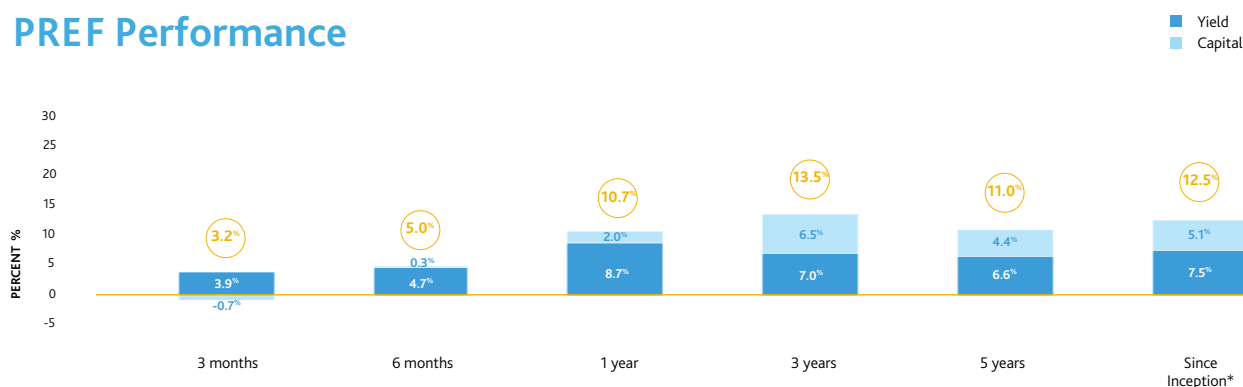
## Fund overview

# Palisade's Renewable Energy Fund (PREF)

PREF provides investors with an opportunity to invest in a diversified portfolio of Australian utility scale wind and solar assets, primarily through a 50% ownership in Intera Renewables, and aims to provide investors with long-term capital growth and stable cash distributions.



## PREF Performance



Gross performance including franking credits as at 30 June 2024  
Returns for periods greater than 12 months have been annualised  
\* Inception date September 2016  
Past performance is not indicative of future return





## For more information contact us

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