

## Interim Management Statement

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GCP Infrastructure Investments Ltd  
11 August 2011

## GCP Infrastructure Investments Limited

### Interim Management Statement

GCP Infrastructure Investments Limited (the "Company"), the listed infrastructure investment company, is issuing this Interim Management Statement in accordance with FSA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 April 2011 to 10 August 2011.

The Company seeks to generate returns from subordinated PFI debt and related and/or similar assets (the "Target Assets"). The Company achieves this by investing substantially all of its capital in GCP Infrastructure Fund Limited (the "Master Fund"), an open-ended investment company that holds the Target Assets. The Company is the majority shareholder of the Master Fund.

### Highlights

- On 26 May 2011, the Master Fund advanced a series of subordinated loans with an aggregate consideration of £23.5 million, secured against a portfolio of healthcare and accommodation PFI assets
- As a result of this transaction, the Master Fund became substantially fully invested
- The Company declared and paid a dividend for the period to 31 March 2011 of 2.30 pence per share
- The Company's NAV per share as at 29 July 2011 was 98.40 pence
- The Master Fund's investments have all performed in line with expectations
- The Company's interim financial statements for the period to 31 March 2011 were released on 31 May 2011

Ian Reeves, Chairman of GCP Infrastructure Investments Limited, said "We are pleased to report that following the advance of a £23.5 million series of subordinated loans secured against a portfolio of healthcare and accommodation PFI assets, the Master Fund is now substantially fully invested. Further to that, all the current investments held by the Master Fund are performing in line with expectations, with interest payments having all been received in full. The Investment Adviser is continuing to pursue a variety of suitable investment opportunities and is building a significant pipeline. As a result the board is currently considering various options to fund these pipeline opportunities."

### Portfolio overview and performance

Through its investment in the Master Fund, the Company is exposed to a portfolio of 17 subordinated infrastructure loans (the "Loans"). The Loans have all been made against the performance of a number of UK PFI projects that are availability based and operational (the "Projects").

50% of the Loans are exposed to the healthcare sector, 21% to the education sector, 18% to the leisure sector, 9% to accommodation assets and the remainder to street lighting and housing projects. The weighted average expected term of the Loans is twenty three years. The valuation of the Company's exposure to the Loans is £39.50 million (based on a valuation carried out by Mazars LLP, the Valuation Agent, as at 29 July 2011) and reflects a weighted average discount rate across the portfolio of Loans of c. 9.8%.

None of the Projects has reported any material operational performance issues during the period and, to date, all interest payments due under the Loans have been received in full.

### Acquisition(s)

On 2 March 2011, the Board of Directors of the Company announced that Gravis Capital Partners LLP (the "Investment Adviser") had executed heads of terms, on behalf of the Master Fund, to advance a series of loans (the "UME Loans") secured on a subordinated basis against a portfolio of healthcare and accommodation PFI assets (the "Transaction"). The Transaction completed on 26 May 2011.

The Master Fund advanced the UME Loans to Infrastructure Intermediaries No. 1 Limited (the "Intermediary"), a single purpose vehicle established for the purposes of the Transaction. The UME Loans are secured against a series of loans made by the Intermediary on a subordinated basis against the cash flows arising from a portfolio of 3 healthcare and 2 accommodation UK PFI projects principally owned by UME Group LLP.

The UME Loans have an aggregate amount outstanding of £23.5 million, although it is expected that the aggregate size of the UME Loans will grow to c. £26 million on the delivery of additional security to the Intermediary during the course of the next 3 years. The UME Loans have an average life of c. 26 years, and a return of 9.59% p.a. annual equivalent.

Following the Transaction the Master Fund became substantially fully invested, and as at 29 July 2011 the Master Fund had c. £3.2 million of cash available to invest.

## Pipeline

The secondary market for UK PFI assets has been buoyant over the last six months. There have been a number of sizeable formal sales processes, and a noticeable increase in active investors which has resulted in a tightening in pricing. In the opinion of the Investment Adviser, better value seems to be available in smaller, less well-publicised transactions, and the Investment Adviser is continuing to see a steady stream of such investment opportunities across a variety of PFI sectors such as street lighting, emergency services, healthcare and education. Additionally, the Investment Adviser is seeking to fund a series of social housing projects backed by leases to registered social landlords and local authorities.

Activity in the UK solar panel market has increased dramatically in the last couple of years. Businesses are attracted to the twenty five year, RPI linked industry subsidy (the "Feed-in Tariff") payable on the installation of photovoltaic solar panels. A significant lending opportunity exists in this sector due to the fact that there is a time pressure to complete new installations before 31 March 2012 when the subsidy levels are expected to decrease, and banks are reluctant to lend to what is still a relatively little known sector in the UK. The Investment Adviser is currently conducting due diligence on various potential projects.

The balance sheets of senior lenders to the UK PFI sector remain under pressure from a regulatory perspective. The Investment Adviser is in advanced discussions with one lender with regards to a regulatory capital relief transaction that is expected to complete before the end of 2011.

## Dividends

Following the receipt of a dividend from the Master Fund, the Company declared an interim dividend on 18 May 2011 of 2.30 pence per share for the period to 31 March 2011. The dividend was paid on 24 June 2011 to shareholders on the register on 3 June 2011. The ex-dividend date was 1 June 2011.

## Company's NAV performance

As announced separately on August 3<sup>rd</sup> the NAV per share as at 29 July 2011 was 98.40 pence.

## Company financial statements

The unaudited interim consolidated financial statements of the Company for the period from 21 May 2010 to 31 March 2011 were released on 31 May 2011.

The financial statements reported consolidated net assets of £42.0 million and net income before distributions of £1.51 million.



## Enquiries

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### GCP Infrastructure Investments Limited

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The latest factsheet is available at:

<http://www.gcpuk.com/investor-relations/gcp-infrastructure-investments-limited/detail/fact-sheets/>

### Gravis Capital Partners LLP

Gravis Capital Partners LLP (GCP) is the investment adviser to the Company and the Master Fund. GCP is an infrastructure investment advisory specialist. In the last five years, the partners of GCP have provided capital structuring advice in relation to infrastructure projects with an aggregate capital value in excess of £1 billion, of which a majority involved the provision of subordinated (or mezzanine) debt.

Gravis Capital Partners LLP is authorised and regulated by the Financial Services Authority.

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