

Interim Management Statement

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GCP Infrastructure Investments Ltd
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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 2012 to 8 August 2012.

The Company seeks to generate returns from subordinated private finance initiative ("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

- In May 2012, following investment of c. 75% of the new capital raised through the Company's C Share Issue in December 2011, the Company's C Shares converted into New Ordinary Shares
- In June 2012, following strong investor demand, the Company raised c. £11 million through a tap issue
- During the period 5 new investments were completed totalling c. £45 million, and a further investment commitment of c. £6m was made on 7 August 2012
- The Master Fund is currently c. 97% invested (taking into account the c. £6m investment commitment)
- The NAV of the Master Fund's investment portfolio as at 31 July 2012 was £153.4 million
- All of the Master Fund's investments have performed in line with expectations
- The Company declared on 17 May 2012 and paid on 29 June 2012 an interim dividend of 3.70 pence per share for the six month period to 31 March 2012
- The NAV per Ordinary Share of the Company as at 31 July 2012 was 99.78 pence
- The Company's interim financial report for the six month period to 31 March 2012 was released on 28 May 2012

Ian Reeves, Chairman of GCP Infrastructure Investments Limited, said:

"The Board is pleased by the successful and speedy deployment of the proceeds of December's C Share issue and June's tap issue. The successful tap issue in June and the consistent trading of the Company's shares at a premium to NAV against a fairly troubled background for equity markets generally demonstrates the high degree of investor support for the Company.

"The Company has seen substantial evidence of a growing demand for long term debt finance for infrastructure projects generating public sector-backed cash flows, and the Investment Adviser is continuing to pursue a variety of attractive investment opportunities. The Directors believe this significant investment pipeline provides the Company with substantial room for further growth in the near term and as a result they are currently considering various near term funding options."

Acquisitions

During the period 5 new investments were completed totalling c. £45 million, and a further investment commitment of c. £6m was made on 7 August 2012:

1. On 19 April 2012 the Master Fund advanced a loan of £1.36 million (the "IIIE Loan"). The IIIE Loan is secured on a subordinated basis against the cash flows arising from a UK healthcare PFI project which is expected to become operational in July 2013. The IIIE Loan is expected to have a term of c. 26 years and produce a return of c. 9.46% p.a. annual equivalent.
2. On 26 April 2012 the Master Fund advanced a loan of £11.25 million (the "Civic Loan"). The Civic Loan is secured on a subordinated basis against the cash flows arising from two UK PFI projects, one of which comprises four schools in Scotland, operational since 2002, while the other is a family court project in England which has been operational since 2004. The Civic Loan was made to Civic PFI Investments Limited, a UK single purpose company, and is expected to have a term of c. 17 years and produce a return of c. 9.31% p.a. annual equivalent, plus an element of inflation protection.
3. On 30 April 2012, the Master Fund advanced a loan of £14.4 million (the "Solar Farm Loan"). The Solar Farm Loan is secured on a senior basis against the cash flows arising under the UK Government's Feed-In Tariff ("FIT") scheme from a 5MW solar farm which has been operational since September 2011. The Solar Farm Loan is expected to have a term of c. 24 years and produce a return of c. 9.52% p.a. annual equivalent, plus an element of inflation protection.
4. On 12 June 2012 the Master Fund advanced a loan of £4.325 million (the "Cardale Loan") to Cardale Infrastructure Investments Limited ("Cardale"). The Cardale Loan was advanced to enable Cardale to acquire Grosvenor PFI Holdings Limited ("GPFI"), an existing borrower of the Master Fund's, and is secured (on a cross-collateralised basis in favour of the Master Fund) against each of the various healthcare, education and other PFI assets held by GPFI. The Cardale Loan is expected to have a term of c. 23 years and produce a return of c. 9.72% p.a. annual equivalent.
5. On 22 June 2012, the Master Fund acquired loan notes with an aggregate value of c. £13.5 million (the "Notes") secured on a subordinated basis against a portfolio of senior UK PFI loans (the "Reference Loans"). The Reference Loans were advanced by a leading international bank rated A3 (Moody's) and A (Fitch) (the "Bank") that is a significant senior lender in the UK PFI market. The Reference Loans are secured against 20 availability-based UK PFI projects primarily in the education and healthcare sectors. The aggregate value of the Reference Loans to which the Notes are exposed is c. £307 million. The Notes are exposed to any losses that may be incurred by the Bank on the Reference Loans in excess of c. £0.3 million, up to a maximum of c. £13.5 million. The Notes will pay interest at a rate of 3 month Libor plus 8.75% per cent. per annum on a quarterly basis and have a legal final maturity of c. 29 years, but are expected by the Investment Adviser to be redeemed in c. 15 years.
6. On 7 August 2012, the Master Fund committed to advance a loan of c. £6 million (the "Domestic Solar Loan"). The Domestic Solar Loan is secured on a senior basis against the cash flows arising under the UK Government's Feed-In Tariff ("FIT") scheme from c. 1,000 domestic solar photovoltaic installations. The Domestic Solar Loan is expected to have a term of c. 24.5 years and produce a return of c. 9.31% p.a. annual equivalent, plus an element of inflation protection.

Portfolio overview and performance

Through its investment in the Master Fund, as at 31 July 2012 the Company was exposed to a portfolio of 22 infrastructure loans (the "Loans"). The Loans have all been made against the performance of a number of availability-based UK PFI projects and against cash flow receivables under the Feed-in Tariff ("FIT") scheme (the "Projects").

28% of the Loans are exposed to the education sector, 24% to the healthcare sector, 27% to FIT cash flows, 8% to the leisure sector, 6% to accommodation assets and the remaining 7% to various other PFI sectors. The weighted average expected remaining term of the Loans is 22 years. The valuation of the Company's exposure to the Loans was £112.51 million as at 31 July 2012 (based on a valuation carried out by Mazars LLP) and reflects a weighted average discount rate across the portfolio of Loans of c. 9.7%.

None of the Projects has reported any material operational performance issues during the period.

C Share conversion

Following the investment in the Solar Farm Loan, the Master Fund had deployed around three-quarters of the new capital raised through the Company's £63.7 million Placing and Offer for Subscription of C Shares (the "C Share Issue") that closed in December 2011. As at 30 April 2012, the value of investments of the Master Fund exceeded 90% of the net asset value of the Master Fund and, therefore, in accordance with the terms of the C Share Issue, the C Shares converted into New Ordinary Shares based on their respective net asset values on 30 April 2012. The New Ordinary Shares were admitted to trading on the London Stock Exchange on 8 May 2012.

Following the conversion of the C Shares, on 16 May 2012 the Master Fund repaid the £7 million then outstanding under the revolving credit facility with RBSI (the "RBSI Facility"). The RBSI Facility is currently undrawn, with the full £7 million facility available.

Tap issue

On 13 June 2012, the Company issued for cash 10,955,928 new Ordinary Shares of 1 pence each in the Company ("New Shares") (the "Tap Issue"). The issue price per New Share (before expenses) was 102.75 pence. The New Shares rank pari passu with the existing Ordinary Shares. In accordance with the Company's investment strategy, the net proceeds of the Tap Issue were invested in the Ordinary Redeemable Income Shares of the Master Fund.

Master Fund temporary dealing policy

In July 2012, the Master Fund adopted a policy whereby applications to subscribe for new shares are to be rejected unless either (a) there are approximately equivalent applications for redemptions which can be processed on the same dealing date or (b) the Directors of the Master Fund are satisfied that the Master Fund will be able to deploy funds arising from new subscriptions within a timescale that will not reduce returns to existing shareholders.

Pipeline and further fundraising

In the Directors' and the Investment Adviser's view, the large number of existing UK PFI and other infrastructure projects continues to provide the Company with significant near to medium term opportunities and means that the Company is not reliant on new infrastructure projects.

Concerns regarding the relatively slow progress to date of the delivery of the UK Government's vision for infrastructure investment outlined in the "National Infrastructure Plan 2011" were allayed to some degree by the Government's announcement in mid-July 2012 of a £40 billion loan guarantee programme to assist in the financing of projects expected to commence construction over the course of the following 12 months. It is hoped that this programme will underpin a substantial medium term pipeline of new public infrastructure projects.

In respect of renewable energy projects, prevailing market conditions have led to the emergence of a significant pipeline of suitable debt investment opportunities. Banks are reluctant to lend beyond 5 or 7 years (compared to the 20 or 25 year contracted cash flows arising under the Feed-in Tariff and Renewable Obligation Certificate schemes). Therefore, in light of the lack of available capital for renewable energy projects from traditional bank lenders, the Master Fund has continued to progress lending opportunities on a senior secured basis in this area, in particular focusing on further solar investments as well as an increasing number of biomass, wind and other public sector-backed opportunities.

The Master Fund is substantially fully invested, and the Investment Adviser has built up a significant pipeline of attractive lending opportunities. The Directors are therefore exploring, in conjunction with the directors of the Master Fund and its advisers, suitable near term funding options to take advantage of these pipeline opportunities, which includes the potential for a further C share offering by the Company. Further details will follow in due course.

Interim dividend and scrip alternative

The Company declared an interim dividend on 17 May 2012 of 3.70 pence per share for the six month period to 31 March 2012. The dividend was paid on 29 June 2012 to shareholders on the register on 25 May 2012. The Company also offered a scrip dividend alternative under which shareholders could elect to receive New Ordinary Shares in lieu of the cash dividend.

Company's NAV performance

As announced on 6 August 2012 the NAV per ordinary share as at 31 July 2012 was 99.78 pence.

Company interim financial statements

The unaudited consolidated financial statements of the Company for the six month period to 31 March 2012 were released on 28 May 2012. The financial statements reported consolidated net assets of £48.1 million and £62.7 million, and total comprehensive income of £1.66 million and £0.24 million (before set up costs), for the Ordinary Share Class and C Share Class respectively.

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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.

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