

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 October 2012 to 13 February 2013.

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

- The successful capital raise in October 2012 of £144.4 million was considerably oversubscribed
- During the period the Master Fund advanced new loans totalling c. £28.6 million secured against UK PFI and renewable energy projects
- The Investment Adviser is conducting late stage due diligence on a number of transactions in the UK PFI and renewable energy sectors
- The Company declared on 20 November 2012 and paid on 28 December 2012 a final dividend of 3.80 pence per share for the six month period to 30 September 2012
- The NAV of the Master Fund's investment portfolio as at 31 January 2013 was £183.8 million
- All of the Master Fund's investments have performed in line with expectations
- The NAV per Ordinary Share and C Share of the Company as at 31 January 2013 was 100.81 pence and 98.45 pence respectively
- The Company's audited financial report for the year ended 30 September 2012 was released on 19 December 2012, reporting consolidated net assets of £121.8 million, and profit for the period of £4.3 million

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

"We were delighted to raise £144 million in October's fundraise, more than doubling the size of the Company. The significant participation and interest in the fundraise by both new and existing investors demonstrated confidence in the Company and the quality of the Company's investment proposition. The capital raised is allowing the Master Fund to take advantage of a pipeline of highly attractive investment opportunities in both the PFI and renewable energy sectors."

C Share fundraising

The Company announced on 12 October 2012 that it had successfully raised gross proceeds of £144.4 million, with £132.3 million raised through the Placing and Offer for Subscription of C Shares with an issue price of £1.00 per C Share (the "Issue") and £12.1 million raised through the arrangements for Switching. The Issue was considerably oversubscribed and accordingly scaling back was applied.

Application was made for 132,300,000 C Shares and 11,969,698 Switching Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange ("Admission"). Admission became effective and dealings in the C Shares and the Switching Ordinary Shares commenced on 17 October 2012.

Acquisitions

During the period, the Master Fund advanced loans with a total value of £28.6 million.

The Master Fund advanced a loan of £2.4 million with a term of c. 14 years and an expected return of 9.20% p.a. annual equivalent. The loan is secured on a subordinated basis against the cash flows associated with an operational blue light (emergency services) PFI asset in England.

The Master Fund committed to subscribe for new loan notes secured on a senior basis against a portfolio of domestic solar photovoltaic installations with an aggregate value of up to £33.9 million. During the period, the Master Fund subscribed for loan notes with an aggregate value of £26.2 million. The loan notes have an annualised yield of 9.31%. The installations have been, and will continue to be, effected by A Shade Greener Ltd.

Portfolio overview and performance

Through its investment in the Master Fund, as at 31 January 2013 the Company was exposed to a portfolio of 26 infrastructure loans (the "Loans"), two of which are allocated to the C Share Class. The Loans have been made against the performance of a number of availability-based UK PFI projects and solar photovoltaic installations (the "Projects").

36% of the Loans by value are exposed to solar installations, 24% to the education sector, 21% to the healthcare sector, 7% to the leisure sector, 5% to accommodation assets and the remainder to custodial, emergency services, street lighting and housing projects. The weighted average term of the Loans is twenty-one years and the weighted average yield is 9.6% p.a. (annual equivalent). The valuation of the Loans is £183.8 million (based on a valuation carried out by Mazars LLP, the Valuation Agent, as at 31 January 2013). The valuation reflects a weighted average discount rate across the portfolio of Loans of c. 9.5%.

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

Private Finance 2

In his autumn statement on 5 December 2012, the Rt. Hon. George Osborne MP, the Chancellor of the Exchequer, outlined the government's vision for the future of UK infrastructure in the form of Private Finance 2 ("PF2"), the long-awaited replacement for PFI. PF2 is, as expected, substantially based on PFI with a few significant changes.

On the financing side, projects will be less geared, capped at an expected 80% gearing compared to the c. 90% gearing for PFI deals. The much larger equity capital is to be provided by three distinct sources: developer equity, public sector equity (up to 49%), and so called "third party equity". The third party equity will be procured through funding competitions is an attempt to attract long term institutional investors. The provision of public sector equity will come with project company board representation, and is an attempt to align the interests of the public and private sectors and to ensure the public sector has greater visibility of, and control over, project performance.

Two of the most vehemently criticised aspects of PFI, the inflexibility of operational maintenance contracts and the cost and time associated with procurement, have also been addressed directly. The government is introducing flexible soft facilities management contracts, meaning the public sector will be able to change service providers at any point during the PF2 contract and choose cheaper options. The government has also stated that procurement times for PF2 deals can last no longer than 18 months.

How the market reacts to PF2 is yet to be seen. It will be crucial that the private sector debt and equity markets get comfortable with the new structure given the enormous private sector funding requirement for the UK's proposed infrastructure development pipeline.

Debt Markets

The National Infrastructure Plan outlined the government's aim to raise £150 billion from the private sector, the majority of which would be debt finance. The high capital cost of infrastructure assets means they are best financed by long dated debt, and it remains the case that there are currently relatively few providers of long-dated debt.

Banks continue to retreat from long-term lending due to Basel II / III and concerns regarding their own liquidity. The bond markets are still predominantly shut to new issues following the collapse of many monoline insurers, and the involvement of pension funds and insurers is hampered by impending regulation in the form of Solvency II. Those entities that are lending, including a few of the Japanese and German banks and some insurers and pension funds, are more focused on larger value transactions. There have been a number of announcements with regards to potential debt funds, but none are yet particularly active participants in the market.

Pipeline

Given the debt market conditions outlined above, it is the Directors' and Investment Adviser's view that in offering the UK infrastructure market long-term debt the Master Fund is providing a highly sought-after product. To deploy the capital raised through October 2012's capital raise, the Investment Adviser is considering a number of potential deals across a variety of projects in the PFI and renewable energy sectors.

The pricing of secondary PFI assets has, in the Investment Adviser's view, been firming markedly over the last three months or so, with a consequent reduction in yields available. As a result, it is the expectation of the Investment Adviser that a substantial majority of the proceeds of the October 2012 capital raise will be deployed in the provision of debt secured against renewable energy projects.

The Investment Adviser is in detailed due diligence on a wide variety of projects in the renewable energy sector that are supported by government subsidies in one form or another. Many such projects, including solar PV installations, anaerobic digestion plants, woodchip boilers and onshore wind installations, are struggling to find providers of long-term debt. In these transactions the Master Fund is primarily seeking to provide senior debt.

It is currently anticipated that the timing of the completion of these pipeline transactions will result in the C Shares converting to Ordinary Shares within six months of Admission.

The Investment Adviser will monitor developments with regard to investment opportunities arising under PF2, but does not anticipate completing any such investments in the near term.

Interim dividend and scrip alternative

The Company declared a final dividend on 20 November 2012 of 3.80 pence per share for the six month period to 30 September 2012. The dividend was paid on 28 December 2012 to shareholders on the register on 30 November 2012. The Company also offered a scrip dividend alternative under which 26 shareholders elected to receive New Ordinary Shares in lieu of the cash dividend. As a result, 213,338 New Ordinary Shares were issued on 28th December 2012.

Company's NAV performance

As announced on 6 February 2013 the NAV per Ordinary Share and C Share as at 31 January 2013 was 100.81 pence and 98.45 pence respectively.

The Valuation Agent, Mazars LLP, reduced the discount rates used to value six of the Master Fund's subordinated PFI debt investments that are allocated to the Master Fund's Ordinary Share Class. The reduction was driven by recent pricing on comparable market transactions. The reduction in the discount rates resulted in a 1.1% increase in the net asset value of the Ordinary Share Class, and reduced the weighted average discount rate used to value the investments of the Master Fund's Ordinary Share Class from 9.6% to 9.5%.

Company financial statements

The audited consolidated financial statements of the Company for the year ended 30 September 2012 were released on 19 December 2012. The financial statements reported consolidated net assets of £121.8 million, and total comprehensive income of £4.3 million.

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GCP Infrastructure Investments Limited

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The latest factsheet is available at:

<http://gcpuk.com/gcp-infrastructure-investments-ltd/investor-reports>

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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