

Interim Management Statement

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GCP Infrastructure Investments Ltd
09 August 2013

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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 FCA Disclosure and Transparency Rule 4.3. This statement relates to the period from 1 April 2013 to 9 August 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 Company's C Shares converted into Ordinary Shares on 17 April 2013 following deployment of around three quarters of the £132.3 of net capital raised in October 2012.
- During the period the Master Fund advanced new loans totalling c. £78.6 million secured against UK PFI and renewable energy projects.
- The Company declared on 17 May 2013 and paid on 27 June 2013 an interim dividend of 3.80 pence per share for the six month period to 31 March 2013. As announced on 10 July 2013 the Company intends to move from the payment of semi-annual to quarterly dividends.
- The valuation of the Master Fund's investment portfolio as at 31 July 2013 was £303.6 million.
- All of the Master Fund's investments have performed in line with expectations.
- The NAV per Ordinary Share of the Company as at 31 July 2013 was 100.12 pence.
- The Company's unaudited financial statements for the six month period ended 31 March 2013 were released on 28 May 2013, reporting consolidated net assets of £266.0 million, and profit for the period of £6.3 million.
- The Investment Adviser is conducting due diligence on a variety of PFI and renewable energy transactions, although recent increases in valuations is limiting the range of suitable investment opportunities in the secondary PFI market.

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

"The Company was very pleased that the capital raised in October 2012 was invested in a timely fashion and that the conversion of the C Shares occurred within the original timeframe envisaged. The increased size of the investment portfolio gives investors exposure to a diversified and robust portfolio of debt investments. Particularly noteworthy is the fact that the Master Fund's renewable energy exposure is typically in the form of senior loans, and as such benefits from all the usual first-ranking creditor protections."

C Share conversion

On 10 April 2013 the Company announced that the Master Fund had successfully deployed around three quarters of the net new capital raised through the Company's £132.3 million placing and offer for subscription of C Shares (the "C Share Issue") which closed in October 2012. In accordance with the terms of the C Share Issue and on the basis that the Master Fund was 90 per cent invested, the Directors determined that the C Shares should be converted into Ordinary Shares.

Dividend declaration and dividend policy

The Company declared an interim dividend on 17 May 2013 of 3.80 pence per share for the six month period to 31 March 2013. The dividend was paid on 27 June 2013 to shareholders on the register on 31 May 2013. The Company also offered a scrip dividend alternative in lieu of the cash dividend.

On 10 July 2013 the Company announced its intention to move from the payment of semi-annual to quarterly dividends. The first quarterly dividend will be paid in February 2014 for the three month period to 31 December 2013.

Acquisitions

During the period, the Master Fund advanced seven additional loans totalling £78.6 million against a variety of renewable energy and PFI projects:

On 3 April 2013 the Master Fund advanced a loan of £11.3 million with a term of c.17 years and an interest rate of c.11% p.a. annual equivalent, plus an element of inflation protection. The loan is secured on a senior ranking basis against cash flows arising under the Government's Renewable Heat Incentive to be generated following the installation of a portfolio of commercial biomass boilers.

On 8 April 2013 the Master Fund advanced a loan of £5 million with a term of c.16 years and an interest rate of c.9.1% p.a. annual equivalent. The loan is secured on a senior ranking basis against cash flows arising under the Government's Renewables Obligation Certificates scheme to be generated following the development of a single site, two turbine, 6.8MW wind farm in England and from the sale of electricity therefrom.

On 9 April 2013 the Master Fund advanced a loan of £26.0 million with a term of c.17 years and an expected return of c.10.5% p.a. annual equivalent, plus an element of inflation protection. The loan is secured on a senior ranking basis against cash flows arising under the Government's Renewable Heat Incentive to be generated following the installation of a portfolio of commercial biomass boilers.

On 2 May 2013 the Master Fund advanced a loan of £4.1 million with a term of c.27 years and an interest rate of c.9.0% p.a. annual equivalent. The loan note is secured on a subordinated basis against the cash flows arising from a number of healthcare PFI and LIFT (Local Improvement Finance Trust) assets in England.

On 2 May 2013 the Master Fund advanced a series of loans with an aggregate value of £9.2 million, a term of c. 20 years and an interest rate of c. 9.3% p.a. annual equivalent, plus an element of inflation protection. The notes are secured on a senior ranking basis against a portfolio of domestic solar photovoltaic installations eligible for payments under the Government's Feed-in Tariff scheme.

On 29 July 2013 the Master Fund advanced a loan of £15.5 million with a term of c.19 years and an average interest rate of 9.8% p.a. annual equivalent. The loan is being used to part-finance the construction of a 15.8MWe wood-fuelled biomass combined heat and power plant on a ten acre site in Londonderry Port, Northern Ireland. The loan is secured on a subordinated basis against income expected to arise following the commissioning of the plant in the form of Northern Ireland Renewables Obligation Certificates and from the sale of electricity therefrom.

On 1 August 2013 the Master Fund advanced a loan of £7.5 million with a term of c.16 years and an interest rate of c.9.1% p.a. annual equivalent. The loan is secured on a senior ranking basis against cash flows arising under the Government's Renewables Obligation Certificates scheme to be generated following the development of two single site, two turbine, 4MW wind farms in England and from the sale of electricity therefrom.

All acquisitions have been financed fully from available cash reserves within the Master Fund.

Pipeline

The Investment Adviser has continued to see an increase in pricing in secondary market PFI transactions. The reduction in yields currently available is limiting the Master Fund's involvement in such transactions.

The relative scarcity of senior PFI debt providers has seen the emergence of innovative financing structures designed to attract institutional investors such as pension funds and insurers. These structures typically require some form of subordinated debt investment, and the Investment Adviser is progressing a number of such opportunities. The Investment Adviser is also working with a UK bank on its senior PFI loan portfolio with a view to entering into a third regulatory capital relief transaction.

Developers in a wide variety of renewable energy sectors are still struggling to find long dated lenders, particularly smaller developers. The recent withdrawal from the sector of one of the major bank lenders has accentuated the scarcity of long-dated debt, with a number of transactions that were in an advanced stage of due diligence having been left without finance. This lack of credit has created a number of attractive investment opportunities for the Master Fund in renewable energy projects that are supported by government subsidies in one form or another.

The asset finance sector remains a significant potential source of deals. Following the cancellation of the Building Schools for the Future programme many schools are struggling to progress planned development, and are instead seeking to hire or lease educational blocks. The Investment Adviser is looking into opportunities to finance such assets.

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

Portfolio overview and performance

As at 31 July 2013, the Master Fund was exposed to a portfolio of 26 infrastructure loans (the "Loans") valued at £303.6m. The Loans have been made against the performance of a number of availability-based UK PFI projects and renewable energy installations (the "Projects"). None of the Projects have reported any material operational performance issues during the period.

As at 31 July 2013, 41% of the Loans by value are exposed to PFI projects, 25% to rooftop solar installations, 17% to biomass projects, 10% to anaerobic digesters, 5% to commercial solar parks and 2% to onshore wind turbines. The weighted average

expected term of the Loans is nineteen years and the weighted average yield is 9.9% p.a. annual equivalent. The valuation of the Loans is £303.6 million (based on a valuation carried out by Mazars LLP, the Valuation Agent, as at 31 July 2013), reflecting a weighted average discount rate across the portfolio of Loans of c. 9.8%. It is the view of the Directors that the recent increase in pricing in the secondary PFI market and certain renewable energy sectors is likely to result in downward pressure on the discount rates used to value the Master Fund's Loans.

The Company's exposure to the Loans is valued at £260.7m.

Company's NAV performance

As announced on 6 August 2013 the NAV per Ordinary Share as at 31 July 2013 was 100.12 pence.

Company interim financial statements

The unaudited consolidated financial statements of the Company for the period ended 31 March 2013 were released on 28 May 2013. The financial statements reported consolidated net assets of £266.0 million, and total comprehensive income of £6.3 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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