

November 2009

About this Fund			
APIR Code	TGP0008AU		
Fund Size	\$174m		
Fund Commenced	13 November 2006		
Structure Availability	Wholesale		
Responsible Entity	Treasury Group Investment Services Ltd.		
Fund Manager	RARE Infrastructure Limited		
Years managing asset class	Three		
Total FUM in this asset class	\$1.2bn		
Gearing	0% Direct; 42% look through		
Fees			
Wholesale/ Platform MER (p.a.)	1.025%		
Buy/Sell Spread	0.25%/ 0.25%		
Investment Team			
Team size	Eight		
Located	Sydney		
Key Portfolio Managers	Richard Elmslie, Nick Langley		
Investment Process			
Fund Benchmark	OECD G7 Inflation Index plus 5.5% p.a.		
Typical Stock Numbers	30 – 60		
Currency Approach	Capital fully hedged to A\$		
Distributions			
	FY08	FY09	
Distributions	8.20¢	2.25¢	
Tax Deferred	14.5%	100.0%	
Performance (% pa) to 30 June 09		1 Yr	2 Yrs
Distribution Return [#]	2.1%	4.5%	
Capital Growth	-20.9%	-17.0%	
Total Return	-18.8%	-12.5%	
Fund Benchmark Total Return	5.6%	7.1%	
Excess Return	-24.4%	-19.6%	
Rating History			
August 2007	Investment Grade		
September 2008	Investment Grade		

(Note[#] includes distribution and hedging income and realised capital gains – see Quantitative Performance Analysis section for further information)

Fund Features

Strengths:

- Well resourced and experienced team of eight, solely dedicated to infrastructure mandates with minimal number of resource-competing portfolios.
- Systematic, well structured and detailed research process providing strong foundation for investment decisions.
- Diverse and complementary range of direct infrastructure experience.

Weaknesses:

- Relative high fees (consolidated annual and performance fees) compared to the Lonsec's peer group average.
- A degree of disadvantage relative to its larger global competitors, who in some cases have access to more extensive in-house research and a larger pool of global expertise in the infrastructure sector.

Key changes since Lonsec's last review

Team

- Senior Portfolio Manager George Raftopoulos left the business in April 2009. Tim Snelgrove joined in April 2009 as Trader and Analyst. Lonsec does not believe these team changes have been to the detriment of the Fund.

Investment Process

- Establishment of an 'Investment Advisory Board'; a forum for independent review and contribution to macroeconomic research and strategy.

Alignment of Interests

- Finalisation of equity participation plan for key staff.

Conclusion and Rating Rationale

Lonsec's rating of the Rare Infrastructure Value Fund (RIVF or the Fund) has been upgraded to 'Recommended'. This rating is supported by RARE's clear and consistent investment philosophy, large relative team size, and improvement to its robust and well articulated investment process.

Whilst still a relatively new manager, RARE has maintained a stable investment team since inception. The Manager has demonstrated a continued commitment to team cohesion and development, evident in recent improvements in staff remuneration schemes and complementary additions to the team since the last review. These improvements have more closely aligned the interests of key staff with those of

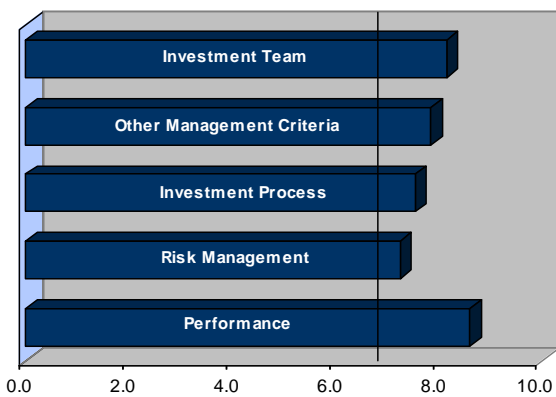
the Manager, increased the level of **accountability** for key staff and further reduced key person risk.

The macroeconomic or ‘top-down’ component of its research process has been enhanced through the establishment of an ‘**Investment Advisory Board**’ (IAB); a panel comprised of the two portfolio managers and two independent, senior investment professionals. By establishing a conduit for independent input, the manager has added a layer of objectivity and transparency to the broader RIVF macro-strategy.

Lonsec notes that independent representation within the Investment Committee (responsible for portfolio construction and stock selection) would add a further degree of objectivity and transparency to the investment process. This would align the Manager with what Lonsec believes is industry best practice.

At 30 September 2009, **RIVF’s performance** since inception has been below its absolute return benchmark. However the Fund has demonstrated a track record of performance over a three year period which compares favourably with its peer group average. Lonsec notes this performance has come during a period of negative global return across all sectors, which has consequently restricted the Manager’s entitlement to performance fees. Lonsec would therefore look for continued strong relative returns in stable or recovering markets where performance fees will temper strong returns in this Fund.

Lonsec Rating of Critical Determinants



Lonsec Opinion of this Fund

Portfolio and Portfolio Risk Management

The RIVF continues to provide a well developed and diversified portfolio offering, which effectively **achieves its objective** of providing investors the opportunity to invest in quality infrastructure securities throughout global listed markets.

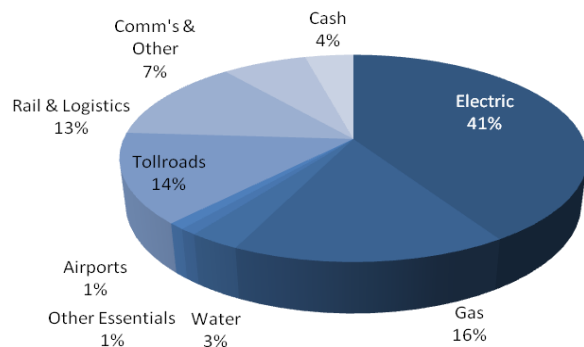
RIVF is an absolute return fund and therefore does **not construct the portfolio with regard to a particular market index**. On this basis it aims to provide investors with access to investment opportunities that exist outside the investible universe of index-linked funds.

Lonsec believes the portfolio is **well diversified** with a portfolio of 38 stocks at 30 September, with no single stock making up more than 6% of the portfolio.

As the economic outlook deteriorated in 2008, the Fund had been positioned away from user-demand assets towards more defensive, regulated sub-sectors. Lately, the Manager has been gradually reducing the portfolio’s exposure to defensive assets and is selectively switching into GDP sensitive, user-pays transportation infrastructure stocks that it considers are better positioned to benefit from an improvement in global economic conditions.

Lonsec believes this strategy demonstrates the Manager’s prudent approach to portfolio risk management and the benefits of its active management style.

Sector Exposures



As a point of differentiation, the Fund’s allocation limits allow it **to offer investors higher exposure to developing countries** (up to 25% of the portfolio by asset location) and low maturity or ‘greenfield’ assets (up to 20% of portfolio) relative to its peers. At 30 September however, the Manager has limited these exposures to 12% and 6% respectively, with allocations to these groups subject to the same risk/return analysis as all stocks included in the

portfolio. However, if allocations were made to the upper end of these limits, Lonsec would expect this Fund to exhibit potentially **higher levels of return** with associated **higher levels of volatility** compared with other infrastructure funds investing only in developed markets, reflecting the higher risk profile of these assets.

Lonsec believes the Manager takes a **disciplined approach to risk management**. This encompasses currency hedging; detailed risk adjusted return analysis on potential stock selections; weighting limits on regional, sectoral, asset maturity, and single stock exposures; as well as financial criteria, stock turnover, and stock liquidity. The hard and soft portfolio construction parameters are relatively narrow to ensure a diversified and liquid portfolio, but are also sufficient to allow **manager intuition** and insight to play an important role in constructing the portfolio.

Management Team

The RIVF benefits from a **large, high calibre** investment team with demonstrated infrastructure experience.

The team has been relatively **stable**, with only one departure since the Fund's inception in August 2006. Whilst this departure represents a loss of a considerably experienced team member, the continuity of the trading function has been maintained through the appointment of an additional trader/analyst; and Portfolio Manager accountability has been improved. On this basis Lonsec does not believe that this departure has materially affected the management of the Fund.

All staff are located in Sydney, so the Manager does not benefit from regionally based teams utilised by some of its larger competitors. Lonsec believes the benefits of regionally based teams includes round the clock coverage of stock markets, and an on the ground presence in markets where the Fund has significant exposures (e.g. North America makes up one third of the portfolio at September 2009). The limitations of remote assessments are addressed through **regular travel** by the investment team to meet with company management, competitors, regulatory bodies and to view assets held by companies in which they invest.

Lonsec believes **further enhancement** to team cohesion has been achieved through the recent establishment of the **staff equity participation plan**; which more closely aligns the interests of key staff with those of the Manager. The structure of this scheme, together with an income sharing scheme (part of which is deferred), serves as an effective tool for staff retention.

Investment Process

The investment process is supported by a **clear philosophy**, comprehensive and **well structured** research process, and strong manager conviction.

Lonsec believes the **'top down' component** of this process **has been enhanced** through the establishment of the IAB – a panel which includes two independent and highly experienced members.

The research team is **well resourced**, featuring a team of six analysts. Fundamental analysis is supported by rigorous research techniques and comprehensive modelling; however Lonsec notes a **degree of disadvantage relative to its larger global competitors** who have access to extensive in-house research and a larger pool of global expertise in the infrastructure sector. Lonsec believes this disadvantage is somewhat diminished by the Portfolio Managers' level of direct experience and extensive network of industry contacts.

Lonsec continues to note that **independent representation** within the Investment Committee (responsible for portfolio construction and stock selection) would **add a further degree of objectivity and transparency** to the process, and align the Manager with what Lonsec believes is industry best practice.

Financial

Whilst the management fee is slightly below the Lonsec peer group average, with the combination of the performance fee the Fund can potentially be one of the more expensive global infrastructure securities funds in Lonsec's database.

With regard to gearing, the Fund's constitution provides that it may borrow in certain circumstances to fund redemptions, however the Fund cannot borrow for investment purposes and therefore has no direct debt. On a 'look-through' basis, the gearing of the portfolio was 42% at 30 September. This is generally in line with similar global infrastructure funds.

Combined with the distinctively stable and long term cash flow characteristics of infrastructure assets, Lonsec does not believe investors are exposed to adverse levels of leverage risk.

Performance

Since inception (Nov 2006), RIVF has delivered a total return of -0.7% p.a., compared to its benchmark return of 7.3% p.a.

The negative return to date is symptomatic of wider market instability rather than the Fund's under-performance. Importantly, returns **compare**

favourably with other managers included in **its peer group** on both one-year and two-year investment periods. Its returns have also been delivered with **lower levels of volatility** (as measured by standard deviation of returns) relative to the peer group average.

Whilst the Fund is relatively new (approximately three years), performance to date has provided a basis for establishing a level of consistency in returns and conviction in the Manager's track record.

Sector / Market Conditions

Governments around the world have made infrastructure spending a priority. This is expected to translate into significant investment opportunities particularly in countries like the US where infrastructure spending has not kept up with the requirements of the economy.

Whilst credit markets have not yet stabilised, evidence to date has shown that infrastructure companies with a strong credit outlook as a result of their solid underlying fundamentals have been able to refinance their debt at all-up comparable rates to their original terms.

The listed market is now a less expensive avenue to gain exposure to infrastructure as an asset class as evidenced by recent direct infrastructure deals at price to earnings multiples significantly greater than observed in the wider market. Investors should however be aware that that whilst the underlying assets may generate stable and predictable cash flows, the listed securities are still exposed to market volatility.

This volatility was demonstrated during the last 12-18 months in the **Australian infrastructure sector** as the financial crisis unfolded. Historically, the Australian infrastructure sector has been highly leveraged and when the debt crisis started, the listed infrastructure sector suffered. Many investors became wary of highly geared vehicles which hurt many infrastructure companies as a result. Since then, there have been equity raisings, asset divestments and dividend cuts. In some instances, management has also been internalised. Consequently, most Australian based infrastructure companies are now in a more stable position.

Global infrastructure has typically exhibited lower levels of gearing and less complex capital structures compared with the Australian sector. Despite this, the global sector has not been immune to losses stemming from the global financial crisis. Investor concerns about the earnings impact of weak global economic data on some volume sensitive

infrastructure stocks; together with widespread selling of listed securities by liquidity-seeking investors saw global infrastructure indices experience losses throughout 2008 and early 2009.

While most economies have slowed down, global equity markets have rebounded strongly off the lows experienced in March 2009. Buoyed by improved sentiment and encouraging economic data, it would seem that the outlook for **volume-sensitive infrastructure assets** such as toll roads, airports, ports and railways are set to benefit from a global economic recovery in the latter half of 2009.

Risk Assessment Summary

Lonsec Rates the key risk factors associated with RIVF as follows:

Risk Factors Table	Low	Med	High
Operational Earnings			
Diversification	Low		
Market Volatility			High
Financial			
Leverage (gearing at Fund Level)	Low		
Currency	Low		
Management & Others			
Experience		Med	
Independence	Low		
Related Party Transactions	Low		
Liquidity	Low		

Overview

1.1 Using this Fund

This report constitutes General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

As a stand-alone investment, Lonsec considers the Fund suitable for low to mid risk profile investors seeking exposure to infrastructure through the listed market with above benchmark returns over a three to five-year investment time horizon.

1.2 The Fund

The RARE Infrastructure Value Fund is an open-ended, Australian registered unlisted unit trust which provides unit-holders with a vehicle to gain exposure to a portfolio of global infrastructure securities through a single investment.

The Fund has an absolute return focus and aims to deliver returns above a benchmark accumulation index comprising the OECD inflation plus 5.5% per annum.

The portfolio will typically be comprised of between 30 and 60 securities listed on the stock exchanges in the leading G7 countries, with up to 25% of the portfolio to exchanges of other developed and developing countries. The Fund may also invest up to 20% of gross assets in unlisted securities; however given the resource-intensive nature of such investments and the Manager's opinion of liquidity and relative value in the listed sector, no allocations have been or are likely to be made in the medium term.

1.3 Currency Hedging

Funds that invest globally will be exposed to some level of currency risk. This means that both distributions and capital values may be reduced by adverse movement in exchange rates between the AUD and foreign currencies.

The Manager largely mitigates this risk by ensuring the portfolio's foreign exchange exposure is substantially hedged at all times; with the hedge operating in a target range of 90% to 110% for each currency in the portfolio.

The hedging consists of three-month forward contracts of which about one third is rolled every month. An early reset is generally triggered by one of two events: pronounced market movements push the hedging outside the range; or an increase or decrease in investment in a particular region that pushes hedging outside the target range.

The hedging is monitored by the Investment Committee daily and a Senior Portfolio Manager executes the hedge after all positions are checked and approved by another member of the Investment Committee.

1.4 Liquidity

A unit price is calculated daily with a view to providing regular withdrawal opportunities for investors. The Fund's target cash allocation of 5% and minimum 80% allocation to listed investments ensure liquidity is strong. The PDS notes that RIVF may also borrow for the purposes of ensuring the Fund maintains adequate liquidity.

Withdrawals are paid according to the calculated redemption price, which is based on the net asset value of the fund on the day in which the request is received.

Wholesale investors should note that some conditions apply if redemption request relate to part of their investment - partial applications must be for a minimum of \$10,000, and the remaining holding post-redemption must total at least \$500k based on the prevailing unit price.

1.5 Gearing

The Fund has no direct borrowings. The Fund's Constitution does not permit borrowing for investment purposes, although gearing is permitted to fund redemptions.

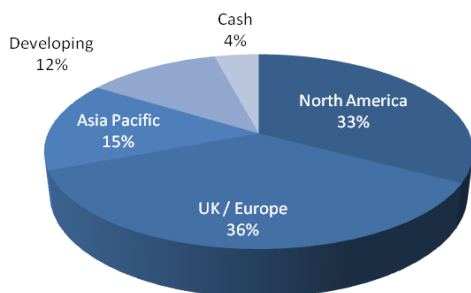
The Fund is however exposed to leverage on a look through basis, as most stocks that it invests in include some level of gearing. In some cases, infrastructure assets may be more highly geared and owned in more complex funding structures than is typical of assets in other assets classes.

The look-through gearing (calculated as net debt to enterprise value), was 42% at September 2009. This is considered to be in line with Lonsec's average for global listed infrastructure securities funds. The Manager does not impose a limit on look-through gearing, however the Manager does not expect that look-through gearing will vary significantly from the observed rate since inception (30-45%).

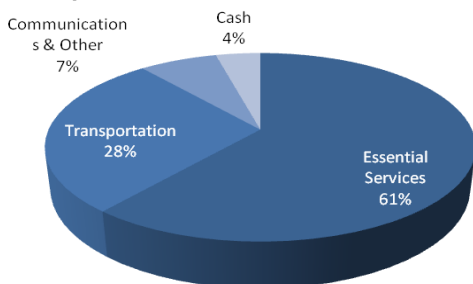
1.6 Fund Holdings

At 30 September, the Fund has a total of \$174m under management, with investments in 38 securities which are well diversified by region and sector, and maturity profile:

Regional Exposures

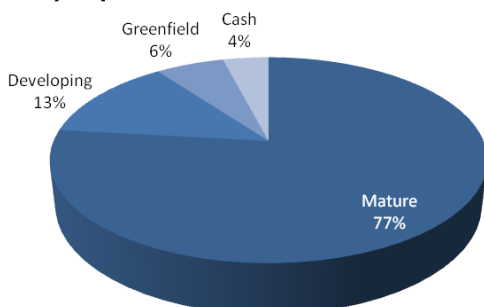


Sector Exposures



In addition to sectoral and regional guidelines, stock selection also considers asset maturity. Given the risk-return profile can vary significantly during the lifecycle of an infrastructure asset, this additional parameter provides another layer of risk management and is a point of differentiation for the Fund:

Maturity Exposures



The manager tracks the portfolio allocations with particular regard to the underlying assets held by the companies in which they invest. Consequently, the Manager is able to more accurately monitor the underlying allocations of the portfolio and place limits on these allocations on a 'look-through' basis.

The tables below summarise the portfolio construction parameters against actual allocations at September 2009.

Sector Parameters	Target Holdings	Actual Holdings
Essential Services	45-70%	61%
Transport	25-45%	28%
Communications	0-15%	7%
Community & Social	0-10%	0%
Cash	0-20%	4%

Regional Parameters	Target Holdings	Actual Holdings
UK/Europe	20-45%	36%
Asia Pacific	0-25%	15%
North America	20-45%	33%
Developing	0-25%	12%
Cash	0-20%	4%

Asset Maturity Parameters	Target Holdings	Actual Holdings
Greenfield (under Construction)	0-20%	6%
Developing	0-20%	13%
Mature	70-100%	76%

The Manager has adhered to each of its portfolio construction parameters at 30 September 2009, and has appropriate and continuous monitoring and management systems in place to ensure continued compliance.

The table below shows the top 10 holding of the Fund at 30 September, which comprise approximately 47% of the Fund's investments:

Top 10 Holdings	Weighting (%)
ITC Holdings Corporation	5.5
Abertis Infraestructuras SA	5.2
SES	5.0
National Grid PLC	4.9
Shenzen International Holdings Limited	4.7
Spectra Energy Corp	4.3
Vinci SA	4.3
TransCanada Corporation	4.3
Northeast Utilities	4.1
Red Electrica Corporation SA	4.0
Total	46.6

As the economic outlook deteriorated in 2008, the Fund had been positioned away from user-demand assets towards more defensive, regulated sub-sectors. Lately, the Manager has reduced the portfolio's exposure to defensive assets and is selectively switching into GDP sensitive, user pays transportation infrastructure stocks that it considers are better positioned to benefit from an improvement in global economic conditions.

1.7 Tax

Investors receive tax benefits flowing from imputation credits and the tax deferred component of distributions received from Australian investments. These benefits do not apply to income earned from offshore investments.

Approximately 94% of the Fund was invested in offshore stocks as at 30 June 2009. As such, the tax effectiveness on RIVF's income is low compared with the Australian infrastructure average. However, investors in RIVF will generally receive foreign tax credits to offset any withholding tax paid on foreign dividends.

2. Management

2.1 Responsible Entity

The Responsible Entity for the Fund is the Treasury Group Investment Services Limited (TIS), a wholly-owned subsidiary of Treasury Group Limited (ASX Code: TRG).

TRG invests in and provides operational services to a group of small to medium-sized boutique funds management companies, which together had \$12.97b in funds under management as at 30 September 2009. TIS was formed in 2003 to provide administrative and operational services to funds management companies in which TRG has an interest.

The investment manager of the Fund is RARE Infrastructure Limited (RARE or the Manager). RARE was established in July 2006 as a boutique fund manager solely focused on infrastructure and utility investment mandates. As at 30 September 2009, RARE managed approximately \$1.2bn in global listed infrastructure assets, mainly for institutional mandates.

RARE is owned by TRG (40%) and by the two Senior Portfolio Managers (60%).

2.2 Fund Team and Resources

Team Structure and Experience

The investment team is ordered along the traditional Research Analyst and Portfolio Manager structure, similar to other actively managed funds in Lonsec's database. The Fund benefits from a large investment team of eight (relative to its peer group average of five); which is solely dedicated to infrastructure mandates.

Team Member	Years Experience (Infrastructure)
Portfolio Managers	
Richard Elmslie	19
Nick Langley	11
Analysts	
Tim Humphreys	10
David Maywald	8
Sarah Shaw	10
Rod Chisholm	9
Jonathan Reyes	1
Tim Snelgrove	0.5

At the portfolio management level, Elmslie and Langley draw on strong infrastructure expertise forged in senior investment banking, funds management, and corporate advisory roles both internationally and

domestically. This experience has provided them with a well developed understanding of global infrastructure companies, regulatory regimes and funding structures, as well as operational and management requirements at the asset level. Lonsec believes that these skills are important for understanding the sector and contributing to manager intuition.

Whilst both Langley and Elmslie have no previous portfolio management experience prior to founding RARE, this concern has been diminished to some extent by the performance of the RIVF to date. Lonsec will however be looking for continued strong performance over the longer term to gain maximum conviction in their efficacy as portfolio managers.

With regard to segmentation of duties, the Manager outsources a number of non-core and administrative functions. This allows Elmslie and Langley to focus the majority of their efforts to investment responsibilities.

The analytical team is of high calibre and has a broad range of academic qualifications and experience specific to the infrastructure sector; with direct experience in the senior group ranging from 8 to 10 years.

All staff are located in Sydney, so the Manager does not benefit from regionally based teams utilised by some of its larger competitors. Lonsec believes the benefits of regionally based teams includes round the clock coverage of stock markets, and an on the ground presence in markets where the Fund has significant exposures (e.g. North America makes up one third of the portfolio at September). The limitations of remote assessments are addressed through regular overseas trips by the investment team to meet with company management, competitors, regulatory bodies, and to view or use physical assets in which they invest.

Team Changes

The team has been relatively stable, with only one departure since inception. Portfolio Manager George Raftopoulos departed RARE in April 2009.

Raftopoulos had a primary responsibility for trade execution, and continuity of this function has been maintained with the addition of trader/analyst Tim Snelgrove.

Prior to joining RARE, Snelgrove spent one year as an analyst with Merrill Lynch's hedge fund sales desk, managing and executing client orders. He also has previous experience with several accounting

firms. He holds a Bachelor of Commerce (Hons) from the University of Sydney.

Lonsec Comments

Raftopulos was a member of the Investment Committee and had considerable portfolio and funds management experience. Whilst his departure represents a loss of a layer of experience from the investment team, the manager appears to have made a complementary addition to the team that achieves continuity of the primary trading function and strengthens its research capacity.

Furthermore, a reallocation of responsibilities has also served to increase the level of accountability for the two remaining members of the portfolio management team.

On this basis, the team changes that have taken place since the previous Lonsec review do not appear to be detrimental to the ongoing management of the Fund.

Key Person Risk

Key person risk is primarily limited to Elmslie and Langley. Their 60% equity position in RARE largely mitigates this risk. Their compensation is highly aligned to the success of RARE.

Remuneration / Alignment of Interests

The interests of investors and the Manager are somewhat aligned by the Fund's performance fee structure.

The research team are paid a market competitive base salary and also participate in an income sharing scheme (Intellectual Property Participation Payments); a structure that rewards both individual and company performance. A portion of these payments are made on a deferred basis.

In addition, the implementation of an equity participation plan for key staff has been substantially finalised which will provide continued incentive for shareholding staff.

3. Investment Process

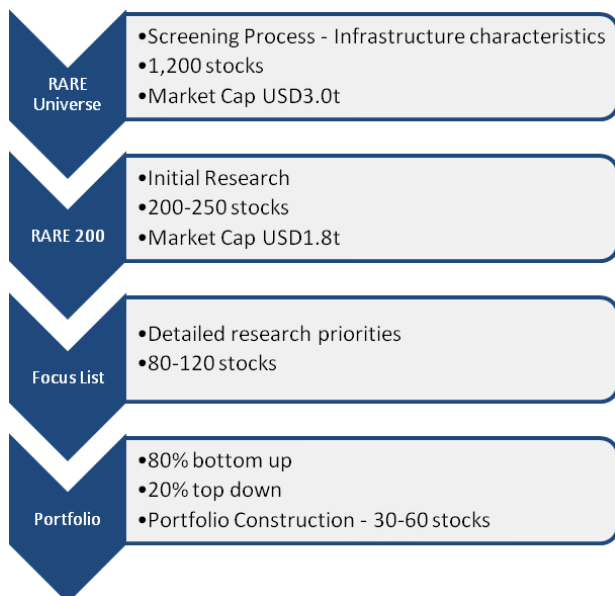
3.1 Overview

The investment process is supported by a clear philosophy, comprehensive and well structured research process and strong manager conviction.

The emphasis of the research effort is on risk-adjusted return analysis. This is a bottom up approach utilising fundamental, stock specific value research. This approach is augmented by top-down overlay that reviews market, economic, regulatory and political factors; and draws extensively on the portfolios managers' knowledge and experience.

The Manager attributes about 80% of the portfolio construction process to the findings of detailed bottom-up modelling of future cash flows and profitability of individual stocks using proprietary in-house models. The balance of portfolio construction is based on top-down strategy.

The overall security selection process consists of a number of clearly defined steps that aim to ensure that the attributes of a security will match the investment objectives of the Fund:



Determining the 'RARE Universe'

Since the Manager does not construct the portfolio with regard to any particular index, it undertakes screening analysis of the global universe of securities to identify those which exhibit the broad 'infrastructure' characteristics and satisfy a range of investment features as defined by the Manager:

- Long Life assets
- Ownership of monopoly assets
- Resilient and stable cash flows

- Attractive yield
- Inflation hedge
- Largely fixed operating cost base

This group is currently comprised of approximately 1,200 stocks.

Deriving the 'RARE 200'

Initial research priorities are determined by measuring securities included in the RARE universe against a set of quantitative parameters including:

- Market capitalisation (>USD500m)
- Gearing (Debt to EV, EBIT to Interest)
- Cash flow (Free Cashflow/Dividend)
- Valuation (P/E Multiple, EV to EBITDA)
- Yield (Income %)

Assessment against these parameters is used to define the list to a group of approximately 200-250 stocks; referred to as the 'RARE 200'.

Detailed research priorities from the RARE 200 are determined via a peer group assessment, which combines both quantitative and qualitative criteria to select the highest rated stocks within each subsector. On this basis the group is narrowed to approximately 80-120 stocks, which are then subject to more detailed analysis and modelling.

Individual Security Selection

RARE analysts prepare a standard research report for each 'focus list' stock reviewed. This report includes:

- Detailed divisional analysis and modelling
- Company, industry and economic research
- Info. gathered from company contact
- Peer analysis
- SWOT analysis
- DCF valuation

Actual stock selection is then determined by the Investment Committee. The Investment Committee will make decisions having particular regard to conclusions reached in the research reports and the stock's ability to meet quantitative three and five-year equity internal rate of return criteria (IRR):

Ranking	Expected IRF	Maximum Weighting
Rank 1	13%+	6%
Rank 2	11%	5%
Rank 3	10%	4%
Rank 4	9%	3%

Investment decisions will also be based on the Manager's significant industry and sectoral knowledge; that is, their ability to draw on their experience to effectively 'pick' stocks from a set of competing stocks. The intuitive phase of the process is an important overlay for the more structured IRR valuation analysis.

3.2 Research Resources

To create the stock specific research report, RARE analysts utilise a broad range of internal and external information and data resources. Primary sources of information include:

- Company releases including reports, presentations and announcements.
- Economic and industry statistics and market data.
- Regulatory or other statutory body reports.
- Information obtained from company management meetings.

Secondary sources of information include:

- External databases (Bloomberg, Thomson Financial)
- Credit rating analysis and reports
- Broker reports
- Industry sponsored sector conferences
- Competitor research

Leading brokers in particular sectors are identified for the purposes of gaining industry information, understanding of unusual market drivers and access to management. Price Targets and financial information contained in broker reports are not relied upon by RARE, but rather used as a method to gauge general market perceptions of the stock.

Investment Advisory Board

The IAB meets every two months to review macro-economic data, inputs and forecasts and assesses implications for the Fund. Board members include the two portfolio managers and two independent members – Mark Burgess and David Bowers.

Mark Burgess is a well credentialed investment professional with over 25 years funds management experience. Previously held senior positions include

Global Head of Equities at Credit Suisse Asset Management and Chief Investment Officer at Colonial First State Asset Management.

David Bowers is a leading global economist and strategist and a former Head of Equities Strategy at Merrill Lynch London. He is currently the Managing Director of Absolute Strategy Research which includes a number of global institutions amongst its clients.

The intended outcome of the IAB meetings is to provide improved macro-economic data and analysis to RARE's investment process. The IAB has no input into the portfolio construction or stock selection process.

3.3 Portfolio Construction

RIVF's portfolio risk limits are sufficient to effectively manage risk and are suited to the active management style. The buy and sell rules are logical and clear.

Portfolio Risk Controls	Min	Max
Regional Parameters		
UK/Europe	20%	45%
Asia/Pacific	0%	25%
Nth America	20%	45%
Developing	0%	25%
Sector Parameters		
Essential Services	45%	70%
Transport	25%	45%
Communications	0%	15%
Community & Social	0%	10%
Asset Maturity Parameters		
Greenfield	0%	20%
Developing	0%	20%
Mature	70%	100%
Other Guidelines		
Cash	0%	20%
Weight to single stock		6%*
Desired Portfolio Stock Numbers	30	60
Desired Portfolio Turnover Range	30%	35%
Allocation to unlisted securities	0%	20%

*Stocks may naturally drift by 2% prior to active reweighting

Lonsec Comments

The RARE investment process is true to its bottom up approach and is logical, well structured, consistently applied. The investment methodology is transparent and balanced. It captures both the quantitative and qualitative attributes of the stocks included in the focus list and the Fund's portfolio.

Lonsec has viewed, and has high conviction in RARE's comprehensive proprietary financial models, which are peer reviewed and consistently maintained.

Lonsec believes the top-down component of the investment process has been enhanced, with the IAB serving as an effective forum for strategy generation and cross-pollination of ideas.

Whilst the research team may not have recourse to some of the global in-house research at the disposal of its larger global competitors, this disadvantage is substantially diminished by the depth of the PM's

direct infrastructure experience and wide network of industry contacts.

Lonsec believes the investment and portfolio construction process would be enhanced if there were an independent investment committee to oversee portfolio decisions and risk exposures.

4. Financial Analysis

4.1 Gearing

The Fund's constitution provides that it may borrow in certain circumstances to fund redemptions; however the Fund has no direct debt. On a 'look-through' basis, the gearing of the portfolio (measured as a weighted average of the net debt to enterprise value ratios of stocks included in the portfolio) was 42% at 30 September. This is generally in line with similar global infrastructure funds.

The debt profiles of stocks included the RARE review process are closely monitored by the analyst team, with particular focus on maturity profiles, interest coverage, relative costs, and overall gearing levels. At 30 September, the weighted average interest coverage ratio for stocks in the portfolio was 4.9 times.

4.2 Distributions

RIVF's constitution provides for payment of distributions annually, however the intention of the Manager is to provide distributions on a quarterly basis in January, April, July and October each year. In the period ended June 09, the fund paid 2.25 cents per unit to investors, which was comprised entirely of capital. Despite an underlying dividend yield in the portfolio of 5.3%, a sharp fall in the AUD during the second half of calendar 2008 contributed to the reduction in distributable income, as realised currency losses from the settled hedge contracts are included as distributable income. This was not unique to RIVF, as many global managers were forced to reduce or cancel distributions during this period.

4.3 Fee Structure

Summary of Fees

Fees	Current	Maximum per Fund's Constitution
Contribution fee	Nil	5.00% (excl GST)
Withdrawal fee	Nil	5.00% (excl GST)
Establishment fee	Nil	
Termination fee	Nil	
Management fee (GST inclusive)	1.025% p.a. of the Net Asset Value of the Fund	2%
Performance fee	10.25% p.a. of the excess return of the Benchmark by the Fund	

(Source: RARE)

There are no up-front or exit fees currently being charged and advisors do not receive commissions from subscriptions.

Buy/Sell Spread

The buy/sell spread is applied to cover transaction costs incurred in buying and selling the underlying assets of the fund, as well as the costs of brokerage and security settlement.

The Manager currently applies a buy spread on application of +0.25% of the unit price and similarly on redemption -0.25% of the unit price is applied. These charges are in line with Lonsec's peer group average.

Annual Management Fees & Expenses

The annual management fee and expense ratio (MER) is 1.025% (inc. GST) of the Fund's net asset value. The management fee is accrued daily and paid monthly in arrears. This fee is slightly below the Lonsec peer group average of 1.058%.

Performance Fees

The Manager is entitled to charge a performance fee where the returns of the Fund (post management fees) exceed the return of the benchmark for the Fund.

The benchmark is calculated as the OECD G7 Inflation index plus 5.5% p.a. The fee is currently equal to 10.25% of the amount by which performance of the Fund exceeds the performance hurdle. The performance fee is calculated and accrued each business day and payable half-yearly.

This fee is subject to a high-watermark proviso, in that if the aggregate of the performance fee accruals over the half-year period is negative, then the negative amount is carried forward and RARE will not be paid a performance fee until the end of a half year period for which the performance fee accrued and the actual performance of the Fund are both positive.

While a performance based fee in combination with a management fee may promote a better alignment of interests between the investors and the Manager, under different outperformance scenarios, RIVF can be potentially a more expensive proposition compared with some of its peers.

Fee Structure Comparison

The table below shows the fee structure of a number of vehicles that invest in the infrastructure sector:

Fund	Annual Fees & Expenses	Performance Fee
AMP Capital Core Infrastructure Fund (Hybrid)	1.25% (of net assets)	15% (+ GST) of total return above 10yr Aust. gov't bond yield + 3.25%.
Colonial First State Wholesale Global Listed Infrastructure Securities Fund	1.20% (of net assets)	None
Macquarie International Infrastructure Securities Fund	1.12% (gross assets)	10% of return above Index (Macquarie Global Infrastructure Total Return Index (\$A Hedged))
RARE Value Infrastructure Fund	1.025% (of net assets)	10.25% of investment returns made in excess of OECD G7 Inflation Index plus 5.5%
Lazard Global Listed Infrastructure Fund	1.00% (of net assets)	None
Nucleus Global Infrastructure Fund	0.95% (of net assets)	10.25% of investment returns made in excess of Australian CPI plus 6.0% (before fees)
GSJBW Australian Infrastructure Fund	0.85% (of net assets)	None

Source: Lonsec

Under a range of outperformance scenarios, the total fees (Performance and MER) charged by these funds are set out below:

Outperformance (p.a.) (Scenarios)	RIVF* (RARE)	Macquarie International Infrastructure Group	Colonial First State Wholesale Global Listed Infrastructure Securities Fund	Lazard Global Listed Infrastructure Fund	NGIF** (Nucleus)
2.0%	1.23%	1.17%	1.20%	1.00%	1.16%
2.5%	1.28%	1.22%	1.20%	1.00%	1.21%
3.0%	1.33%	1.27%	1.20%	1.00%	1.26%
3.5%	1.38%	1.32%	1.20%	1.00%	1.31%

(Source : Lonsec).

*G7 inflation assumed to be 2%

**Australian CPI assumed to be 2.5%

5. Quantitative Performance Analysis

5.1 Performance

The RIVF has delivered a total return since inception of -0.7% (at September 2009). The Fund's performance compares favourably to the UBS Global Infrastructure and Utilities Index, the Macquarie Global Infrastructure total return Index; and the MSCI International Shares Accumulation index:

Performance to 30 Sep 2009	1 year	Since Inception*
Total return after fees *	-2.5%	-0.7%
Lonsec Benchmarks		
(UBS Global Infrastructure & Utilities Accumulation Index A\$)	-14.1%	-5.7%
Macquarie Global Infrastructure Index	-5.1%	-3.0%
MSCI World Index	-1.7%	-3.1%

(Note: *November 2006)

The RIVF has also outperformed Lonsec's infrastructure peer group average over several investment periods. This performance has also been delivered with lower levels of volatility:

Quantitative Performance Analysis	As at 30 September 09			
	1 Year		2 Years	
	Fund	Peer Group	Fund	Peer Group
Performance (% pa)	-2.5	-5.7	-9.4	-11.2
Standard Deviation (% pa)	15.0	18.8	15.5	19.5
Excess Return (% pa)*	11.6	8.4	0.8	-1.1
Outperformance Ratio (%)	75.0	63.9	62.5	57.6
Worst Drawdown (%)	-18.3	-21.3	-33.0	-36.4
Time to Recovery (mths)	na	0.2	na	0.0
Sharpe Ratio	-0.5	-0.6	-1.0	-0.9
Information Ratio	0.6	0.4	0.0	0.0
Tracking Error (% pa)	19.9	21.2	18.2	21.4

(Note: * Benchmark: UBS Global Infrastructure & Utilities Accumulation Index (A\$))

Source: Lonsec

Attribution

Returns throughout global equity markets in the last twelve months can be broadly characterised into two distinct periods: a continuing bear market precipitated by the global financial crisis, which saw global equity markets reach multi-year lows in February 09; followed by a sustained rally in which seven straight monthly gains were recorded to September 09.

Against the global trend of significant losses in the period from October 08 to February 09, the RIVF significantly outperformed the broader MSCI world

equities index. The Fund benefited from a more defensive portfolio allocation to regulated utilities, and lower allocations to more GDP sensitive, user-demand assets (i.e. toll roads, airports, ports) which were oversold as investors panicked in the face of a rapidly deteriorating global growth outlook.

Whilst still experiencing strong gains in the six months to September 2009, the RIVF's relatively defensive portfolio entering the rally meant it underperformed the global equity and infrastructure indices during this period. This period saw more transport infrastructure and commodity sensitive names rebounding strongly off their March lows.

The Manager has been gradually unwinding some of the defensive positions but will maintain a cautious approach to portfolio construction; it will continue to watch for a number of crucial signposts such as US employment numbers to support their generally optimistic view.

Calendar Year to:	2009 YTD				
	Dec-07	Dec-08	Mar-09	Jun-09	Sep-09
Global Hedged					
Lonsec Index*	16.7%	-27.5%	-13.6	-4.9%	5.0%
RIVF	16.0%	-26.6%	-7.0%	0.4%	10.4%
Lazard Global	5.9%	-32.4%	-13.9%	0.6%	11.9%
MIIIF	16.8%	-38.7%	-9.5%	2.4%	12.3%
Vanguard Global	n/a	-15.8%	-11.8%	-6.6%	1.0%
CFS Global	n/a	-30.8%	-10.5%	1.4%	14.5%
Magellan	n/a	-34.1%	-8.7%	-0.3%	13.4%
AMP Capital Core	n/a	-8.7%	-4.0%	-1.6%	1.0%
Other Funds					
Vanguard Global (UH)	n/a	4.5%	-16.2%	-21.3%	-20.0%
GSJBW Aust	3.7%	-15.8%	-6.5%	-5.7%	3.7%
Peer Average (Hed)	11.4%	-26.8%	-9.7%	-0.7%	9.0%
Peer Average	10.3%	-21.0%	-10.4%	-4.8%	3.3%

(*Note: UBS Global Infrastructure & Utilities Index A\$ Hedged)

Performance relative to benchmark

Performance to 30 Sep 09	1 Year	2 Years	Inception (13 Nov 06)
Total Return (post fees)*	-2.5%	-9.4%	-0.7%
RIVF Performance Benchmark	4.6%	7.2%	7.3%
Over / Under performance	-7.1%	-16.6%	-8.0%

(*Morningstar, annualised)

The Fund has underperformed its own benchmark since inception by 8.0%. In the 12 months to September 2009, the fund has underperformed this benchmark by 7.1%. This period of negative performance was not unique to RIVF, as heavy losses were recorded throughout all indices and asset classes as the fallout continued from the global financial crisis.

RIVF's Benchmark

This benchmark has been selected to reflect the Manager's absolute return investment style and is also designed to be representative of the infrastructure asset characteristics in which it invests; that is, long term stable returns with an inflation hedge.

The table below sets out the performance of the infrastructure sector as measured by the UBS Global Infrastructure and Utilities Index (A\$) and the Macquarie Global Infrastructure Index (MGII).

Calendar years	RARE Benchmark Index	UBS Global Infrastructure & Utilities Index A\$	Macquarie Global Infrastructure Index
Average Return p.a.	7.44%	7.40%	7.86%
Volatility	0.48%	13.03%	13.00%
2008	7.00%	-11.96%	-24.80%
2007	7.22%	9.19%	16.0%
2006	7.55%	26.75%	30.8%
2005	7.99%	22.49%	22.4%
2004	8.05%	25.00%	25.5%
2003	7.13%	(2.36%)	22.7%
2002	7.56%	(21.8%)	(19.6%)
2001	6.59%	(12.35%)	(10.1%)
2000	8.04%	55.73%	-
1999	7.26%	(16.63%)	-

Source: Lonsec

Based on a ten year comparison of average returns, the table above illustrates that the global infrastructure sector has delivered average returns of 7.5-8.0%, which is comparable to the average for the RIVF benchmark of 7.44% over the same period. However it should be noted that during some years the sector (measured by the UBS and Macquarie benchmarks) significantly outperformed the RIVF benchmark; implying that the Manager may potentially be entitled to greater performance fees during periods in which it had not outperformed the sector.

However, it should also be noted a fund using a sector- based index may technically be entitled to a performance fee even if its returns are negative (provided index returns are also negative). This issue is addressed by most managers through the application of a high watermark with scheduled reset periods, thereby ensuring managers are not paid performance fees where net losses have been incurred or where gains are simply recovering earlier losses.

On this basis, Lonsec believes the performance fee hurdle should be set at a level where the Manager is rewarded for genuine outperformance of the sector. Lonsec would therefore prefer that in addition to the existing absolute benchmark, the Fund's performance fee is also subject to a widely accepted infrastructure and utilities related industry benchmark.

6. Glossary

Indirect Cost Ratio	Management fee plus expenses divided by net assets.
Infrastructure	Permanent, capital intensive assets required for the operation of society.
Utilities	Subset of Infrastructure; energy generation, water, transmission/distribution.
Sharpe Ratio	Measure of risk adjusted historical returns. Calculated as the investment's return above the 10 year Government bond rate divided by the standard deviation of its returns.
Tracking Error	Measure of how closely a portfolio's returns follow the returns of its benchmark index. It is calculated as the standard deviation of the difference between the portfolio and the index returns.
UBS Global Infrastructure and Utilities Index (AUD)	Primary stock inclusion rule into this index is that more than 50% of EBITDA in previous financial year must have been earned from infrastructure and utilities investment. Capital value of stocks hedged to the Australian dollar.
'Look-through' gearing	Indirect gearing, once the debt level of underlying investments is taken into account.

7. Information Used in the Review Process

Lonsec has relied on information supplied by and obtained from discussions with employees of RARE Infrastructure Limited. We have reviewed or relied upon the following documents in the course of our research process:

1. RARE – OECD G7 Inflation Index.
2. RARE Infrastructure Limited – Presentation (October 2009).
3. RARE Infrastructure Value Fund – Product Disclosure Statement (September 2008)
4. RARE Infrastructure Value Fund – Monthly Update September 2009
5. RARE Infrastructure – IFSA – March 2009
6. <http://www.rareinfrastructure.com/>

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Date Prepared: November 2009

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 <p>Highly Recommended</p>	<p>The Highly Recommended rating indicates that Lonsec has high conviction in the manager's capabilities within this asset class. Lonsec does not have any issues or concerns with the manager's expected ability to outperform peers on a risk-adjusted basis and achieve its performance targets over a full economic cycle.</p>
 <p>Recommended</p>	<p>The Recommended rating indicates that the Fund is considered to be a worthy substitute for Highly Recommended products, given the manager is still considered to be well positioned overall to deliver outperformance in the long term. A Highly Recommended rating has not been assigned due to one or more factors that are likely to impact the manager's overall capabilities.</p>
 <p>Investment Grade</p>	<p>The Investment Grade rating indicates that the Fund is approved for investment and has the potential to achieve its investment objectives over a full economic cycle. However, there are particular areas of weakness or deficiency in the Fund, when compared to other products in the sector with higher ratings.</p>
<p>Hold</p>	<p>The Hold rating indicates that it is not recommended that any new or additional investment be made into this product. A Hold is typically assigned when Lonsec believes the Fund has the potential to achieve its investment objectives over a full economic cycle (and hence remains acceptable for existing investments), but other funds provide better long-term options for new investments. A 'Hold' is also assigned when a Fund closes to new money but Lonsec remains comfortable with the outlook for the Fund.</p>
<p>Fund Watch</p>	<p>The Fund Watch rating indicates that it is not recommended that any new or additional investment be made into this product. A 'Fund Watch' rating is typically assigned when a significant change has occurred with the management of the Fund and a more detailed assessment of the change is required. A Fund Watch rating can usually be interpreted as a precursor to a ratings change and will typically be shorter term in nature.</p>