RARE

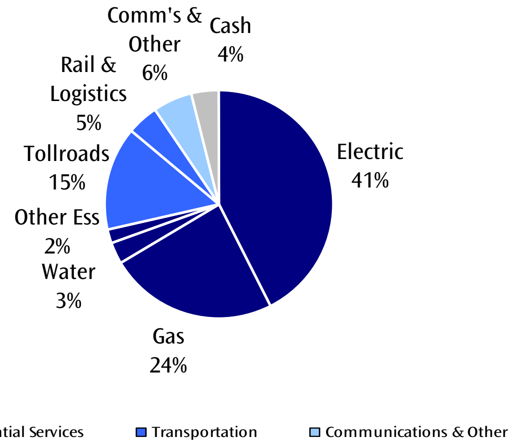
# RARE Infrastructure Value Fund
# February 2009

## Performance Summary (total returns in AUD after fees)

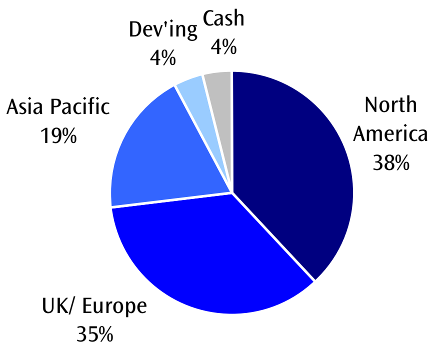
| | This Month | Three Months | Twelve Months | Inception[1] |
|---|---|---|---|---|
| RARE Infrastructure Value Fund | -5.0% | -7.2% | -28.5% | -8.2% |
| Benchmark[2] | -0.8% | -0.6% | 7.0% | 7.1% |
| MSCI World (Local Currency) | -8.3% | -13.2% | -42.4% | -18.2% |

## Overview of Fund Exposures and Portfolio Statistics

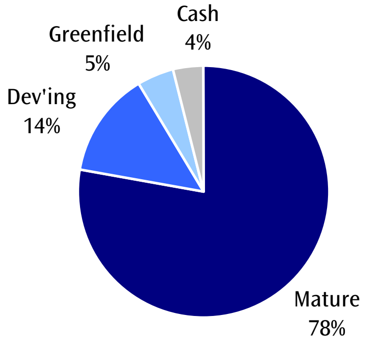
### Sector Exposures[3]




### Regional Exposures - by Listing




### Maturity Exposures[3]




### Portfolio Statistics

Current statistics of the RARE Infrastructure Value Fund are as follows[4]:

| | |
|---|---|
| Dividend Yield | 6.6% |
| EV[5]/ EBITDA[6] | 7.9x |
| Interest Cover | 3.8x |
| Gearing (Net Debt/ EV) | 41.1% |
| Asset Beta | 0.46 |

### Fund Details

| | |
|---|---|
| Fund Size | $119m |
| Number of Holdings | 36 |
| Minimum Investment | $500,000[7] |
| Application Price | 0.7414 |
| Redemption Price | 0.7377 |
| Distribution Frequency | Quarterly |
| Distribution for December 08 | 0.7500 cpu |
| APIR Code | TGP0008AU |
| Morningstar Ticker | 14651 |
| Management Fee | 1.025% per annum |
| Transaction Costs | 0.25% |
| Performance Fee | 10.25% of investment returns made in excess of the Benchmark |
| Benchmark | An accumulation index comprising the OECD G7 Inflation Index plus 5.5% per annum |

1 Inception date 13 November 2006. Results Annualised
2 OECD G7 Inflation Index plus 5.5% pa
3 Based on the exposures of the underlying assets of the stocks in the Fund, as assessed by RARE Infrastructure
4 Based on weighted averages
5 EV means Enterprise Value (market capitalisation + preferred equity, if any + net debt)
6 EBITDA means earnings before interest, tax, depreciation & amortisation
7 If you invest through an IDPS operator such as a Master Trust or Wrap Account platform, this minimum may not apply to you

## Market Commentary for the Month Feb 09

Global markets declined sharply again in February. A combination of on-going negative economic news and substantial corporate profit downgrades coupled with heightened uncertainty regarding the global banking and financial system impacted sentiment. The US market fell during the month (DJ -11.7%; S&P500 -11.0%; NASDAQ -6.7%) on the back of worse than expected corporate earnings, particularly bearish profit outlook statements and concerns over the possible "nationalisation" of some US banks. The negative market reaction has been driven by the fear that as the real economy continues to slow over the course of 2009 and the financial system shows no sign of stabilising, corporate earnings will deteriorate much further before any economic stimulus package provides a measure of positive traction.

European markets fell in line with the US (UK -7.7%; France -9.1%; Italy -14.8%; Spain -9.8%; Germany -11.4%) on concern US plans to increase spending and support problematic banks will not be sufficient to revive growth. European exports are expected to contract sharply, accelerating the fall in year-on-year industrial production (France -10.9%, Italy -14.3%; Spain -19.6%) and exacerbating the rise in unemployment levels (UK 6.3%; Germany 7.9%; Eurozone 8.2%). EU leaders rejected a EUR180bn bailout of Central and Eastern European countries whose currencies have been battered in the downturn, despite the massive EUR1.0 trillion banking exposure EU banks have to the region.

Asia Pacific markets also declined for the month (Japan -9.8%; Hong Kong -7.7%; Singapore -0.9%; Australia -4.9%) as the impact of the economic slowdown globally was reflected in poor data regionally. Year-on-year industrial production declines (India -2.1%; Taiwan -43.1%; Singapore -29.1%), falling GDP (Taiwan -8.4%) and sharply lower housing starts (Japan -18.7%) reflected the deteriorating economic outlook for the region.

Infrastructure related activity included the announcement that the US stimulus package includes USD150bn that has been earmarked for infrastructure, of which some USD50bn is for transportation (highways, transit and airport projects). OHL of Spain has signed a deal valued at nearly USD400 million to build a 360 km highway along Peru's northern coast, while a new concession contract negotiated between Brisa and the Portuguese authorities allows for the disposal of assets that form part of its main concession (up to 33%). Abu Dhabi's Department of Transport has shortlisted five consortia for the USD2.7bn, 327km Mafraq-Ghweifat highway project, while Scottish and Southern Energy is reported to be in GBP11.0bn takeover talks with Swedish utility Vattenfall.

## Portfolio Commentary

The fund underperformed in February, finishing negative at -5.0% compared to the -8.3% performance for global markets, as measured by the MSCI World Index.

On a sector and regional basis, RARE benefited from its exposure to Communications in Europe, Electricity utilities in Latin America and from exposure to the Logistics sector in Asia. Performance was negatively impacted by RARE's exposure to Electric and Gas utilities in Europe and North America and tollroads in Europe.

Cintra is finalising the sale of its car parking assets (est. EUR500m), while a Vinci led consortium has signed a EUR600m contract with the German authorities for a 30-year concession of the A-Modell A5 motorway. Snam Rete Gas announced the acquisition of ENI's Italgas and Stoccaggi Gas Italia assets for a total consideration of EUR4.7bn which will be financed through a rights issue of EUR3.5 billion and new loans of EUR1.3 billion.

RARE continues to believe that global markets will be volatile, and continues to weight the portfolio towards stocks that exhibit more defensive investment characteristics.

***Richard Elmslie, Nick Langley & George Raftopulos, Senior Portfolio Managers***

## Overview of Fund Holdings

| Top 10 Holdings | Weighting |
|---|---|
| ENBRIDGE INC | 5.7% |
| ITC HOLDINGS CORPORATION | 5.7% |
| NATIONAL GRID PLC | 5.1% |
| WISCONSIN ENERGY CORPORATION | 4.9% |
| TRANSCANADA CORPORATION | 4.8% |
| SPECTRA ENERGY CORP | 4.5% |
| SINGAPORE POST LIMITED | 4.2% |
| SES | 3.9% |
| PROGRESS ENERGY | 3.8% |
| RED ELECTRICA CORPORATION SA | 3.7% |

## Currency Exposure

| Currency | Exposure (AUD million) | Hedge (%) |
|---|---|---|
| US Dollar (incl. HKD) | 42.9 | 100% |
| Canadian Dollar | 12.7 | 109% |
| Euro | 33.0 | 112% |
| British Pound | 9.8 | 106% |
| Brazilian Real | 4.7 | 103% |
| Singapore Dollar | 5.1 | 107% |