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# Infrastructure Investments Fund

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2016 Annual Report



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FOR INSTITUTIONAL/WHOLESALE/PROFESSIONAL CLIENTS AND QUALIFIED INVESTORS ONLY - NOT FOR RETAIL USE OR DISTRIBUTION

**J.P.Morgan**  
Asset Management

IESO-N-0000921

THE INFRASTRUCTURE INVESTMENTS FUND (“IIF” or the “Fund”) offers investors a moderate-risk approach to infrastructure investing that is diversified across OECD countries and by sub-sector.

The Fund is designed to deliver stable returns, with a considerable portion of the return expected from cash yield over the long-term, by investing in a broad range of infrastructure assets primarily located in OECD countries.

#### ON THE COVER

Sonnedix Power Holdings’ Santa Julia solar farm, located in the Valparaiso region of Chile, which is 195 km north of Santiago. The 3.63 MW project reached commercial operation in April 2016 and operates under a 15-year Power Purchase Agreement (“PPA”).

# 2016

## in numbers

**2.8** GW of renewable energy capacity, enough to power, on average, the residential electricity consumption of Ireland

**1.9** million shipping containers moved, enough to fill 110 Empire State buildings

**2.1** million cubic meters of liquid storage capacity, enough to fill 822 Olympic size swimming pools

**8.7** million passengers travelled through IIF-owned airports, roughly the population of New York City

**40,400** km of sewer pipes, enough to circle the earth

**8.3%** asset performance  
**6.1%** cash yield

NAV of USD  
**6.1** billion

USD **2.2** billion in new commitments, nearly one third of which came from existing investors

**1.4** billion capital called

**223** committed client accounts from 20 countries

**4<sup>th</sup>** Place — IIF’s ranking in the GRESB Infrastructure Assessment (out of 51 global funds)

**45** employees fully dedicated to IIF

**14** research papers published

Less than **60** days weighted average wait time in the commitment queue

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# MISSION STATEMENT

## INFRASTRUCTURE INVESTMENTS FUND

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A fund advised by J.P. Morgan Investment Management, Inc.

### FIDUCIARY STANDARD

We conduct ourselves and make all decisions transparently, and in the best interests of our investors.

### FOCUS ON GOVERNANCE

We drive a culture of strong governance at the Fund and portfolio company levels to foster sustainable businesses and returns consistent with our long-term investment horizon.

### OPERATIONAL EXCELLENCE AND PERFORMANCE

We strive for excellence in all we do and are accountable for our performance. We drive an agenda of continual improvement at the portfolio companies and at the Fund.

### RESPONSIBLE INVESTMENT

We prioritize transparency, integrity, fairness and responsibility in all aspects of our business, in all communities in which we serve, and with our personnel, investors, stakeholders and partners.





PHOTO: ELECTRICITY NORTHWEST'S PLANT IN NORTHWEST ENGLAND.

# Financial Highlights

## 2016 ANNUAL REPORT

### FINANCIAL HIGHLIGHTS

AT DECEMBER 31, 2016

|                                   |            |
|-----------------------------------|------------|
| GROSS ASSETS (000):               | USD 12,534 |
| NET ASSETS (000): <sup>1</sup>    | USD 6,050  |
| CURRENT LONG-TERM LEVERAGE:       | 52%        |
| NUMBER OF INVESTMENTS:            | 14         |
| NUMBER OF INVESTORS: <sup>2</sup> | 223        |

<sup>1</sup> Non-GAAP basis.

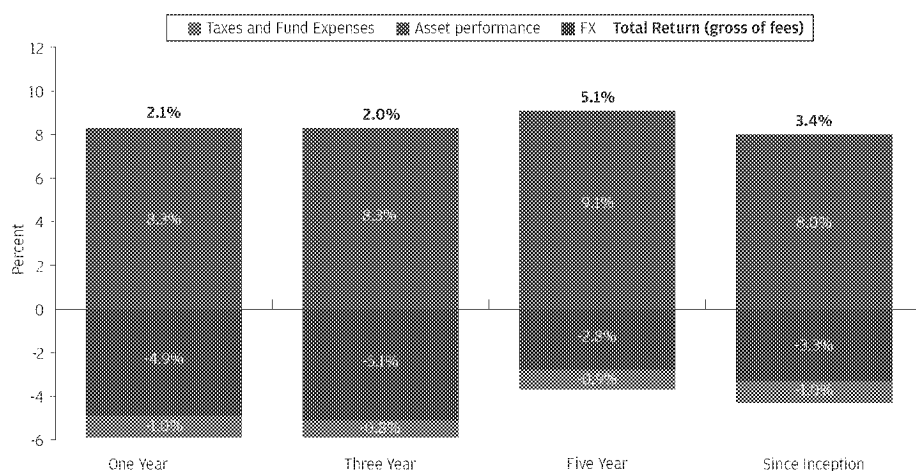
<sup>2</sup> Based on committed client accounts.

The **INFRASTRUCTURE INVESTMENTS FUND (“IIF” OR THE “FUND”)** generated a trailing one-year gross return of 2.1% in U.S. dollar terms and 7.2% in local currency terms. Cash distributions during 2016 totaled USD 345 million, generating a yield of 6.1%. Please refer to the Letter to Investors on page 5 for additional details.

### Investment performance

TIME WEIGHTED RATES OF RETURNS FOR PERIODS ENDED DECEMBER 31, 2016<sup>3</sup>

|                                                   | One Year% <sup>4</sup> | Three Year% <sup>4</sup> | Five Years% <sup>4</sup> | Since Inception% <sup>4,5</sup> |
|---------------------------------------------------|------------------------|--------------------------|--------------------------|---------------------------------|
| Cash distributions (yield)                        | 6.1%                   | 6.2%                     | 6.0%                     | 4.8%                            |
| Asset performance                                 | 8.3%                   | 8.3%                     | 9.1%                     | 8.0%                            |
| FX impact                                         | -4.9%                  | -5.1%                    | -2.8%                    | -3.3%                           |
| Taxes <sup>6</sup>                                | -0.5%                  | -0.3%                    | -0.4%                    | -0.4%                           |
| Fund Expenses - net <sup>7</sup>                  | -0.5%                  | -0.5%                    | -0.5%                    | -0.6%                           |
| <b>Total Return (gross of fees)</b>               | <b>2.1%</b>            | <b>2.0%</b>              | <b>5.1%</b>              | <b>3.4%</b>                     |
| <b>Total Return (net of fees)</b>                 | <b>1.1%</b>            | <b>0.9%</b>              | <b>3.9%</b>              | <b>1.9%</b>                     |
| <b>Total Return (gross of fees, excluding FX)</b> | <b>7.2%</b>            | <b>7.4%</b>              | <b>8.1%</b>              | <b>6.8%</b>                     |
| <b>Total Return (net of fees, excluding FX)</b>   | <b>6.1%</b>            | <b>6.3%</b>              | <b>6.9%</b>              | <b>5.4%</b>                     |



<sup>3</sup> Performance numbers represent a composite return of the combined fund investor vehicles (FIVs) in existence as of December 31, 2016. Specific FIV and investor returns are shown on the quarterly investor statements.

<sup>4</sup> Returns for periods greater than one quarter are time-weighted rates of return calculated by linking quarterly returns. Returns of greater than one year are annualized. The sum of Asset performance, FX, Taxes and Fund Expenses may not equal total returns due to the compounding effects of linking quarterly returns.

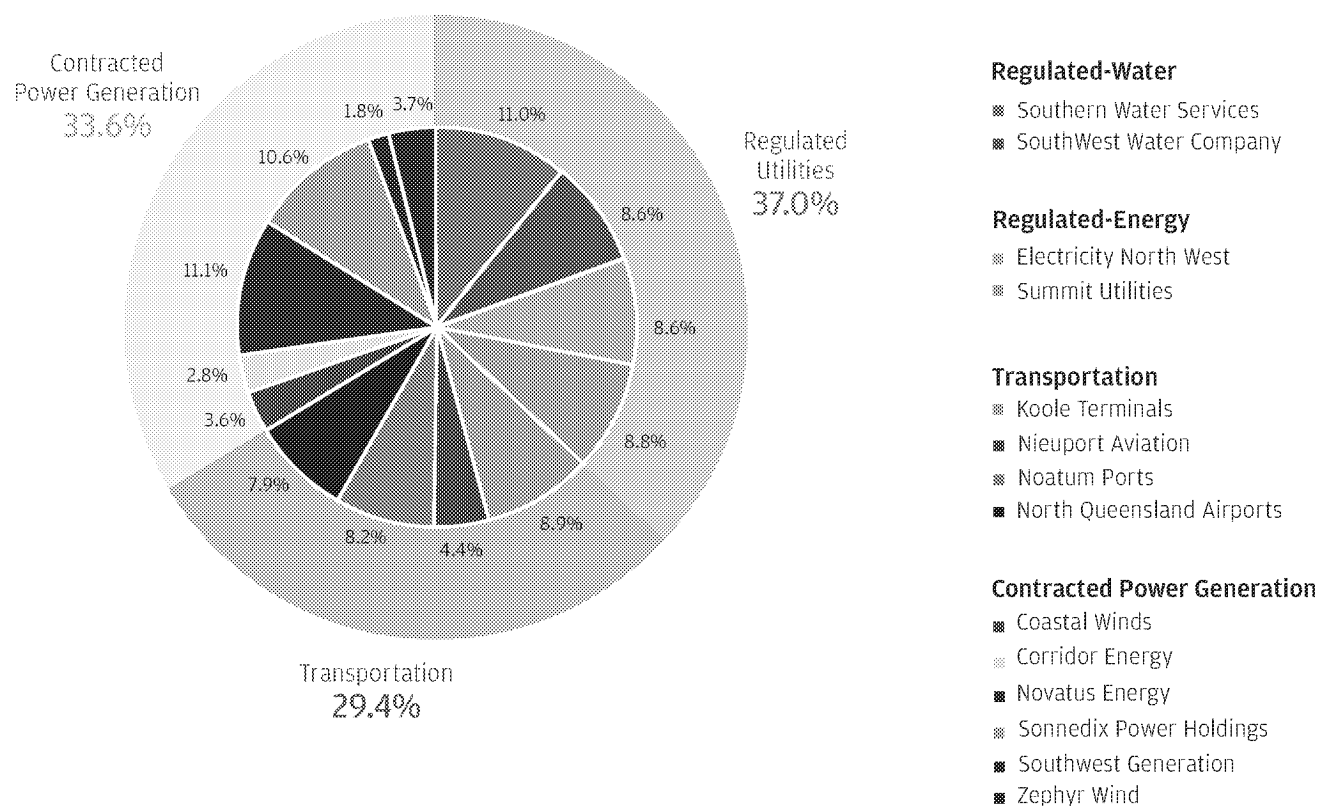
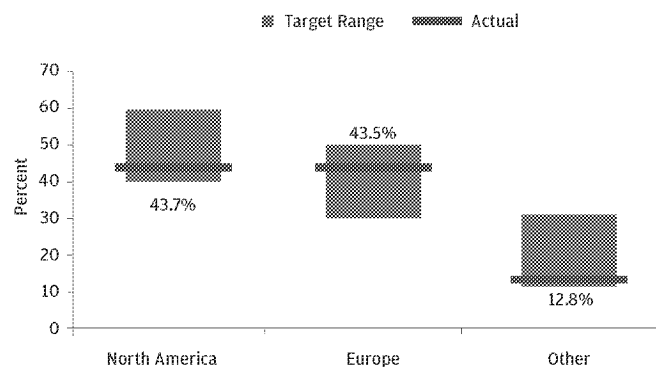
<sup>5</sup> Inception to-date returns have been calculated beginning July 1, 2007, which represents the first full quarter of Investor participation in the Fund.

<sup>6</sup> Taxes mainly relate to deferred taxes on net appreciation of the Fund.

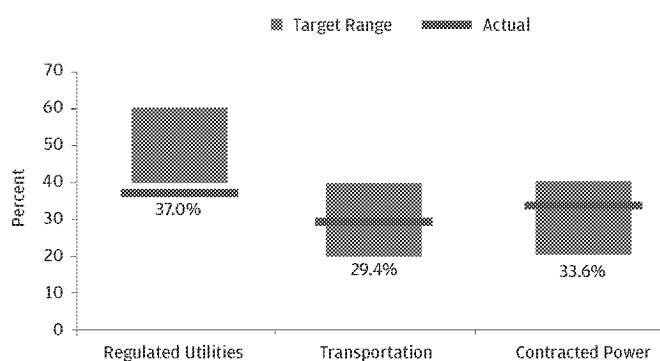
<sup>7</sup> Includes Fund-level income and expenses.

Past performance is not indicative of future returns.

## FUND SNAPSHOT

EXHIBIT I: PORTFOLIO DIVERSIFICATION  
AS OF DECEMBER 31, 2016EXHIBIT II: PORTFOLIO CONSTRUCTION  
GEOGRAPHIC TARGET  
AS OF DECEMBER 31, 2016

SUB-SECTOR TARGET



## TO OUR VALUED CLIENTS



**Paul J. Ryan**  
Chief Executive Officer,  
OECD Infrastructure  
Equity and Debt  
Portfolio Manager, OECD  
Infrastructure Equity

I am pleased to deliver the Infrastructure Investments Fund annual report for the calendar year ended December 31, 2016.

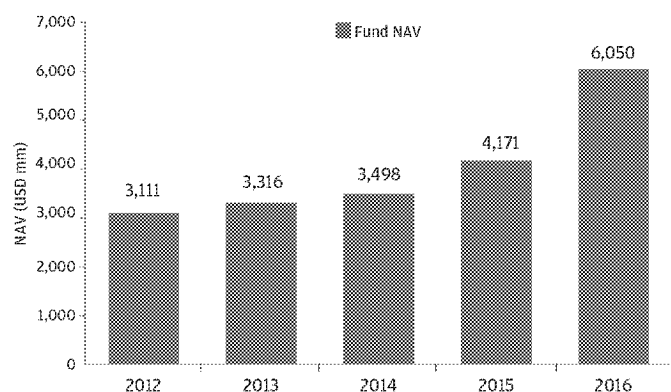
## PERFORMANCE AND DISTRIBUTIONS

The Fund completed the fourth quarter with asset performance of 2.1% in local currency terms. Foreign currency detracted -3.3%, which translated into a total gross return of -1.5% in USD terms. The Fund's trailing one-year asset performance was 8.3% in local currency terms. Foreign currency detracted -4.9% for a total gross return of 2.1% for the trailing 12-months in USD terms. IIF continued its trend of delivering steady and stable income to investors, with a trailing 12-month yield of 6.1%.

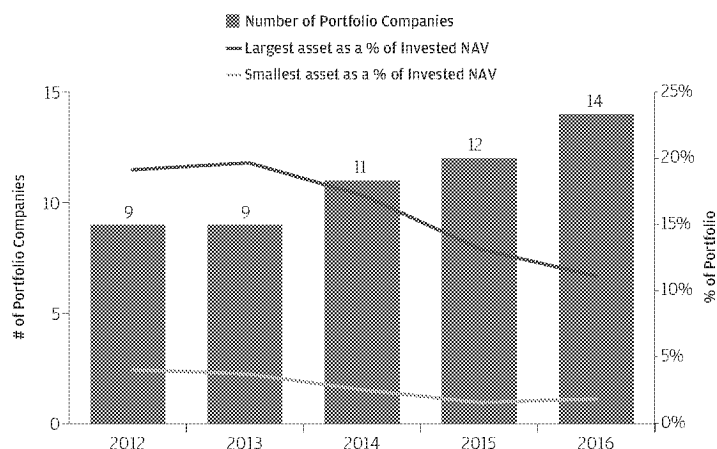
## DISCIPLINED GROWTH AND DIVERSIFICATION

IIF's Net Asset Value ("NAV") grew 45% in 2016 and we have further increased portfolio diversification by sector and geography. The largest portfolio company as a percent of the portfolio has decreased from 13% in 2015 to 11% as at December 31, 2016.

### NET ASSET VALUE GROWTH

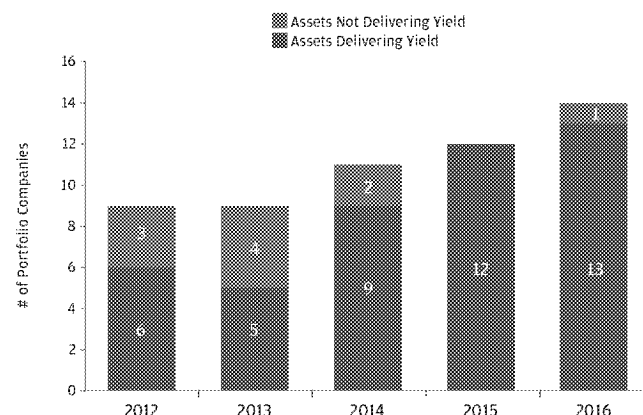


### PORTFOLIO COMPANY GROWTH

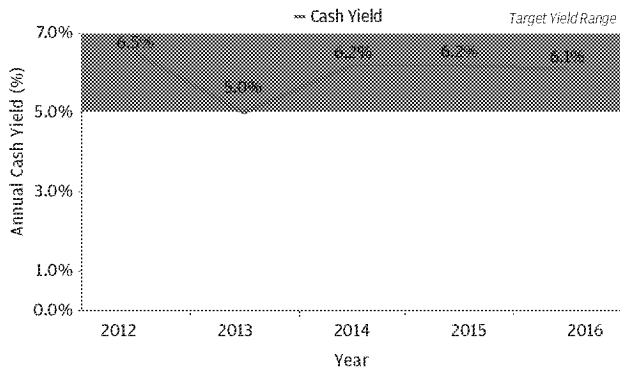


IIF's growth has been carefully managed with a view to enhancing the durability of yield. During 2016, 13 out of 14 portfolio companies paid a dividend and for the sixth consecutive year we met our yield target of 5-7% as illustrated below.

### DIVIDEND YIELDING COMPANIES

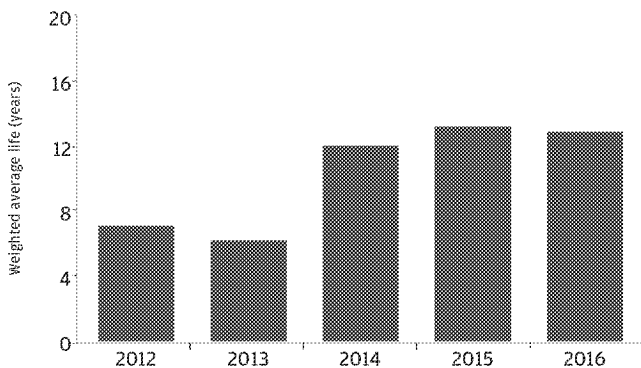


## CONSISTENT CASH YIELD



Power generation assets as a percent of the portfolio have increased from 19% since the end of 2012 to 34% as at December 31, 2016. Similarly, the weighted average contract life for these assets has increased from under eight years since the end of 2012 to approximately 13 years as at December 31, 2016, providing a very visible cash flow stream to our investors.

## WEIGHTED AVERAGE LIFE FOR IIF'S POWER GENERATION INVESTMENTS

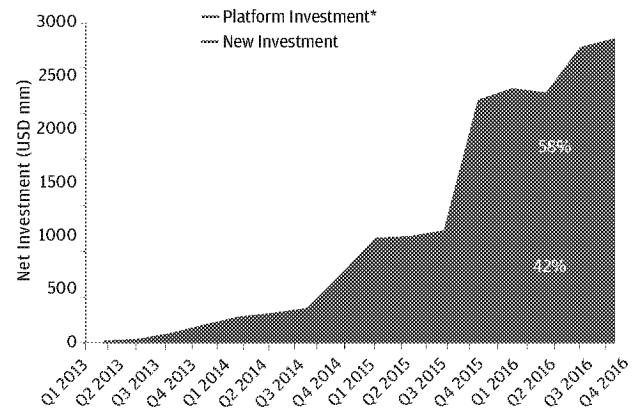


The data reflect weighted average contract lives as of Q4 for each year. Weights are based on the projects' nameplate capacity.

## 2016 PLATFORM INVESTMENT AND ACQUISITION UPDATE

IIF's growth in 2016 demonstrated our focus on investing through our existing portfolio company platforms. Since the end of 2012, 58% of our net invested capital has been deployed through our platform companies.

### PLATFORM INVESTING



\* Includes the buyouts of additional interest in existing investments.

During 2016 the Fund closed on the following new acquisitions through its platform companies:

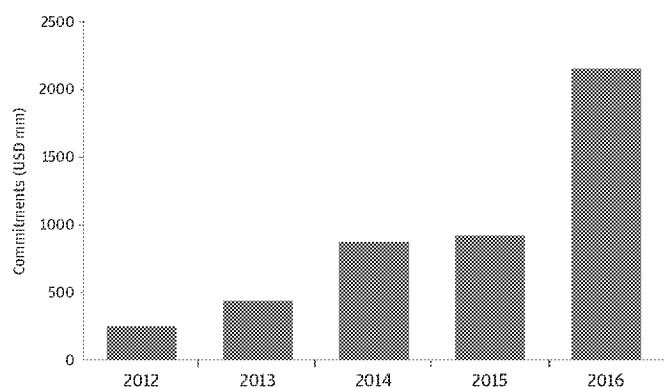
- In January Novatus Energy ("Novatus") acquired a fully contracted 51 MW wind farm in Maine which benefits from a 25-year fixed-price Power Purchase Agreement ("PPA") for 73% of its output and a 10-year PPA for the balance;
- In February Southwest Generation ("SWGen") acquired three gas-fired plants in California with a total capacity of 167 MW;
- In March SouthWest Water Company ("SWWC") acquired 100% of Kiawah Island Utility ("KIU"), a regulated utility that provides water and wastewater services to all of Kiawah Island (8,000 existing connections), located 25 miles southwest of Charleston, in South Carolina;
- Also in March Sonnedix Power Holdings ("Sonnedix") acquired a portfolio of 48 MW of solar plants located across Italy, bringing total capacity in Italy to 69 MW; the plants are fully contracted with 24.5-year PPAs, with an average remaining contract life across the portfolio of 14.9 years;
- In June Novatus purchased a 104 MW wind project in North Dakota that will sell 100% of its output pursuant to a 25-year fixed price PPA;

- In July IIF acquired an additional 33.3% stake in Zephyr Wind (“Zephyr”), which owns 17 operational wind farms totaling 391.2 MW of capacity along the west coast of the UK, bringing the Fund’s total ownership to 66.7% (in March 2017 IIF acquired the remaining 33.3% stake, and now owns 100% of the asset);
- In August IIF acquired an additional 44.1% stake in Sonnedix, bringing IIF’s total ownership to 96.5%, which increased to 97.2% at year-end due to additional capital contributions; since the Fund’s original investment in 2014, Sonnedix has achieved consistent growth, increasing capacity from 117 MW to 353 MW; and
- In December Sonnedix closed on three solar plants in Italy, with an aggregate installed capacity of 11 MW.

## 2016 CAPITAL UPDATE

IIF’s fundraising was robust throughout 2016, receiving over USD 2.2 billion in new commitments and USD 0.2 billion in reinvested distributions. Importantly, our capital deployment momentum has continued, and much of this capital has already been called. As of December 31, 2016, IIF had USD 881 million in uncalled capital and USD 449 million in cash, for a total of USD 1,330 million in dry powder. The entire dry powder amount has been allocated to six acquisitions expected to close in the first half of 2017, and all capital in the queue as of March 2017 has been called.

FUND RAISING



For commitments made in 2016, the weighted average wait time in the commitment queue was less than two months, and IIF currently expects that new commitments would be called within three months or less from the next closing date.

## PORTFOLIO DEVELOPMENT AND PRIORITIES

### Regulated Utilities: 37.0% of the portfolio as of December 31, 2016

**Electricity North West (“ENW”)** continued to perform in line with plan during 2016. In 2016 ENW upgraded and strengthened its network following 2015’s unprecedented storms. ENW also increased its liaison with local authorities to improve the planning process for around the clock repairs and support. These planning and network upgrades have reduced customer interruptions and minutes lost, two key performance indicators for the network. ENW remains focused on delivering against targets in the current regulatory business plan, including the integration of its new customer service feedback system and an Online Customer Fault System in order to improve customer satisfaction levels and drive incentive revenue.

**Southern Water Services (“SWS”)** continued to perform in line with plan during 2016, delivering strong operational and improved customer service performance. SWS concluded the search for a new CEO following the announcement in August of Matthew Wright’s intent to leave SWS in the second quarter of 2017. Ian McAulay was appointed as the new CEO in December. Ian was previously CEO of Viridor and also held senior management roles at MWH Global and United Utilities. Looking ahead, SWS remains focused on delivering against targets for the regulatory period and improving customer service scores on a sustainable basis. In December S&P concluded their annual ratings review and confirmed the rating at BBB with a stable outlook. The company will continue to seek to take advantage of the favorable market conditions for financing needs during the current regulatory period.

**SouthWest Water Company** continued to perform in line with plan during 2016. The Texas rate case was finalized with rate increases according to plan and a retroactive effective date of September 1, 2016. In September SWWC entered into an agreement to acquire all of the assets of four utilities that provide regulated water and unregulated wastewater services to areas in central Oregon. The transaction is expected to close in 2017. In October Hurricane Matthew struck the East Coast of the US; following a full assessment of SWWC’s Kiawah Island water systems, there was no impact to the investment due in large part to the proactive pre-storm preparations undertaken by the SWWC team.



**Summit Utilities (“Summit”)** performed slightly below plan during 2016 due to the relatively mild weather experienced across all three utilities (Colorado, Maine and Missouri). In August Summit entered into an agreement to acquire 100% of A.O.G. Corporation (“AOG”), a regulated natural gas distribution company headquartered in Fort Smith, Arkansas. A.O.G. serves approximately 58,000 customers across 10 counties in Western Arkansas and Eastern Oklahoma within a 75-mile radius of Fort Smith. The acquisition closed in Q1 2017. With this acquisition, Summit Utilities will double its customer base and expand its footprint into Arkansas and Oklahoma. Summit continues to focus on construction, marketing and conversion activities in Maine, including pursuing additional commercial and industrial customer opportunities given the weakness in demand amongst residential customers, along with health and safety and expense management across all three utilities.

#### **Transportation: 29.4% of the portfolio as of December 31, 2016**

**Koole Terminals (“Koole”)** performed in line with plan during 2016. The new fuel oil and rail facilities are progressing according to plan and are expected to generate new revenues in 2017. The company is actively seeking growth and diversification opportunities for geographic and product expansion in addition to further integration into the value chain of its key customers.

**Nieuport Aviation (“Nieuport”)** continued to perform in line with plan during 2016 while passenger numbers outperformed against budget and 2015. The company is working to implement a preclearance facility at Billy Bishop Toronto City Airport (“BBTCA”) after being selected for inclusion in the expanded U.S. Customs Preclearance Program. The company also continued to advance its terminal revitalization project after receiving a letter of consent from PortsToronto to proceed with the terminal revitalization. Construction commenced in 2016 and is scheduled to be completed in 2018. BBTCA was named the top airport in North America by Airports Council International’s 2016 Airport Service Quality Awards, and tied for second place as best airport in the world.

**Noatum Ports (“Noatum”)** performed below plan during 2016 due to throughput underperformance. With the completion of the Muelle Costa development at Noatum Container Terminal Valencia (“NCTV”), NCTV has attracted interest from several

carriers, with a major customer signing a 5-year contract at the end of 2016 and another major customer signing a 5-year contract in early 2017. In addition to customer growth and diversification, the company is focused on NCTV’s refinancing and concession extension process.

**North Queensland Airports (“NQA”)** continued to perform in line with plan during 2016 as passenger volumes at Cairns Airport continued to be strong. Focus remains on route development, with several wins during the fourth quarter, including Jin Air’s seasonal two flights per week service from Seoul to Cairns in December, and Silk Air’s increase to four flights per week starting June 2017. The company continues to assess opportunities to develop land holdings at both Cairns and Mackay Airports, which are envisioned to encompass both commercial and aviation enterprise precincts. The Company appointed Norris Carter as CEO in early December. Norris brings significant aviation and general management experience.

#### **Power Generation: 33.6% of the portfolio as of December 31, 2016**

**Coastal Winds (“Coastal”)** continued to perform in line with plan during 2016. The company continues to focus on optimizing performance and maintaining high availability levels and cost controls. Turkey Track and Willow Creek are operating on a fully contracted basis through the end of 2020 and 2023, respectively, while Sheldon has entered into a hedge for 85% of its P50 output for the next two years. Coastal did not pay a dividend during the year as part of its planned tax equity “blackout” period.

**Novatus Energy** performed in line with plan during 2016. During the fourth quarter, Novatus completed construction on its three remaining construction projects (Bingham, Hancock and Sunflower) on schedule and under budget. IIF merged Novatus and Corridor in Q1 2017 which allows for better operational, financing and reporting efficiencies. The company continues to build out its team to focus on optimizing the performance of its current portfolio of projects while also looking to expand and diversify.

**Sonnedix Power Holdings** continued to perform in line with plan during 2016 and was busy on the acquisitions front. In December Sonnedix acquired three solar plants in Italy, representing an aggregate installed capacity of 11.2 MW.

Sonnedix entered into an agreement to acquire an additional 20.6 MW portfolio of five plants in Italy, which subsequently closed in Q1 2017. Sonnedix also entered into an agreement to acquire a platform portfolio of 43 solar assets located across Spain, with total installed capacity of 136 MW, which also closed in Q1 2017. In Japan, Sonnedix entered into an agreement for the acquisition of three construction and pre-construction projects with a capacity of 117 MW. The agreement also comes with an option to acquire another 41 MW project. In Puerto Rico, Sonnedix successfully placed in service the Oriana plant within the year-end deadline set by U.S. Treasury. As a result, the project is entitled to receive a federal cash grant during 2017.

**Southwest Generation** continued to perform in line with plan during 2016. In addition to maximizing value and exploring recontracting solutions for the Colton, Harbor and Valmont facilities, SWGen continued to maintain high levels of operational performance while implementing additional health and safety initiatives across the expanded portfolio, and increasing dividends paid to the Fund.

**Zephyr Winds (“Zephyr”)** continued to perform in line with plan during 2016 due to lower wind resources. During Q1 2017 IIF acquired an additional 33.3% stake in Zephyr, bringing the Fund’s total ownership to 100%. The company will continue to monitor the regulatory environment and focus on life extension strategies, which are particularly relevant given the portfolio’s aging asset base.

## Outlook

Key macroeconomic variables, including employment trends, manufacturing activity and credit growth, indicate growth rates at or slightly above the trend line for many of the high income OECD economies in 2017. Political uncertainty around the various elections in Europe, and more importantly around the Brexit negotiations, kept business and consumer sentiment in check. Even for the UK economy the much hyped recession fears of last year have seemingly diminished. For the calendar year 2017, we expect high-income OECD economies to grow around 2% on average, with the U.S. at 2.1% and Japan and Spain serving as bookends at 1.3% and 2.7%, respectively. A

broad-based return to economic growth that benefits consumers will be a tailwind for infrastructure asset performance and for new infrastructure investments.

Trend level economic growth rates are delivering robust demand in the transportation and energy sectors. Aggregate electricity consumption, which was generally flat after 2009, has also started to grow again as U.S. and European electricity generation levels grew by 2.3% and 2.1%, respectively, in 2016.

More importantly for inflation-indexed infrastructure assets, Consumer Price Index (“CPI”) inflation rates are already above central bank targets throughout the OECD, and are expected to reach 3% on average this year. Increases in energy commodity prices are playing a significant role, although wage inflation has also started to create a visible impact, which we expect to keep the CPI inflation up beyond the 2017-18 period. The rise in inflation may expedite central bank tapering and/or rate normalization plans. Even the European Central Bank started to address rate normalization, despite their commitment to their quantitative easing program until early 2018. As rate expectations change, the cost of debt for infrastructure assets remains a focus area, especially for investments with a refinancing plan over the next one to three years.

We expect a busy and exciting 2017 with a focus on the following key priorities:

- Constant focus on the three key investment outcomes the Fund seeks to provide: Diversification, Inflation Protection and Yield;
- Continued development and delivery of the platform growth model – over the short to medium-term, it is envisioned that around half the new capital raised each year is likely to be invested in existing platform growth, which is in line with historical trends;
- Evaluate increased co-investment interest and activity as part of portfolio construction along with the potential to consolidate certain stakes in 2017;
- Vigilant focus on governance and risk management across the portfolio, including succession, emerging risks such as cyber along with key operational risks such as health and safety;



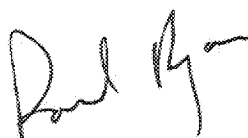
- Sustained emphasis on reporting transparency, including UNPRI and ESG as well as the planned roll-out of GRI sustainability reporting at the portfolio company level; and
- Continued prominence of responsible investment and asset management policies for the Fund and the portfolio companies.

## SUBSEQUENT EVENTS

Since the end of 2016 we have been very active in both acquisitions and asset management.

- IIF acquired 100% of Pio Pico Energy Center, a 318 MW quick-start natural gas fired power plant located south of San Diego, California, which will operate under a 25-year PPA with an A-rated utility;
- IIF merged Novatus and Corridor into a single company, which allows for operational, financing and reporting efficiencies;
- The Fund acquired an additional 33.3% stake in Zephyr, bringing the Fund's total ownership to 100%;
- IIF acquired 100% of Varmevarden, a Swedish District Heating ("DH") business, which owns and operates 660 MW of heat generation capacity, as well as 17 DH networks in central Sweden with a total length of 330 kilometers and 4,800 supply points; the Company has a well invested and environmentally sustainable asset base, with 96% of production based on renewable energy sources, waste and waste heat;
- Summit acquired 100% of A.O.G. Corporation, a regulated natural gas distribution company located in Fort Smith, Arkansas, serving approximately 58,000 customers across 10 counties in Western Arkansas and Eastern Oklahoma;
- IIF acquired the 10.8% interest in Summit that it did not previously own, bringing its ownership to 100%;
- Novatus entered into an agreement to acquire 100% of Comanche Solar Project, a fully operational 120MWac solar photovoltaic ("PV") facility located near Pueblo County, Colorado, which operates under a 25-year fixed-price PPA;
- Sonnedix acquired a portfolio of 43 solar PV assets located across Spain with a total installed capacity of 136 MW;
- IIF also entered into an agreement to acquire 100% of Infinis Capital Limited, which is an independent onshore wind turbine operator located in the UK with 409 MW of wholly owned wind assets. Infinis is a best-in-class standalone business with a strong operational team, and is expected to benefit IIF via a host of portfolio gains, such as improved performance of Zephyr through a consolidation of assets and improved monitoring and asset management capabilities; and
- IIF increased its credit line by USD 220 million to USD 720 million.

Thank you for your continued confidence in the Fund. If you have any questions, please do not hesitate to contact me or your JPMorgan representative.



Paul J. Ryan  
Chief Executive Officer, OECD Infrastructure Equity and Debt  
Portfolio Manager, OECD Infrastructure Equity

# Market overview

High-income OECD economies ended 2016 with relatively robust growth compared to Q2 and Q3 2016. Many have continued to show solid momentum in 2017, with relatively high levels of consumer and private sector confidence and healthy employment growth. Uncertainties surrounding Trump's economic policy and Brexit, along with the forthcoming elections in continental Europe, are expected to play an important role in determining confidence levels going forward. Political uncertainty is expected to be particularly high in the UK as the government triggered the official Brexit negotiations on March 29, 2017.

Over the next two years, a wide range of outcomes will be discussed, between a hard Brexit, which will curb immigration, limit movement of labor, goods and services, and softer alternatives, that can be considered business as usual with only mild restrictions to migration. There will be ups and downs throughout the negotiations, and economic sentiment in the UK will continue to be volatile. Since the GBP has now stabilized at around 20% below its long-term average, the growth enhancing impact of a lower GBP has also diminished, and growth forecasts for the UK are now in the 1-1.5% range for 2017 and 2018, weaker than Eurozone prospects for the first time since 2006.

The Eurozone economy posted an estimated real GDP growth rate of 1.6% in 2016 and shows no obvious signs of slowing in response to political events in the UK, the U.S., or within the region. Upward revisions to Europe's export outlook, partly due to the strength of its trading partners and a weaker euro, combined with the ongoing credit recovery in the financial sector, provide hope that investments can continue to support a recovery despite ongoing political uncertainties in a year with a crowded election schedule.

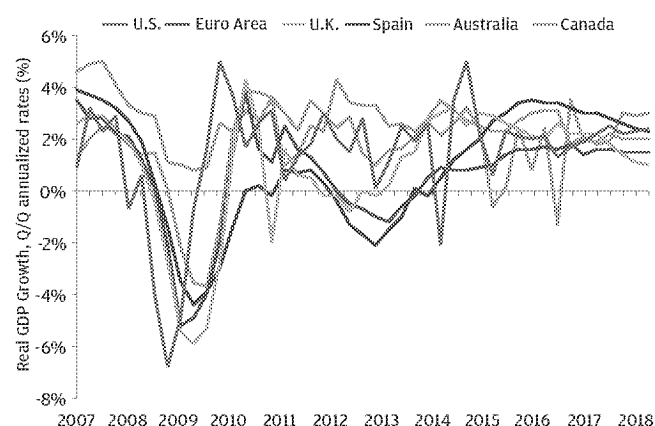
Spain continues to be the strong performer within the euro area, and its GDP growth rate is estimated to be 3.2% in 2016, double the Eurozone average. Domestic demand was the main growth driver in Spain, with net exports adding only 0.2% to annual growth. While the growth in Spain is expected to eventually converge towards the Eurozone average, we expect that convergence to be gradual, and that Spain will continue to grow at higher than average rates until 2020.

Real GDP growth in the U.S. was at 1.9% year-over-year in Q4 2016, with consumer spending as the main driver, although business and residential investment and decreased inventories also contributed. While business activity remains hesitant

partly due to political uncertainty, leading indicators point to a gradual turnaround in the manufacturing, energy and trade sectors. We project a business investment growth rate of 2.9% in 2017, after contracting 0.4% in 2016. We expect net trade, however, to remain a drag on the economy, constrained by a strong dollar and modest global growth.

Australia and Canada are both overcoming declines in the prices of their exports, and both are projected to grow at around 2% in 2017, although any further changes to the U.S. trade policy will play a more important role for Canada.

REAL GDP GROWTH, HISTORICAL AND FORECASTS

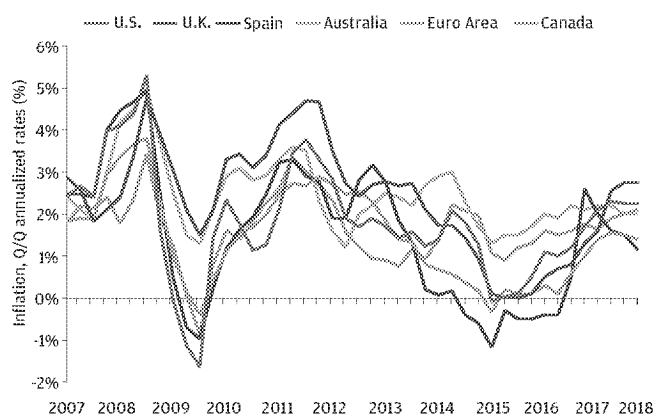


Sources: Bloomberg and JPMAM; as of February 2017

Inflation, as expected, is on the rise globally, and the average inflation rate for high-income OECD economies is expected to exceed 2.6% by the end of 2017, well above the central bank target rates of around 2.0%. In the U.S., given the surprisingly high CPI inflation rate of 2.7% in February 2017, there is increasing likelihood that the U.S. Federal Reserve will raise rates at a minimum of two more times this year following the raise in March 2017. In the Eurozone, with CPI inflation forecast to reach 2.1% in 2017, the European Central Bank ("ECB") is seemingly becoming less enthusiastic about its quantitative easing program, and we now expect the ECB to begin to taper its asset purchases in early 2018. Although inflation in the UK is expected to be the highest among high-income OECD economies during 2017-18 due to the GBP's sharp decline and the accompanying increase in import prices, the Bank of England strongly signaled that it will wait for

evidence on the extent to which global developments and movements in financial markets are expected to impact inflation and growth outlooks.

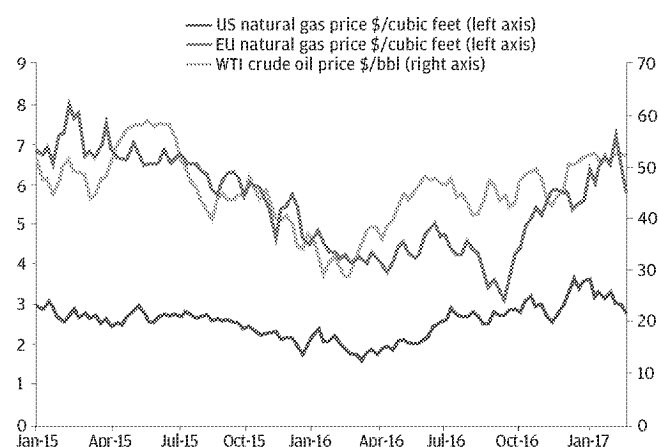
#### INFLATION, HISTORICAL AND FORECASTS



Sources: Bloomberg and JPMAM; as of February 2017

Crude oil and natural gas prices have relatively stabilized in March 2017, following the 12-month gradual climb through January 2017, although natural gas prices in the U.S. have risen at a lower rate. As of Q1 2017 global crude oil prices averaged 60-65% higher compared to Q1 2016. Going forward, crude oil prices are expected to be predominantly determined by the supply side (the production levels and quotas in OPEC and non-OPEC producers). There is early evidence, including record high inventories in many markets, that some of the producers may be producing more than their committed amounts, and some downside pressure in the crude oil price is expected as a result.

#### CRUDE OIL AND NATURAL GAS PRICES IN THE US



Sources: Bloomberg, data as of February 2017

Wholesale natural gas prices have also increased in Europe. In the U.S., however, natural gas prices have only increased by around 40-45% over the same period, which reinforces our view that crude oil and natural gas prices, which are highly correlated elsewhere, have de-coupled in the U.S. due to increases in non-conventional production. Relatively lower natural gas prices in the U.S. help keep electricity prices low compared to the other OECD economies. The gradual coal-to-gas switch in the electricity generation fleet is expected to continue despite the expected coal friendly policies of the new federal government in the U.S. More importantly, renewables will continue their exponential growth as installation costs continue to decrease, which in turn lowers the size of required subsidies. Regardless of fossil fuel prices, we expect renewables to increase their market share in electricity generation by around 6% over 2016 levels, reaching 20% by 2020.

# Portfolio holdings

## EXISTING PORTFOLIO COMPANIES



Denotes Platform Investment\*

### REGULATED UTILITIES (37.0% OF PORTFOLIO)



- Regulated electricity distribution network providing power to northwest England



- Regulated water and wastewater network in southeast England



- Regulated water and wastewater utility company serving Alabama, California, South Carolina and Texas



- Regulated natural gas distribution utility company with operations in Colorado, Maine and Missouri



### TRANSPORTATION (29.4% OF PORTFOLIO)



- European liquid bulk storage company focused in the Amsterdam-Rotterdam-Antwerp region



- Located near downtown Toronto, Billy Bishop Toronto City Airport is Canada's fastest growing airport



- Leading port operator in the Iberian Peninsula comprised of 18 terminals in Spain, along with Marmesda, the largest Iberian port services group



- Cairns Airport, gateway to the Great Barrier Reef
- Mackay Airport, serving the Bowen Basin, one of the world's largest coal deposits

As of December 31, 2016

\* Assets identified for future potential equity capital deployment

The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for JPMIM investment management services.

## EXISTING PORTFOLIO COMPANIES

 Denotes Platform Investment\*

## POWER GENERATION (33.6% OF PORTFOLIO)



Coastal Winds

- North American wind portfolio in New York, Oregon and Texas, totaling 354 MW



- North American renewable energy independent power producer owning 1,176 net MW of wind and solar projects throughout the U.S.\*\*



- 97.2% interest in global solar developer, owner and operator, with operating capacity in excess of 500 MW



- Independent Power Producer owning 868 MW of gas fired generation facilities in California, Colorado and New Mexico



- Diversified portfolio of 17 contracted wind farms totaling 391 MW along the west coast of the U.K.



As of December 31, 2016

\* Assets identified for future potential equity capital deployment

\*\* Includes Corridor Energy, which was merged with Novatus in Q1 2017.

The companies above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. The use of the above company logos is in no way an endorsement for JPMIM investment management services.

# Portfolio Company Key Metrics

| Company name              | Geography            | Acquisition Date | % of Portfolio | Leverage %       | Portfolio Investment Cost <sup>1</sup> | Total Distributions Since Inception <sup>2</sup> | Portfolio Investment Fair Value | Total Distributions & Fair Value <sup>3</sup> | Total Return <sup>4</sup> (in Local Currency) |                  |                  | Yield <sup>5</sup> (in Local Currency) |                   |                   |
|---------------------------|----------------------|------------------|----------------|------------------|----------------------------------------|--------------------------------------------------|---------------------------------|-----------------------------------------------|-----------------------------------------------|------------------|------------------|----------------------------------------|-------------------|-------------------|
|                           |                      |                  |                |                  |                                        |                                                  |                                 |                                               | 1TM                                           | 3 Years          | 5 Years          | 1TM                                    | 3 Years           | 5 Years           |
| Regulated Utilities       |                      |                  |                |                  |                                        |                                                  |                                 |                                               |                                               |                  |                  |                                        |                   |                   |
| Electricity North West    | UK                   | Dec-07           | 8.6%           | 65.0%            | GBP 265.3                              | GBP 223.0                                        | GBP 398.9                       | GBP 621.9                                     | 11.8%                                         | 13.5%            | 16.2%            | 8.8%                                   | 7.9%              | 9.0%              |
| Southern Water            | UK                   | Oct-07           | 11.1%          | 70.5%            | GBP 391.4                              | GBP 69.3                                         | GBP 511.0                       | GBP 580.3                                     | 14.2%                                         | 8.1%             | 8.8%             | 7.0%                                   | 2.9%              | 1.8%              |
| SouthWest Water Company   | USA                  | Mar-10           | 8.5%           | 32.9%            | USD 372.3                              | USD 102.8                                        | USD 488.3                       | USD 591.1                                     | 7.5%                                          | 11.0%            | 9.0%             | 5.6%                                   | 6.3%              | 3.8%              |
| Summit Utilities          | USA                  | May-07           | 8.8%           | 21.5%            | USD 548.1                              | USD 68.4 <sup>8</sup>                            | USD 505.1                       | USD 573.5                                     | 0.5% <sup>10</sup>                            | -7.7%            | -1.1%            | 0.0%                                   | 3.6% <sup>8</sup> | 2.1% <sup>8</sup> |
| Transportation            |                      |                  |                |                  |                                        |                                                  |                                 |                                               |                                               |                  |                  |                                        |                   |                   |
| Koole Terminals           | Various <sup>9</sup> | Dec-15           | 8.9%           | 37.1%            | EUR 464.6                              | EUR 17.1 <sup>8</sup>                            | EUR 482.7                       | EUR 499.8                                     | 10.8%                                         | N/A <sup>6</sup> | N/A <sup>6</sup> | 3.5% <sup>8</sup>                      | N/A <sup>6</sup>  | N/A <sup>6</sup>  |
| Nieuport Aviation         | Canada               | Jan-15           | 4.4%           | 40.5%            | CAD 296.7                              | CAD 44.7 <sup>8</sup>                            | CAD 339.2                       | CAD 383.9                                     | 12.8%                                         | N/A <sup>6</sup> | N/A <sup>6</sup> | 7.4% <sup>8</sup>                      | N/A <sup>6</sup>  | N/A <sup>6</sup>  |
| Noatum Ports              | Spain                | Dec-10           | 8.2%           | 35.2%            | EUR 308.1                              | EUR 50.9                                         | EUR 445.3                       | EUR 496.3                                     | -1.3% <sup>11</sup>                           | 11.0%            | 8.5%             | 2.1%                                   | 2.2%              | 2.5%              |
| North Queensland Airports | Australia            | Jan-09           | 7.9%           | 30.3%            | AUD 343.1                              | AUD 284.9                                        | AUD 624.8                       | AUD 909.7                                     | 12.8%                                         | 15.3%            | 16.6%            | 4.4%                                   | 4.9%              | 5.0%              |
| Power Generation          |                      |                  |                |                  |                                        |                                                  |                                 |                                               |                                               |                  |                  |                                        |                   |                   |
| Coastal Winds             | USA                  | Dec-08           | 3.6%           | N/A <sup>7</sup> | USD 261.3                              | USD 238.9                                        | USD 207.8                       | USD 446.7                                     | -22.6% <sup>12</sup>                          | -2.0%            | 2.4%             | 0.2%                                   | 8.9%              | 10.9%             |
| Corridor Energy           | USA                  | Dec-14           | 2.7%           | N/A <sup>7</sup> | USD 107.4                              | USD 5.4                                          | USD 156.9                       | USD 162.3                                     | 39.6% <sup>13</sup>                           | N/A <sup>6</sup> | N/A <sup>6</sup> | 3.2%                                   | N/A <sup>6</sup>  | N/A <sup>6</sup>  |
| Novatus Energy            | USA                  | Dec-15           | 11.2%          | N/A <sup>7</sup> | USD 585.0                              | USD 37.1                                         | USD 633.9                       | USD 671.0                                     | 17.1% <sup>13</sup>                           | N/A <sup>6</sup> | N/A <sup>6</sup> | 6.3%                                   | N/A <sup>6</sup>  | N/A <sup>6</sup>  |
| Sonnedit Power Holdings   | Various <sup>5</sup> | Dec-14           | 10.6%          | 54.2%            | EUR 569.1                              | EUR 46.9                                         | EUR 576.1                       | EUR 623.0                                     | 9.9%                                          | N/A <sup>6</sup> | N/A <sup>6</sup> | 9.3%                                   | N/A <sup>6</sup>  | N/A <sup>6</sup>  |
| Southwest Generation      | USA                  | Jul-08           | 1.8%           | 37.7%            | USD 256.1                              | USD 14.9                                         | USD 104.9                       | USD 119.8                                     | -6.7% <sup>14</sup>                           | -16.8%           | -13.4%           | 4.3%                                   | 3.4%              | 2.0%              |
| Zephyr Wind               | UK                   | Jun-07           | 3.7%           | 23.6%            | GBP 225.0                              | GBP 43.9                                         | GBP 168.9                       | GBP 212.8                                     | 9.0%                                          | 5.5%             | 2.9%             | 8.3%                                   | 8.7%              | 6.1%              |

<sup>1</sup> Represents total capital invested into underlying assets and transaction costs since inception through December 31, 2016 in local currency; adjusted for follow-on investments and partial sales and excludes return of capital.

<sup>2</sup> Represents distribution from each of the portfolio companies since inception through December 31, 2016, in local currency.

<sup>3</sup> Represents the sum of current Fair Value and total distributions for each of the assets through December 31, 2016, in local currency.

<sup>4</sup> Returns for periods greater than one quarter are time-weighted rates of return calculated by linking quarterly returns; returns of greater than one year are annualized. Returns exclude transaction cost as they are capitalized and then amortized over 10 years.

<sup>5</sup> The company currently operates power plants across France, Italy, Spain, the UK, Japan, Puerto Rico, Chile, South Africa and Thailand, and is also developing projects in Japan and Puerto Rico.

<sup>6</sup> Information not available due to acquisition period being less than calculation period.

<sup>7</sup> Due to the unique tax equity flip structure of these investments, enterprise values and leverage have not been calculated.

<sup>8</sup> Exclude proceeds received from partial sale.

<sup>9</sup> The company currently operates across the Netherlands, United Kingdom and Poland.

<sup>10</sup> Summit Utilities underperformance primarily due to reduced forecasted customer growth and conversion activities in Missouri and Maine along with the closing of a major industrial customer, which reduced the forecasted cash flow and pushed back future refinancing timing and size.

<sup>11</sup> Noatum Ports underperformance primarily due to reduction of forecasted volumes at MSC, Malaga and Santander and lower tariffs in Valencia.

<sup>12</sup> Coastal Winds underperformance primarily due to unfavorable power price forecast and discount rate methodology alignment across the portfolio.

<sup>13</sup> Corridor and Novatus outperformance primarily due to tax and financing synergies and optimizations related to the consolidation of Novatus and Corridor in Q1 2017 along with the discount rate methodology alignment across the portfolio.

<sup>14</sup> SWGen underperformance primarily due to unfavorable power price forecast and updated recontracting assumptions for Colton, Harbor and Valmont.

The information contained above solely represents J.P. Morgan Asset Management's views based on available information and current market conditions as of the time of its production only. The views expressed herein may change at any time, without notice, based on new information, changing conditions or revised analyses.

There is no guarantee these holdings will remain in the portfolio and holdings may change at the portfolio manager's discretion without notice. It should not be assumed that investments within the portfolio have or will perform in a similar manner to the investment above. These investments are shown for illustrative purposes only. Its inclusion should not be interpreted as a recommendation to buy or sell. Past performance is not indicative of future returns.

# Regulated Utilities

As recession fears diminish, utility regulators continue to focus on required, and in many cases postponed, capital expenditure programs. Based on previously announced decisions, we expect regulated utilities in the U.S. and Western Europe to increase aggregate capex spending by around 40-60% over the 2015-2020 period, as compared to that of the 2010-2014 period. For instance, the smart meter roll out program of electric utilities has become a universal trend. While

the two-way penetration rate is estimated to be above 75% in Western Europe, the number of two-way electric smart meters reportedly increased by 7.8 million in the U.S. in 2016, bringing the total to 67.9 million compared to 49.1 million of one-way smart meters. Rising inflation across the OECD, as mentioned in the Market Outlook section, is also expected to benefit regulated utilities through direct or indirect inflation adjustment mechanisms.

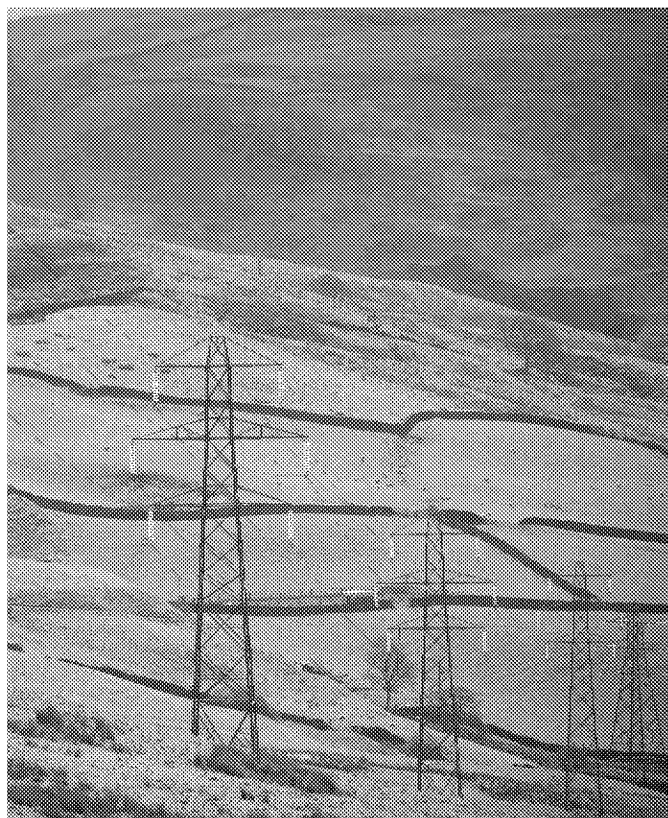


PHOTO: ELECTRICITY NORTHWEST'S DISTRIBUTION TOWERS IN THE U.K.

Diversification – regulated returns can exhibit low correlation to other asset classes and economic environments

Inflation Protection – can be explicit within a regulatory framework or an implicit feature of regulatory history

Yield – foundation return for the provision of essential services, typically the majority of total allowed return



## ELECTRICITY NORTH WEST

## Performance Summary

|                                          | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|------------------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)                | GBP 449.7     | GBP 453.8     | -0.9%                     | GBP 499.6     | -10.0%              |
| EBITDA (Millions)                        | GBP 344.7     | GBP 332.5     | 3.7%                      | GBP 386.8     | -10.9%              |
| Customer Interruptions (CI) <sup>1</sup> | 35.3          | 36.3          | 2.8%                      | 38.4          | 8.1%                |
| Customer Minutes Lost (CML) <sup>2</sup> | 34.7          | 35.3          | 1.8%                      | 37.8          | 8.3%                |

Electricity North West is a regulated UK electricity distribution network operator (“DNO”), supplying power to five million customers. The business is a natural monopoly with exclusivity over its service area in Northwest England (including Manchester), generating relatively predictable, inflation-linked cash flows backed by one of the most well-established and transparent regulatory frameworks in the world.

## INVESTMENT SNAPSHOT

| Initial Date of Investment                    | December 2007 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | GBP 265.3     |
| Fourth Quarter NAV                            | GBP 398.9     |
| Proportion of Fund Portfolio                  | 8.6%          |
| Total Enterprise Value (at December 31, 2016) | GBP 2,280.4   |
| Leverage as a % of Total Enterprise Value     | 65.0%         |
| Fiscal Year End                               | March 31      |

## OWNERSHIP STRUCTURE

| Partner              | Economic Interest (%) |
|----------------------|-----------------------|
| IIF                  | 50                    |
| Colonial First State | 50                    |

## Performance Summary

ENW continued to perform in line with plan during 2016.

## Milestones

- **Management.** In 2016 Peter Emery was appointed the new CEO of ENW. Peter brings over 30 years’ experience in the power sector, joining ENW from the Drax Group, where he held key executive roles with responsibility for the leadership of plant operations, safety and technical development as well as being a member of the Board.

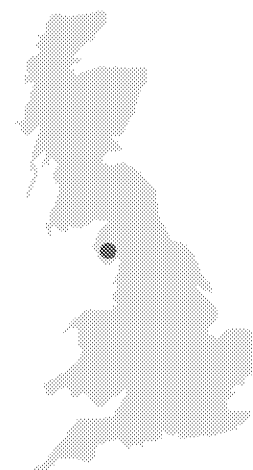
<sup>1</sup> CI indicates the number of customers interrupted per 100 customers for each period

<sup>2</sup> CML indicates the number of minutes lost per customer for each period

- **Infrastructure upgrades.** During 2016 ENW completed the migration of operations to two newly developed data centers, providing robust and secure infrastructure for the company while optimizing company asset usage and lowering costs for the RIIO-ED1 price control period and beyond. In addition, the Board approved further progression for the procurement of the Customer Load Active System Services (“CLASS”) project, which is an innovative voltage management technology. The program is intended to provide demand response to the system operator – National Grid – and is expected to reduce peak network demand and allow ENW to earn revenue through fixed availability and variable utilization fees.

## Key Developments

- **In-sourcing.** Certain contractor activities that were previously underperforming were brought in-house to improve operational performance and customer satisfaction. The cut-out work is the main interface between ENW’s network and customer homes and is of increasing importance in the successful roll-out of the smart metering program.
- **Network resilience.** During 2016 ENW upgraded and strengthened the network following the recent spate of unprecedented storms, and also increased dialogue with local authorities to improve planning for around-the-clock repair and support. These planning



and network upgrades have reduced Customer Interruptions and Customer Minutes Lost, which are two key performance indicators for the network.

- **Business planning.** The Board held a strategy and planning workshop session to assess, in detail, the business plan for 2017 and for the remainder of the existing regulatory period.

## Business Strategy

- **Business plan outperformance.** ENW continues to focus on identifying and maximizing innovative opportunities to drive enhanced performance, deliver efficiency savings against the business plan and earn incentive revenue throughout the regulatory period.

## Outlook

ENW is focused on delivering on outperformance through the RIIO-ED1 regulatory period and increasing incentive revenue performance. Some avenues for outperformance include the closer tracking of expenditures alongside operational improvements. As the Moorside Nuclear Power Station

continues discussions with National Grid and the Regulator, there may be potential for ENW to earn a regulated return for the build out of the associated distribution network.

The UK gas and electricity markets regulator, Ofgem, launched a consultation with DNOs on the role they will play in enhancing and monitoring the network as it transitions to a smart network with the roll-out of smart metering and the increasing number of independent renewable generators. This includes DNOs reconfiguring the network to manage capacity loads and volume. The company continues to actively engage with the regulator on the consultation and monitoring process.

National Grid announced the agreement for the sale of 61% of its four gas networks by way of an auction process to a consortium of bidders including Macquarie Infrastructure Partners, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation, Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/ International Public Partnerships. The transaction has further highlighted the continued attractiveness of UK regulated infrastructure assets at a premium to the underlying regulated asset value.

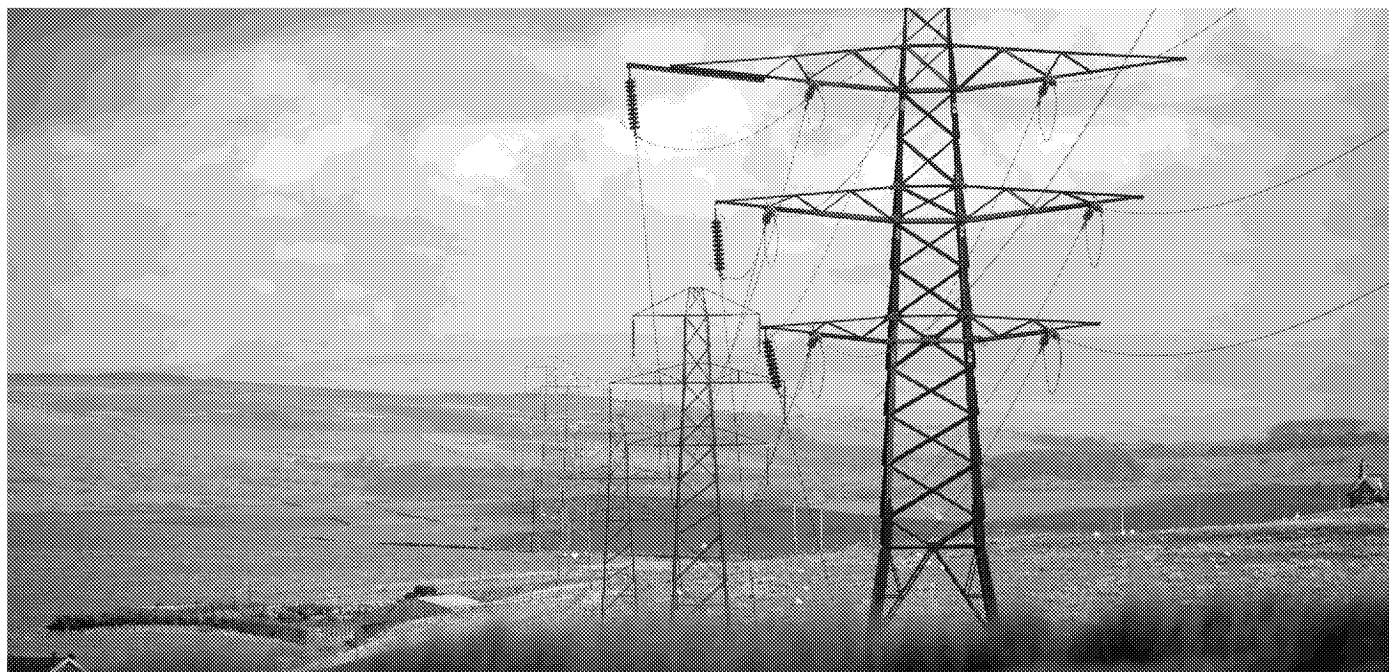


PHOTO: ELECTRICITY NORTHWEST'S DISTRIBUTION TOWERS IN THE U.K.

## SOUTHERN WATER SERVICES

### Performance Summary

|                                         | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|-----------------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues                          | GBP 811.7     | GBP 804.3     | 0.9%                      | GBP 818.2     | -0.8%               |
| EBITDA (Millions)                       | GBP 520.1     | GBP 529.4     | -1.8%                     | GBP 565.9     | -8.1%               |
| Leakage YTD levels (million liters/day) | 87.1          | 84.0          | -3.7%                     | 80.3          | -8.5%               |
| Service Incentive Mechanism             | 81.0          | 72.0          | 12.5%                     | 79.0          | 2.5%                |

Southern Water Services is a regulated monopoly, providing water and wastewater services that are vital to the Southeast region of the UK. The company provides water and wastewater services to seven million customers over a 2,765 square mile area.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | October 2007 |
|-----------------------------------------------|--------------|
| Portfolio Investment Cost                     | GBP 391.4    |
| Fourth Quarter NAV                            | GBP 511.0    |
| Proportion of Fund Portfolio                  | 11.1%        |
| Total Enterprise Value (at December 31, 2016) | GBP 5,548.6  |
| Leverage as a % of Total Enterprise Value     | 70.5%        |
| Fiscal Year End                               | March 31     |

### OWNERSHIP STRUCTURE

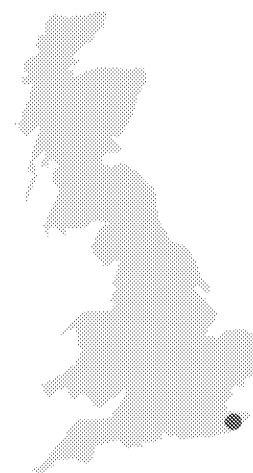
| Partner                                           | Economic Interest (%) |
|---------------------------------------------------|-----------------------|
| IIF owned and managed                             | 39.8                  |
| UBS International Infra Fund                      | 21.9                  |
| Hermes                                            | 21                    |
| Cheung Kong Infrastructure/Li Ka-shing Foundation | 9.5                   |
| Australasian Superannuation Funds                 | 7.8                   |

### Performance Summary

SWS continued to perform in line with plan during 2016 from a financial perspective. However, there were delays in the capital expenditure deliver plan, although the shortfall is expected to be recovered in subsequent years.

### Milestones

- **Shareholder evolution.** Several shareholders submitted sale notices during the year. During Q2, a major shareholder completed the sale of its 23.4% stake to two existing shareholders. IIF is now the only investor with preferred governance rights.
- **Management.** In May William Lambe joined the company as CFO. In August SWS announced that Matthew Wright is to leave the company in the second quarter of 2017, after more than six years as CEO. Ian McAulay was appointed as the new CEO of Southern Water and joined the company in December.
- **Strategy.** In May the company agreed to sell its non-household retail business ahead of the opening of the market to competition in April 2017. This follows the Board's decision to explore exit options given the low margin, small size and competitive environment outside the core of SWS's business. This business only contributed a small portion to the EBITDA per annum.
- **Operations.** The water and waste water quality regulators, the Environmental Agency and the Drinking Water Inspectorate, continue their investigation into a number of specific instances of non-compliance by SWS having occurred over the last four years and the company remains diligently focused on addressing concerns and presenting a transparent response to information requests as the



regulators continue with their investigations. The previous quarter's challenges on internal flooding incidents and service interruptions are now trending back to target and the company is on track to record its lowest number of 'serious' and 'overall' pollution incidents. Continued improvement initiatives, spearheaded by a new Quality Directorate, are being implemented to improve data accuracy and reporting quality in this critical operational area of the business. Customer service performance has continued to improve during the quarter and the team is focused on improving the score on a sustainable basis.

- **Delivery plan.** The delays in the capital expenditure delivery plan experienced during previous quarters have ceased and current performance is in line with the reforecast. The fiscal year will however be impacted by the delay, with total capex spend at GBP 295 million versus the original GBP 362 million budget. The shortfall is expected to be recovered in the remaining years of AMP6.
- **Regulation.** The quarter saw the conclusion of the four-year investigation of the Margate sewer discharge incident that occurred in 2012 following a storm event. The company was fined GBP 2 million.
- **Ratings.** In July Fitch Ratings affirmed SWS's senior secured ratings for its class A debt at 'A-' and class B debt at 'BBB'. The outlook for both classes of debt is stable. In October, Moody's confirmed SWS's current rating but placed the company on negative outlook, driven by its view of the

sector and SWS's longer-dated debt. In December S&P concluded their annual ratings review of Southern Water and confirmed the rating at BBB with a stable outlook.

## Business Strategy

- **Implementation of delivery plan.** SWS remains focused on delivering its obligations in AMP6 and delivering stable distributions. The PR19 price review is approaching with the methodology consultation due in July 2017 and company business plans to be submitted by September 2018. The company is responding to the consultations published and will continue actively engaging with the regulator as further details on the PR19 process emerge.

## Outlook

During the quarter, Ofwat published the results of the assessment of water companies' assurance practices. This is part of the Company Monitoring Framework developed by the regulator. Affinity Water, South East Water, Yorkshire Water and Southern Water were identified as having to improve how they provide sufficient assurance. This will be monitored going forward with a focus on improving the narrative and data quality and will be a key deliverable for Southern Water.

Additionally, a number of sale processes for stakes in water companies were announced. Sizeable equity interests are available in South East Water and Thames Water. These should conclude in the first half of 2017. Additionally, Dee Valley was acquired by Severn Trent for a valuation of approximately 1.5x regulatory capital value.



PHOTO: SOUTHERN WATER'S FACILITIES IN THE U.K.



## SOUTHWEST WATER COMPANY

### Performance Summary

|                              | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)    | USD 151.1     | USD 140.9     | 7.2%                      | USD 139.0     | 8.7%                |
| EBITDA (Millions)            | USD 54.7      | USD 57.5      | -4.9%                     | USD 51.4      | 5.2%                |
| Water/Wastewater Connections | 141,271       | 131,081       | 7.8%                      | 130,606       | 8.2%                |

SouthWest Water Company is a U.S. regulated water and wastewater utility with operations in California, Texas, Alabama, and South Carolina, serving approximately 357,000 customers. Given the company's scalability, it provides a strategic platform for growth and future bolt-on acquisition opportunities.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | March 2010  |
|-----------------------------------------------|-------------|
| Portfolio Investment Cost                     | USD 372.3   |
| Fourth Quarter NAV                            | USD 488.3   |
| Proportion of Fund Portfolio                  | 8.5%        |
| Total Enterprise Value (at December 31, 2016) | USD 727.3   |
| Leverage as a % of Total Enterprise Value     | 32.9%       |
| Fiscal Year End                               | December 31 |

### OWNERSHIP STRUCTURE

| Partner | Economic Interest (%) |
|---------|-----------------------|
| IIF     | 100                   |

### Performance Summary

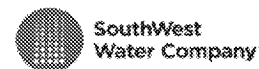
SWWC continued to perform in line with plan during 2016.

### Milestones

- **Execute on growth strategy.** During 2016 SWWC acquired six different regulated water and wastewater systems on an off-market, negotiated basis. Together, these systems total over 10,000 connections, or in excess of 7.5% of the company's existing connections and have further diversified

SWWC's geographic presence across California, Texas, Alabama and South Carolina. Additionally, in September 2016 SWWC entered into a Purchase Agreement for an additional bolt-on acquisition of a utility that provides water and wastewater services near Bend and Klamath Falls, Oregon and represents approximately 4,200 connections. Closing is expected to occur in May 2017 following state utility commission approval.

- **Management team additions.** In August SWWC appointed Chris Schilling as the company's Chief Operating Officer. Chris previously served as Chief Executive Officer of Park Water Company, a private equity owned water utility operating in California and Montana. He spent most of his prior professional career at Bank of America, where he provided capital markets advisory services working extensively with regulated gas, electric and water companies in the U.S. and globally.
- **Kiawah Island pipeline construction.** The secondary pipeline construction at Kiawah Island has now been completed at a cost which is largely in line with budget. A rate application was filed in November 2016 with rates expected to be effective from May 2017.
- **Texas rate case.** Under new ratemaking rules adopted in September 2015, water and wastewater regulation in Texas was transitioned from the Texas Commission on Environmental Quality to the Public Utility Commission of Texas ("PUCT"). The Monarch rate case has now been settled, with allowed rate increases of 9% for water and 11% for wastewater over the test year. The rate increases will apply retroactively from September 2016 and will be billed



from October onward. The successful completion of the rate case established visibility around the timely recovery of capital expenditures in 2017 and beyond.

## Business Strategy

- **Focus on growth and acquisitions.** Looking ahead to 2017, SWWC is building upon the momentum around growth and extending its pipeline of tuck-in and bolt-on acquisition opportunities with the support of its business development team and under the supervision of the Board. There is also clear focus on successfully integrating the newly acquired systems. The company has begun to explore additional growth strategies as it creates a growing brand and niche based on its recent acquisition experiences.
- **Operational performance.** SWWC continues to focus on identifying operational improvements across all business units and at the corporate level. In California, although the drought executive order has been lifted, voluntary conservation measures still pose a risk to earnings due to reduced consumption. Management continues to effectively manage its water supply, operating and corporate overhead expenses to minimize the drought's financial impact.



<sup>1</sup> In September 2016, SWWC entered an agreement into acquire 100% of four water and wastewater utilities that provide services to customers in central Oregon; the transaction is expected to close in the second quarter of 2017.

## Outlook

Municipalities continue to be challenged by limited budgets, inability to raise capital and competing priorities. Communities are faced with investing vast amounts of resources as they struggle to renew their aging water and wastewater systems, meet growing demand and comply with water quality standards. As such, the growth potential for investor-owned water utilities is assured as they are a viable option to provide capital, management, operations and/or infrastructure solutions through innovative partnerships and acquisitions.

Additionally, U.S. policymakers continue to develop legislative alternatives to support the financing of water infrastructure projects to build and upgrade wastewater and drinking water treatment systems. Many states have passed legislation to encourage consolidation as a way to incentivize more efficient capital investments. As such, and in keeping with this theme of consolidation, there continues to be a broad industry focus on cultivating tuck-in acquisition opportunities that focus on systems with 2,000+ connections. Looking forward, we expect these market dynamics to play a role in additional growth and acquisition opportunities for SWWC.

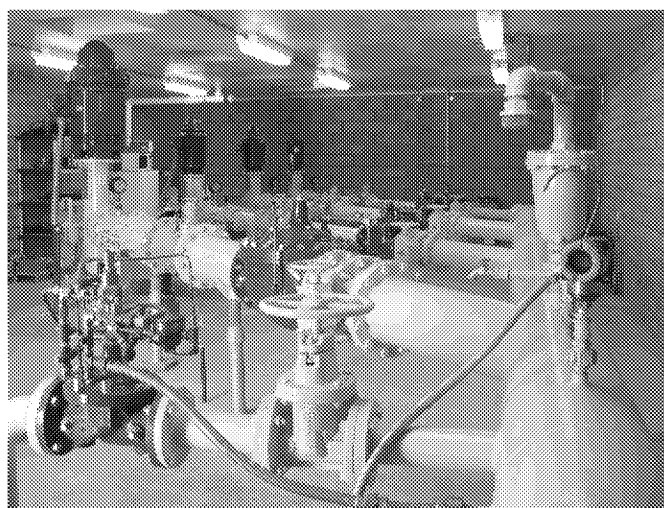


PHOTO: SWWC'S FACILITY IN PERRIS, CALIFORNIA.

## SUMMIT UTILITIES

## Performance Summary

|                              | Year<br>12/31/16 | Year<br>12/31/15 | Year-over-year<br>Change (%) | Year<br>12/31/14 | Two-Year Change (%) |
|------------------------------|------------------|------------------|------------------------------|------------------|---------------------|
| Gross Revenues (Millions)    | USD 70.0         | USD 76.2         | -8.1%                        | USD 65.6         | 6.7%                |
| EBITDA (Millions)            | USD 10.7         | USD 10.1         | 6.0%                         | USD 23.5         | -54.4%              |
| Total Customers              | 44,726           | 43,291           | 3.3%                         | 41,467           | 7.9%                |
| Natural Gas Throughput (dth) | 9,659,518        | 9,720,219        | -0.6%                        | 7,241,487        | 33.4%               |

Summit Utilities provides natural gas to customers through three regulated local distributions companies (“LDC’s”) located in Colorado, Maine and Missouri. The company is built upon a growth strategy that leverages the economic, convenience and efficiency advantages that natural gas presents relative to competitive energy sources.

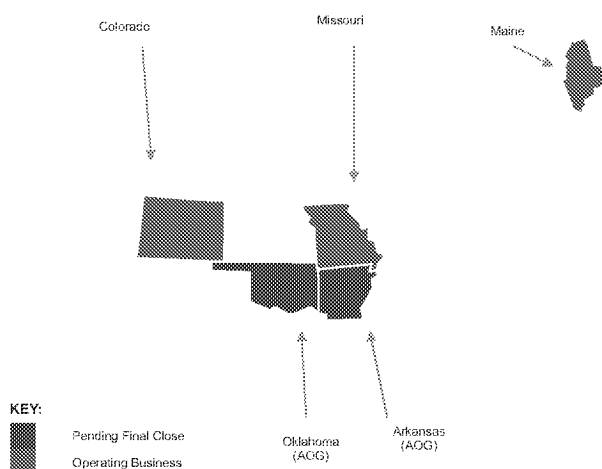
## INVESTMENT SNAPSHOT

| Initial Date of Investment                    | May 2007    |
|-----------------------------------------------|-------------|
| Portfolio Investment Cost                     | USD 533.6   |
| Fourth Quarter NAV                            | USD 505.1   |
| Proportion of Fund Portfolio                  | 8.8%        |
| Total Enterprise Value (at December 31, 2016) | USD 721.1   |
| Leverage as a % of Total Enterprise Value     | 21.5%       |
| Fiscal Year End                               | December 31 |

## OWNERSHIP STRUCTURE

| Partner                        | Economic Interest (%)* |
|--------------------------------|------------------------|
| IIF                            | 89.2                   |
| Australian Superannuation Fund | 10.8                   |

\* In March 2017 IIF acquired the remaining 10.8% of Summit, and now owns 100% of the economic interest.



## Performance Summary

Summit performed slightly below plan in 2016, primarily due to unusually warm weather.

## Milestones

- **Acquisition of A.O.G. Corporation (“AOG”).** In early August Summit entered into an agreement to acquire 100% of A.O.G Corporation, a regulated natural gas distribution company headquartered in Fort Smith, Arkansas, serving approximately 58,000 customers across 10 counties in Western Arkansas and Eastern Oklahoma. Regulatory approval for the transaction was received in Oklahoma and in Arkansas. The transaction closed in Q1 2017.
- **Business performance.** Across all three states, unusually warm weather impacted 2016 operating results. While 2016 was particularly challenging, with Missouri experiencing 17% fewer heating degree days, overall 10-year average heating degree days were 2-5% lower than the 30-year average, as measured by most regulators in developing usage forecasts. While Summit is exploring regulatory solutions to compensate for this challenge, the business has been impacted across each state. Looking forward, it is anticipated that an increase in the frequency of rate cases will serve to offset the impact of weather.
- **ERP system.** At the end of September, Summit successfully transitioned its reporting processes to its new Cayenta ERP system, including financial reporting.

- **Expense tracking initiatives.** Summit management has continued to refine expense tracking and allocation. In 2016, lower labor capitalization rates across each state were reported, reflective of the recent experience as construction activity and pipeline expansion has slowed. As a result, the amount of allocable labor expense capitalized into the rate base has declined, resulting in an increase in annual expenses and a decrease in net income. While new expense tracking initiatives are in progress, it is anticipated that the labor capitalization rates assumed are also in line with lower overall growth projections.
- In Q1 2017 IIF purchased the 10.8% interest in Summit that it did not previously own, bringing its ownership to 100%.

### Business Strategy

- **AOG integration.** Looking forward, the critical task for management is the successful integration of AOG and onboarding of over 58,000 customers. The integration process for AOG continues on-schedule. Closing for the transaction occurred in Q1 2017.



PHOTO: SUMMIT UTILITIES' FACILITIES IN WATERVILLE, MAINE.

- **Maine expansion.** Summit will continue to pursue additional commercial and industrial customer opportunities in Maine. Additionally, commercial customers and industrial customers continue to show interest in converting to natural gas given the long-term benefits and convenience.
- **Operational performance.** The team is also focused on operational excellence and continued vigilance around safety and construction performance, which will remain key priorities across the organization. While the commodity price environment remains challenging, the uptick from historic lows has been encouraging.

### Outlook

Following the integration of AOG, the team will be focused on additional accretive acquisitions and organic expansion opportunities to grow and diversify the business. Summit's management will continue to focus on enhanced operating results by utilizing best practices across the Summit and AOG organizations. Additionally, the team expects to further optimize the existing financings across each operating utility and the holding company.



# Transportation

We expect private investment in the transportation sector to grow 3-4% over the next decade in OECD economies. In the U.S., the pace of private involvement will be determined by the much discussed, but yet to be formulated, infrastructure plan of the new administration. Even without a push from the federal government, however, states and local governments in the U.S. are quite keen to find ways for private sector investment to improve transportation networks.

In Europe, as austerity is replaced by fiscal support, most national governments announced specific plans for infrastructure improvements, many with private investors. High speed rail, rail line electrification, and seaport capacity enhancements, for instance, are all expected to experience an increase in investment activity. Toll road networks and airports are also expected to experience an increased level of investment, although the degree of private sector involvement will be determined politically, especially in the U.S.

In the meantime, traffic volumes continue to steadily increase, putting pressure on the existing, and in many cases old, transportation networks. Vehicle miles traveled, airport enplanements and the number of containers arriving in ports all increased throughout the OECD in 2016. Road traffic growth rates surpassed 1.4% in the U.S. in 2016 for the first time since the Great Recession; air travel passenger enplanements in Europe increased 3.1%, again the highest growth rate since 2010. Container volumes in the largest eight ports in the U.S. and Western Europe increased 4.3% in 2016, slightly below the long-term trend line but still above the 10-year average. We continue to expect diminishing growth in transportation volumes in the long-term, but as investments enhance capacity of transportation networks, the aggregate growth is expected to stay positive for the foreseeable future.



PHOTO: AERIAL VIEW OF BILLY BISHOP TORONTO CITY AIRPORT IN CANADA.

Diversification - comes from the protected nature of the asset, allowing for long-term contracts and volume floors

Inflation Protection - within customer contracts

Yield - Predictable cash flow and responsible capital structures

## KOOLE TERMINALS

### Performance Summary

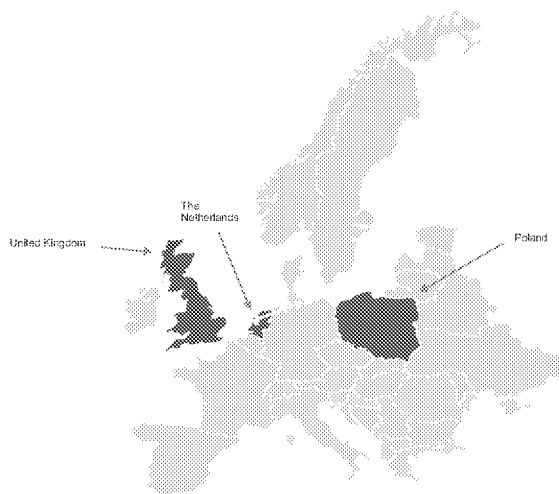
|                           | Year 12/31/16 |
|---------------------------|---------------|
| Gross Revenues (Millions) | EUR 151.2     |
| EBITDA (Millions)         | EUR 83.7      |
| Capacity                  | 2,055,525     |
| Utilisation               | 92.4%         |
| EUR/m3                    | 84.3          |

Koole Terminals is an independent liquid bulk storage business in Northwest Europe which was acquired by IIF, in partnership with the Ontario Teachers' Pension Plan ("OTPP"), in December 2015. Koole Terminals enjoys long-term 'take-or-pay' contracts with large industrial customers and operates five terminals in the Netherlands, two storage facilities in the United Kingdom and one in Poland, storing vegetable oils, chemicals, mineral oils and other liquid bulk products with two million cubic meters ("cbm") of capacity. Koole has the market leading position in the storage of vegetable oils and oleo-chemicals, and a unique niche position in mineral oils through structural integration into the supply chains of its blue-chip customer base.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | December 2015 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | EUR 464.6     |
| Fourth Quarter NAV                            | EUR 482.7     |
| Proportion of Fund Portfolio                  | 8.9%          |
| Total Enterprise Value (at December 31, 2016) | EUR 1,536.0   |
| Leverage as a % of Total Enterprise Value     | 37.1%         |
| Fiscal Year End                               | December 31   |

\* The investment cost includes transaction costs of approximately USD20.6 million.



### OWNERSHIP STRUCTURE

| Partner                       | Economic Interest (%) |
|-------------------------------|-----------------------|
| IIF                           | 50.0                  |
| Ontario Teachers Pension Plan | 40.0                  |
| Canadian co-investor          | 10.0                  |

### Performance Summary

Koole performed in line with plan during 2016.

### Milestones

- **Management team.** In 2016, Koole made significant additions to the management team, supplementing with the individuals below:
  - Corporate Development Manager - Mark Melis, joined July 2016
  - Chief Financial Officer - Beert Wassenaar, joined September 2016
  - General Counsel - Marike Kuin, joined September 2016
- **Board of Directors and Committees.** Koole held its first board meeting in September 2016. The Board comprises an independent chair and seven other members, four of whom were appointed by IIF and three by OTPP. The directors' backgrounds include the oil and gas industry, major capital projects, finance, and liquid bulk storage. Additionally, the company has established the following committees:
  - Strategy and Investment Committee (SIC)
  - People and Remuneration Committee (PARCO)
  - Health, Safety, Environment and Quality ("HSEQ") and Risk Committee



PHOTO: TANK STORAGE FACILITY AT KOOLE'S ROTTERDAM TERMINAL.



- **New facilities.** The new fuel oil facility and rail facility are expected to start delivering positive cash flows in 2017.
- **Rotterdam performance.** Market conditions were not favorable for storage demand during the second half of 2016. High stock levels across North West Europe created significant bulk product availability going into the second half of 2016. The unwinding of these stock levels resulted in low import volumes and as such, a lower number of vessels carrying non-hazardous products arriving in Rotterdam. In addition, oil was transferred from the Zaandam terminal towards the refineries in Rotterdam, negatively impacting performance.
- **Amsterdam performance.** The sale of a customer's Amsterdam oilseed facility created a substantial drop in volume handled via Koole Amsterdam. Currently parties are waiting for approval of the competition authority to move

ahead with this asset transfer. During this period, product volumes on the Amsterdam terminal are expected to remain low.

#### • Outlook

The outlook for storage demand for non-hazardous materials is improving and in recent months Koole entered into an additional contract with a firm volume guarantee on an integrated basis. At Koole Tankstorage Minerals ("KTM") in Rotterdam, further volume increase is expected with the gasoil and gasoline products going into 2017. KTM will undergo an intensive tank maintenance overhaul program in 2017 which will be a critical focus for the operational managers. At Pernis, the first phase of additional stainless steel capacity will be commissioned in early 2017 which will facilitate the growing demand for storage in this segment.

On the M&A front, there are a number of potential opportunities on the market and with existing customers that are being explored for expansions and acquisitions.



PHOTO: AERIAL VIEW OF KOOLES' ROTTERDAM TERMINAL.



## NIEUPORT AVIATION

### Performance Summary

|                           | Year<br>12/31/16 | Year<br>12/31/15* | Year-over-year<br>Change (%) | Year 12/31/14 | Two-Year Change (%) |
|---------------------------|------------------|-------------------|------------------------------|---------------|---------------------|
| Gross Revenues (Millions) | CAD 79.9         | CAD 72.2          | 10.6%                        | N/A           | N/A                 |
| EBITDA (Millions)         | CAD 62.0         | CAD 55.6          | 11.4%                        | N/A           | N/A                 |
| Passengers ('000)         | 2,714            | 2,485             | 9.2%                         | N/A           | N/A                 |
|                           |                  |                   |                              | N/A           | N/A                 |

\* The acquisition of Nieuport closed in late January 2015, and thus 2015 represents 11 months of operation.

In January 2015, IIF, in a consortium with Toronto-based investors InstarAGF Asset Management Inc. and Kilmer Van Nostrand Co. Limited, as well as Partners Group (USA) Inc., acquired the passenger terminal at the Billy Bishop Toronto City Airport ("BBTCA"). BBTCA is the ninth busiest airport in Canada, serving 2.7 million passengers in 2016. Accessible to 6.6 million residents within a one-hour drive, the airport is a state-of-the-art facility and a major economic engine for the Greater Toronto Area, generating approximately CAD 2.1 billion in total economic output and approximately 6,200 jobs in 2014. BBTCA is conveniently located close to Toronto's financial center, saving business passengers significant travel time and costs.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | January 2015 |
|-----------------------------------------------|--------------|
| Portfolio Investment Cost                     | CAD 286.7    |
| Fourth Quarter NAV                            | CAD 339.2    |
| Proportion of Fund Portfolio                  | 4.4%         |
| Total Enterprise Value (at December 31, 2016) | CAD 1,128.4  |
| Leverage as a % of Total Enterprise Value     | 40.5%        |
| Fiscal Year End                               | December 31  |

### OWNERSHIP STRUCTURE

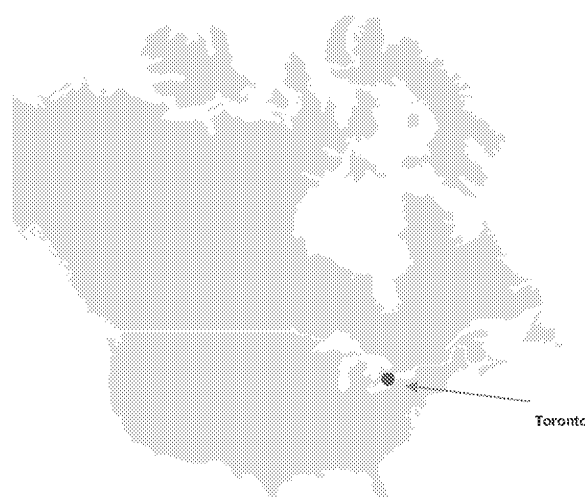
| Partner                                                              | Economic Interest (%) |
|----------------------------------------------------------------------|-----------------------|
| IIF                                                                  | 41.3                  |
| Instar AGF Asset Management Inc. and Kilmer Van Nostrand Co. Limited | 25.0                  |
| Partners Group                                                       | 25.0                  |
| Canadian co-investor                                                 | 8.7                   |

### Performance Summary

Nieuport continued to perform in line with plan during 2016.

### Milestones

- **Awards.** In late February BBTCA was named third best airport in North America in the Airports Council International's ("ACI") 2015 Airport Service Quality Awards. The award is based on 550,000 in-depth passenger surveys conducted at over 300 airports across more than 80 countries worldwide, and was received in the first year Billy Bishop participated in the survey, making it a significant milestone for the airport. Subsequently, PrivateFly announced in April that BBTCA was again voted one of the top ten Most Scenic Airport Approaches in the world (6th overall compared to 7th in 2015). In early 2017, BBTCA was named Best Airport in North America and tied for second place for Best Airport in the World in ACI's 2016 Airport Service Quality Awards.



- **Co-investment.** In April, IIF successfully closed on the transfer of a passive minority stake to a Canadian financial investor via a co-investment structure, which IIF will continue to manage. Collectively, IIF will continue to own and manage 50% of the total equity interests in BBTCA.
- **Passenger volumes.** Passenger volumes at BBTCA continued to perform strongly in October and November, which exceeded budget and were up 10.5% and 9.5%, respectively, compared to 2015. Traffic in 2016 through December was up 9.8% compared to 2015.

### Business Strategy

- **Terminal upgrade progress.** To accommodate continued accelerated growth in passenger traffic, Nieuport is planning an upgrade to the existing terminal, which will increase its footprint by 20%. The terminal upgrade is expected to significantly enhance the customer experience at the airport, while driving additional aeronautical revenues through the release of new slots and concession revenues post completion. In October, the consortium received a letter of consent from PortsToronto to proceed with such terminal revitalization. Nieuport and construction manager PCL mobilized resources and subsequently started enabling works. The team is working with its third party project manager, Stantec, on refining the construction schedule and key milestones to be reached throughout the process. Nieuport will also continue to work towards getting to the Guaranteed Maximum Price ("GMP") agreed with PCL.



PHOTO: AN AIRPLANE ASCENDING OUT OF BBTCA.

- **Position for U.S. pre-clearance.** In March 2016, President Obama and Prime Minister Trudeau announced the expansion of the border pre-clearance program to BBTCA. The U.S. custom pre-clearance facility will allow passengers to clear U.S. immigration at BBTCA and open up routes to many airports in the U.S. that do not have customs clearance capabilities, such as LaGuardia in New York and Reagan National in Washington, D.C. In December, President Obama signed into law a bill ratifying the new pre-clearance agreement between Canada and the United States, after the bill was passed in both assemblies of Congress. The bill marks an important milestone in the discussions for the development of the pre-clearance facility at BBTCA. Canada is now expected to ratify the legislation as well in 2017. Meanwhile, Nieuport will now turn its focus to getting a Memorandum of Understanding in place with the U.S. Customs and Border Control and continue discussions around approval of funding and the reimbursement model.

### Outlook

Traffic outlook remains strong at BBTCA. Load factors for both Porter Airlines and Air Canada to and from BBTCA have improved significantly compared to 2015. While Billy Bishop and the greater Toronto area have specifically been strong performers, the aviation industry has generally performed well in terms of traffic throughout the year. The trend is expected to continue in the medium term, driven by strong macroeconomic factors. At the end of 2016, strong exports in the country returned trade to surplus in November for the first time since 2014. 2016 was also a strong year for employment, with a robust gain of 214,000 jobs across the country, the best year since 2012.

Pursuant to a white paper recently released by the Greater Toronto Aviation Authority, BBTCA and other smaller Canadian airports will work in the coming months on an assessment of the role they should play within the fast growing Canadian market.



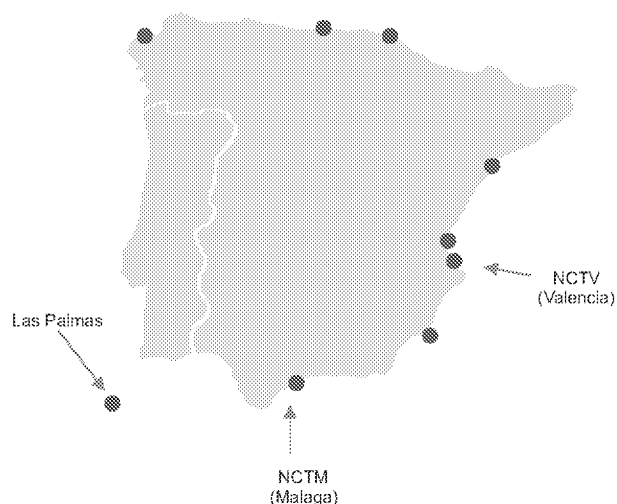
## NOATUM PORTS

### Performance Summary

|                           | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|---------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions) | EUR 567.8     | EUR 559.2     | 1.5%                      | EUR 514.3     | 10.4%               |
| EBITDA (Millions)         | EUR 51.8      | EUR 56.0      | -7.5%                     | EUR 57.4      | -9.8%               |
| Volumes (TEUs*) (000's)   | 3,174         | 2,948         | 7.7%                      | 3,008         | 5.5%                |
| Volumes (Tons) (000's)    | 3,511         | 3,684         | -4.7%                     | 3,337         | 5.2%                |

\* Twenty-foot equivalent unit

Noatum Ports is a leading container terminal operator in Spain, the second largest in Southern Europe and one of the leading independent global terminal operators. The business consists of eighteen terminals in Spain, including Noatum Container Terminal Valencia ("NCTV"), Spain's second largest container terminal, located in the port of Valencia, with the largest roll-on, roll-off terminal in the Mediterranean. Maritima del Mediterraneo S.A. ("Marmedsa"), is a leading port services and logistics provider in the Iberian Peninsula and manages a number of Noatum's specialized smaller port terminals. Marmedsa has a well-diversified portfolio of services, which includes a shipping agency, forwarding services and customs brokerage.



### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | December 2010 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | EUR 304.6     |
| Fourth Quarter NAV                            | EUR 445.3     |
| Proportion of Fund Portfolio                  | 8.2%          |
| Total Enterprise Value (at December 31, 2016) | EUR 983.0     |
| Leverage as a % of Total Enterprise Value     | 35.2%         |
| Fiscal Year End                               | December 31   |

### OWNERSHIP STRUCTURE

| Partner                                          | Economic Interest (%) |              |
|--------------------------------------------------|-----------------------|--------------|
|                                                  | Marmedsa              | Noatum Ports |
| IIF                                              | 100                   | 67           |
| Stichting Pensioenfonds ABP (Dutch pension fund) | -                     | 33           |

### Performance Summary

Noatum performed below plan during 2016 due to throughput under performance.

### Milestones

- **NCTV contract negotiations.** Noatum successfully concluded the contract negotiations with NCTV's largest customer in early 2016. The agreement provides for minimum volume commitments over eight years. A new five-year contract with another customer was signed in Q4 2016, and is incremental to current volumes. A five-year contract with a new customer was successfully negotiated in early 2017.
- **Awards.** During the year, NCTV was awarded the "Empresa Importante Julio" (Important Company Award) by Levante Newspaper, for the Company's commitment to the port of Valencia, the port community, and the city.



- **NCTV development.** In July 2016, Noatum successfully completed construction of the Muelle Costa development in Valencia, Spain, an important milestone that is expected to better position the terminal to diversify and grow customer volumes. The terminal is now fully operational and delivering increased capacity and efficiencies. NCTV also recently received an additional 10-year concession extension.
- **NCTB concession extension.** Bilbao was successfully awarded a 12-year concession extension in July, taking the concession to 2049.
- **Non-container terminals.** The Board approved the transfer of the non-container terminals to Marmedsa, allowing Noatum management to focus on the core container business and Marmedsa to drive operational performance at the non-container terminals.

## Business Strategy

- **Continued platform expansion and diversification.** IIF and the Noatum management team continue to assess the market landscape for additional port investment opportunities with the aim of expanding the Noatum platform, diversifying cargoes and customers, and taking advantage of economies of scale.

## Outlook

Uncertainty in the shipping industry continues following the bankruptcy of Hanjin. The importance of alliances is becoming increasingly apparent and as such, Noatum has been focused on contract negotiations with key customers that give access to volumes across the various alliances. Further, the Spanish economy has continued to grow at 0.7% into Q4, and is currently showing an annualized growth rate for the last 12 months of 3.2%. The economy is set to maintain a robust pace over the forecast horizon on the back of positive labor market developments.



PHOTO: NOATUM PORTS' FACILITIES AT VALENCIA.



## NORTH QUEENSLAND AIRPORTS

### Performance Summary

|                                 | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|---------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)       | AUD 138.1     | AUD 131.0     | 5.5%                      | AUD 126.0     | 9.6%                |
| EBITDA (Millions)               | AUD 87.6      | AUD 83.5      | 4.9%                      | AUD 81.0      | 8.2%                |
| Domestic Passengers ('000)      | 4,927         | 4,824         | 2.1%                      | 4,760         | 3.5%                |
| International Passengers ('000) | 689           | 603           | 14.2%                     | 524           | 31.4%               |

Cairns Airport is Australia's seventh busiest airport, serving approximately 4.6 million passengers in 2015. It is the closest international airport to Asia on Australia's eastern seaboard and has direct access to two World Heritage listed attractions: the Great Barrier Reef and the Wet Tropics Rainforests.

Mackay Airport, with approximately 0.9 million passengers in 2015, is the main airport for the Bowen Basin, one of the largest deposits of coal in the world. Mackay Airport also benefits from its proximity to the Whitsunday resort islands.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | January 2009 |
|-----------------------------------------------|--------------|
| Portfolio Investment Cost                     | AUD 181.6    |
| Fourth Quarter NAV                            | AUD 624.8    |
| Proportion of Fund Portfolio                  | 7.9%         |
| Total Enterprise Value (at December 31, 2016) | AUD 1,796.7  |
| Leverage as a % of Total Enterprise Value     | 30.3%        |
| Fiscal Year End                               | June 30      |

### OWNERSHIP STRUCTURE

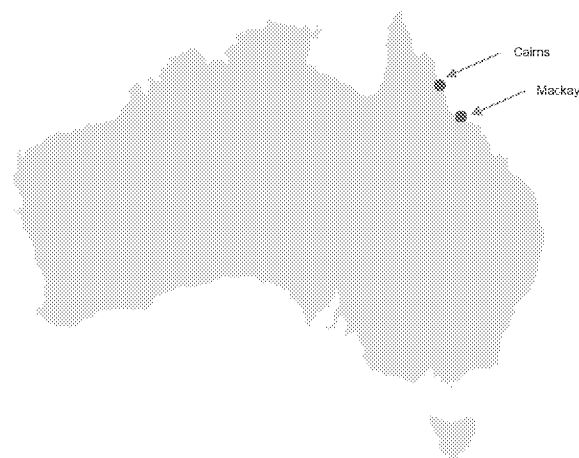
| Partner                                                       | Economic Interest (%) |
|---------------------------------------------------------------|-----------------------|
| IIF                                                           | 49.9                  |
| Auckland International Airport                                | 24.6                  |
| Funds managed by and affiliated with Hastings Fund Management | 20.1                  |
| Perron                                                        | 5.4                   |

### Performance Summary

NQA continued to perform in line with plan during 2016.

### Milestones

- **Management changes.** In August Norris Carter was announced as the new Chief Executive Officer of NQA following Kevin Brown's resignation. Mr. Carter joined the company in December 2016. Most recently Norris was General Manager, Aeronautical Commercial at Auckland Airport, where he was responsible for the sustainable growth of the air services that fuel New Zealand tourism and trade. Before joining Auckland Airport, Norris spent 14 years at Qantas, where he was responsible for strategy, network planning and revenue management for the airline's international operations. Mr. Carter represented Auckland Airport on the NQA board for around a year before becoming CEO.
- **Performance at Cairns.** Passenger volumes at Cairns were slightly below budget for the quarter, due to underperformance on international volumes, though





volumes grew strongly with a 4.9% increase year-over-year. Focus remains on route development with several wins during the quarter, including SilkAir increasing its flights per week and South Korea's Jin Air starting its seasonal two flights per week in December. Additionally, the Queensland government has received in-principle approval of the funding for the mono-destination campaign. Meetings are currently being held with airlines to progress discussions and secure commitments to bring year-round scheduled flights to the far north from mainland China. Negotiations continued during the quarter with Virgin and Qantas for the renewal of the aeronautical pricing agreements.

- **Mackay performance.** Mackay volumes continue to run below budget, with all carriers underperforming following capacity cuts. The company has undertaken a reforecast exercise to reflect current passenger levels.



PHOTO: PLANE TAKING OFF AT CAIRNS AIRPORT.

## Business Strategy

- **Non-aeronautical revenues.** NQA is working to pursue the development of non-aeronautical revenues such as commercial/retail and property income. A number of potential areas for improvement are being assessed and management will focus on the delivery of the proposed commercial and property initiatives.
- **Further develop aeronautical strategy.** The company is well positioned and has delivered positive outcomes in aeronautical development. Focus remains on progressing ongoing discussions to secure year round international routes and attract more traffic to Cairns.

## Outlook

The AUD continues to remain at relatively low levels compared with other currencies. Appreciation of the AUD could complicate the adjustment in the economy currently under way. We continue to monitor the impact of the AUD exchange rate and oil price decline on international and domestic travelers. Continued economic and political uncertainty in key European markets, combined with the weakening of the GBP and EUR against the AUD, is likely to see an increased focus on the Asian and U.S. markets for growth.

# Power Generation

As crude oil and more importantly natural gas prices recovered throughout 2016, wholesale spot market power prices increased across the OECD. Recent forward curves and long-term forecasts indicate an upward trend in power prices as demand picks up. As the supply stack gets environmentally friendlier, we expect a declining market share for coal generators globally.

Looking ahead, we continue to see a shift away from large-scale, centralized power plants towards small and mid-size generators. Most of the new capacity built in the U.S. and in the European Union during 2015-2016 is from generators with less than 400 MW, including natural gas fired and renewable projects. In the OECD, small and mid-size generators are expected to constitute nearly 90 percent of the new generating capacity projected to become

available during 2017; renewables are expected to account for nearly 80 percent of new generating capacity over that time frame.

The gradual shift from large, centralized generators to smaller ones necessitates an update to transmission systems. Many renewable generators are clustered in areas with low demand and high wind or solar resources, and hence require long-distance transmission lines. At the same time, however, long-distance transmission is no longer required for mid-sized natural gas-fired generators located in and close to the load pockets. This dichotomy has created engineering challenges to balance the systems. Indeed, one of the main bottlenecks to the renewable build-up in the electricity market in high-income OECD economies is an upgrade to their transmission systems.



PHOTO: SONNEDIX SOLAR FARM IN CHIANG RAI, THAILAND.

**Diversification** – comes from fixed price long-term contracts with a variety of counterparties, equipment providers, and wind and solar resource areas

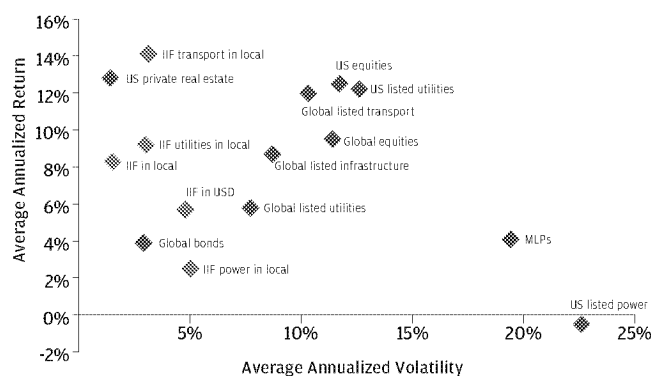
**Inflation protection** – Contracts can have fixed escalators that partially protect against inflation

**Yield** – Long-term contracts result in a stable yield that often approximates the total return

## IIF'S APPROACH TO CONTRACTED POWER GENERATION

For most markets in the OECD, the contracted power generation sector, including renewables, has underperformed in terms of total return since the Great Recession. Historical return analysis based on our own experience at IIF and comparable listed alternatives in the power generation sector demonstrate the issue, as illustrated below.

**TOTAL RETURN AND VOLATILITY, 2011-2016**

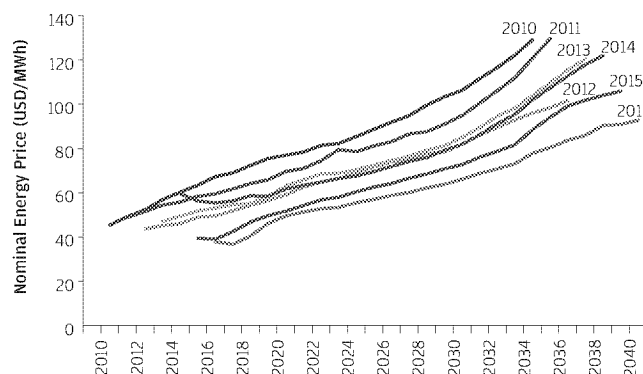


Source: Bloomberg, JPMAM. All indices are denominated in local currency. Data as of March 2017.

While the power sector's valuations have declined, realized cash flows and yield have met expectations for prudently underwritten core investments. IIF's contracted power portfolio provided a 7.5% annualized yield between 2011 and 2016, which was slightly above IIF's average yield of 6.0%. In addition to their strong yield performance, contracted power generation investments provide diversification benefits to our overall portfolio, not only in terms of expected yield and return, but also through access to additional geographies and regulatory bodies across various U.S. states and OECD countries, such as Japan, where the Fund would otherwise have a limited presence. We will continue to invest in the contracted power generation sector through our platform companies, but the historical underperformance and our philosophy in mitigating future fluctuations need to be explained.

Power generation assets become core infrastructure investments when they sign long-term contracts, and so are able to provide forecastable cash flows. The expected economic lives of these assets are typically longer than the contracts available, so the back-end cash flow forecasts are exposed to the power price forecast fluctuations in the present time. The fundamental reason for the underperformance of the sector has been the gradual downward shift in power price forecasts since the Great Recession as illustrated below, mostly due to the declines in energy commodity prices globally. As a result, the Net Asset Value of an investment, which depends on the discounted future cash flows, becomes volatile when long-term forecasts change—even when the cash flow performance during the contracted period remains stable.

**US LONG-TERM POWER PRICE FORECASTS**



Source: Ventyx, JPMAM. Each year is represented by the Ventyx Fall curve. Ventyx gives all prices in real terms - these curves assume constant 2% inflation.

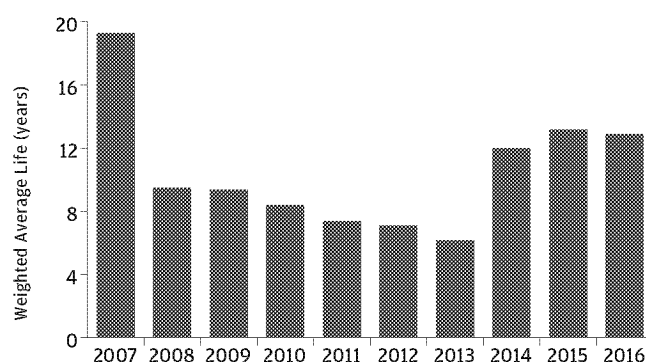
One consistent practice is to use a bifurcated discount rate to determine NAV; we use a lower valuation discount rate for the contracted cash flows where the level of uncertainty is lower, and a higher rate for uncontracted (merchant) cash flows that rely on forecasted prices. The discount rates do not and should not easily change from one quarter to the next, while third-party power price forecasts change quarterly, leading to the volatility in asset valuations. To mitigate risk, a core investment strategy should focus on downside protection, first with a requirement that all or most of the return of capital should take place through the contracted cash flows and

second, through a diligent and conservative approach to future power price forecasts. In addition, the debt at the asset level, which is usually undertaken through a project finance framework, should fully amortize during the contracted period. So, not only are uncontracted cash flows discounted at a higher rate than contracted cash flows, but also the uncontracted cash flows are unlevered. This creates significant upside potential upon re-contracting, when leverage can be applied. Marking future prices to independent forecasts and assigning a higher discount rate to the unlevered, uncontracted years constitute a highly conservative approach in the short term. While the reported values of investments may fluctuate, investors enjoy the stable yield profile and get their capital back during the contracted period even when power price forecasts move unfavourably.

Another issue to highlight is the continuously changing risk profile for contracted assets through time. Over time, an individual investment's contract life gets shorter and its exposure to volatile power price forecasts increases. A wind farm with an 11-year contract becomes a wind farm with a 10-year contract when a year passes. The task for the asset manager in core infrastructure is twofold: First, at the asset level, investments must be made beyond typical maintenance expenditures to extend the economic lives of the individual assets. Second, the weighted average contract life of the power generation portfolio should be kept stable by extending or re-contracting assets, acquiring new assets with longer contracts and disposing of assets that cannot be re-contracted

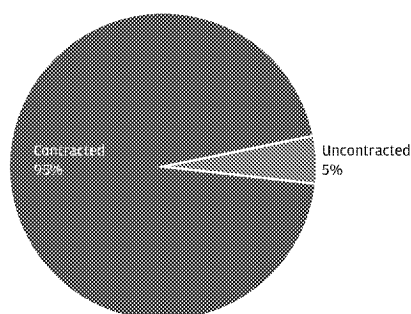
at favourable terms. As illustrated below, as of the end of 2016, 95% of IIF's power generation revenues were contracted and its power portfolio's weighted average contract life was approximately 13 years, providing a very visible cash flow stream to our investors.

**WEIGHTED AVERAGE CONTRACT LIFE FOR IIF'S POWER GENERATION INVESTMENT**

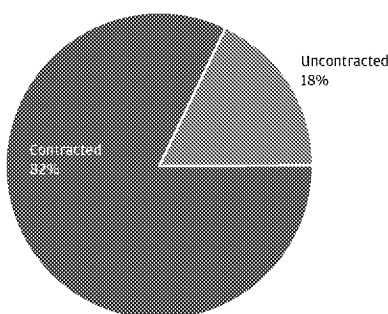


The power generation sector, especially renewables, lends itself naturally to our platform company approach. The high level of expertise and experience in our platform companies allows us to manage our portfolio efficiently and continue investing at our own pace and requirements. Through active asset management and our ongoing effort to acquire high-quality assets with long contract lives, we continuously aim to improve our portfolio's average contract life. We plan to report our achievements and developments in our power generation portfolio periodically going forward.

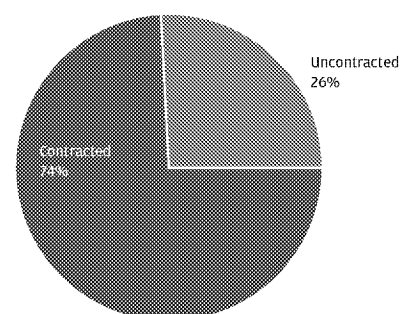
**IIF'S POWER GENERATION REVENUES IN 2016**



**IIF'S POWER GENERATION REVENUES IN 2021**



**IIF'S POWER GENERATION REVENUES IN 2026**





## COASTAL WINDS

### Performance Summary

|                               | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|-------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)     | USD 53.5      | USD 48.4      | 10.5%                     | USD 62.2      | -14.0%              |
| EBITDA (Millions)             | USD 36.5      | USD 30.4      | 20.1%                     | USD 47.3      | -22.8%              |
| Total Generation Output (GWh) | 924.8         | 822.5         | 12.4%                     | 968.1         | -4.5%               |
| Achieved Availability (%)     | 97.4          | 97.6          | -0.2%                     | 97.2          | 0.2%                |

Coastal Winds is a portfolio of three wind farms located in the states of New York, Oregon and Texas, with a total of 354 MW in capacity. This portfolio of contracted renewable power generation offers partnership with a world class operator - Invenenergy.

### INVESTMENT SNAPSHOT

|                                               |                      |
|-----------------------------------------------|----------------------|
| <b>Initial Date of Investment</b>             | <b>December 2008</b> |
| Portfolio Investment Cost                     | USD 103.6            |
| Fourth Quarter NAV                            | USD 207.8            |
| Proportion of Fund Portfolio                  | 3.6%                 |
| Total Enterprise Value (at December 31, 2016) | N/A*                 |
| Leverage as a % of Total Enterprise Value     | N/A*                 |
| Fiscal Year End                               | December 31          |

\* Due to the unique tax equity flip structure of this investment, enterprise value has not been calculated.

### OWNERSHIP STRUCTURE

|                                                  |                              |
|--------------------------------------------------|------------------------------|
| <b>Partner</b>                                   | <b>Economic Interest (%)</b> |
| IIF                                              | 36.9                         |
| Tax Equity investors including J.P. Morgan Chase | 39.0                         |
| Invenenergy                                      | 24.1                         |

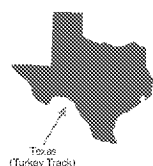
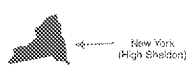
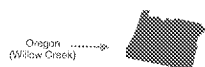


PHOTO: COASTAL WIND'S SHELDON WIND FARM LOCATED IN NEW YORK.



## Performance Summary

Coastal continued to perform in line with plan during 2016.

## Milestones

- **Sheldon hedge.** A two-year fixed price hedge was secured at Sheldon in the second quarter, which delivered pricing in line with previous projections and provided short-term revenue certainty at the site. The previous hedge expired at the end of 2015, but the acquisition of a new off-take agreement was delayed at the time due to the immediate low price environment.
- **Noise settlement.** During 2016 a settlement was reached for an ongoing noise complaint at Willow Creek, which was first initiated in 2013. Coastal is fully indemnified against all associated damages and costs under its operating agreement with Invenergy.
- **Generator maintenance.** In light of an identified serial manufacturer defect in the generators at Turkey Track, proactive inspections were carried out at the site in

November. A generator repair program has subsequently been initiated, which provides a quick, effective, cost-efficient solution as compared to generator replacement, and is expected to be completed during Q1 2017.

## Business Strategy

- **Blackout period.** As part of the tax equity partnership structure, the blackout period began in August 2015, during which tax equity investors receive 100% of cash distributions. The cash flip reversion date is anticipated to occur in early 2020, after which IIF will resume receiving cash flow distributions from the portfolio.

## Outlook

Heading into 2017, the team will focus on maintaining operational and financial performance through high availability levels and effective cost management. We will continue partnering with operating partner Invenergy to ensure that these high levels of operations are maintained.



PHOTO: COASTAL WIND'S HIGH SHELDON WIND FARM LOCATED IN NEW YORK.

## NOVATUS ENERGY, LLC

### Performance Summary

|                               | Year 12/31/16 |
|-------------------------------|---------------|
| Gross Revenues (Millions)     | USD 105.7     |
| EBITDA (Millions)             | USD 70.9      |
| Total Generation Output (GWh) | 2,125         |
| Achieved Availability (%)     | 97.7          |

Novatus Energy, LLC is a North American-focused, renewable independent power producer ("IPP"), with ownership interests in a portfolio of operating, wind and solar generation facilities comprising 1,176 net MW's over eight states.

Going forward, Novatus is intended to serve as the IIF platform for the continuing acquisition and management of renewable energy assets in North America.

### INVESTMENT SNAPSHOT - NOVATUS

| Initial Date of Investment                    | December 2015 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | USD 551.7     |
| Fourth Quarter NAV                            | USD 633.9     |
| Proportion of Fund Portfolio                  | 11.2%         |
| Total Enterprise Value (at December 31, 2016) | N/A*          |
| Leverage as a % of Total Enterprise Value     | N/A*          |
| Fiscal Year End                               | December 31   |

\* Due to the unique tax equity flip structure of this investment, enterprise value has not been calculated.

### INVESTMENT SNAPSHOT - CORRIDOR

| Initial Date of Investment                    | December 2014 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | USD 107.4     |
| Fourth Quarter NAV                            | USD 156.9     |
| Proportion of Fund Portfolio                  | 2.7%          |
| Total Enterprise Value (at December 31, 2016) | N/A*          |
| Leverage as a % of Total Enterprise Value     | N/A*          |
| Fiscal Year End                               | December 31   |

\* Due to the unique tax equity flip structure of this investment, enterprise value has not been calculated.

### OWNERSHIP STRUCTURE

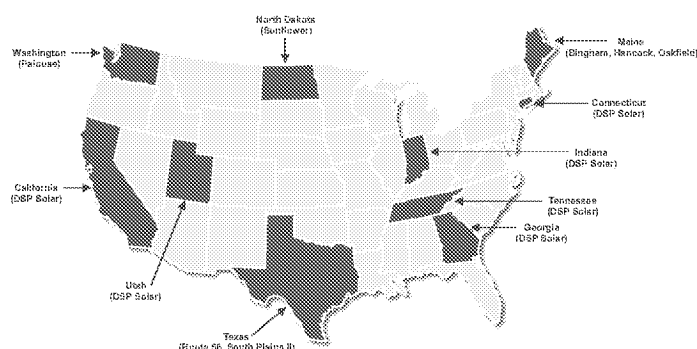
| Partner | Economic Interest (%) |
|---------|-----------------------|
| IIF     | 100                   |

### Performance Summary

Novatus performed in line with plan during 2016.

### Milestones

- **Corridor integration.** During February 2017, IIF and Novatus management successfully completed the structural integration of 100% of Corridor Energy (including its subsidiary entities) under Novatus Energy ownership. While both the Palouse and Route 66 projects owned by Corridor Energy have been managed by Novatus management since Q1 2016, the structural integration provides for enhanced operational, reporting and financing efficiencies. Further commentary regarding Novatus Energy is inclusive of the Corridor Energy portfolio.
- **Construction.** Novatus successfully completed construction on four projects during 2016, bringing the entire portfolio into operations.
  - South Plains II achieved commercial operation in June 2016, ahead of schedule and under budget. IIF and Novatus management managed the successful funding of tax equity for the project during Q3.
  - Bingham achieved commercial operation in December 2016, also ahead of schedule and under budget. Both tax equity and debt financing were funded as planned for the project.
  - Hancock achieved commercial operation in December 2016, both ahead of schedule and under budget. Novatus sourced tax equity and elected not to raise debt financing in order to benefit from the project's attractive cash yield profile.





- Sunflower achieved commercial operation in December 2016, ahead of schedule and on budget. Tax equity and debt financing were funded as planned during January 2017.
- **New asset manager.** In August Q3 2016, IIF and Novatus management successfully replaced SunEdison as the operator and asset manager at each of the Company's wind projects with E.ON, one of the world's largest owners and operators of renewable energy projects. By running a competitive procurement process, Novatus was able to realize considerable cost savings.
- **Management team.** Novatus management was established in Q4 2015 to oversee the operations of IIF's North American renewables portfolio. Novatus management expanded its team and now includes eight highly experienced professionals bringing a wide range of competencies, including engineering and construction management, accounting and tax, finance and commercial asset management.
- **Acquisitions.** During 2016, Novatus closed on three acquisitions:
  - In January 2016, Novatus achieved its second closing on the acquisition of a 33% interest in a 425 MWAC solar portfolio located across six states. This second and final tranche was funded with proceeds from the remaining commitment of USD 225 million of acquisition debt.
  - Also in January 2016 Novatus, acquired a 99% interest in a 51 MW wind farm located in Hancock County, Maine (Hancock).
- In June 2016 Novatus closed on the acquisition of a 104 MW wind project located in North Dakota. The project subsequently achieved commercial operation in December 2016 and sells 100% of its output pursuant to a 25-year fixed price PPA.
- In March 2017 Novatus Energy entered into an agreement to acquire the Comanche Solar facility, a 120 MWAC ground-mounted solar photovoltaic facility in Pueblo County, Colorado, operating under a fixed price 25-year PPA. Closing is anticipated to occur early in Q2 2017 following customary regulatory approvals.
- **Operations.** The Oakfield project was curtailed multiple times during 2016 due to the project's synchronous condenser being taken offline, leading to lower than planned production and revenues. In December 2016, the synchronous condenser suffered another outage which was repaired onsite in January 2017, returning the project to full service. It is anticipated that the synchronous condenser will be taken out of service during the historically less windy summer of 2017 to be sent to the manufacturer for permanent modifications. Novatus Management continues to proactively monitor the synchronous condensers at Oakfield and Bingham to ensure maximum availability going forward.

### Business Strategy

- **Acquisition opportunities.** IIF and Novatus will continue to pursue accretive acquisition opportunities to grow, diversify and extend the average contract life of the portfolio.

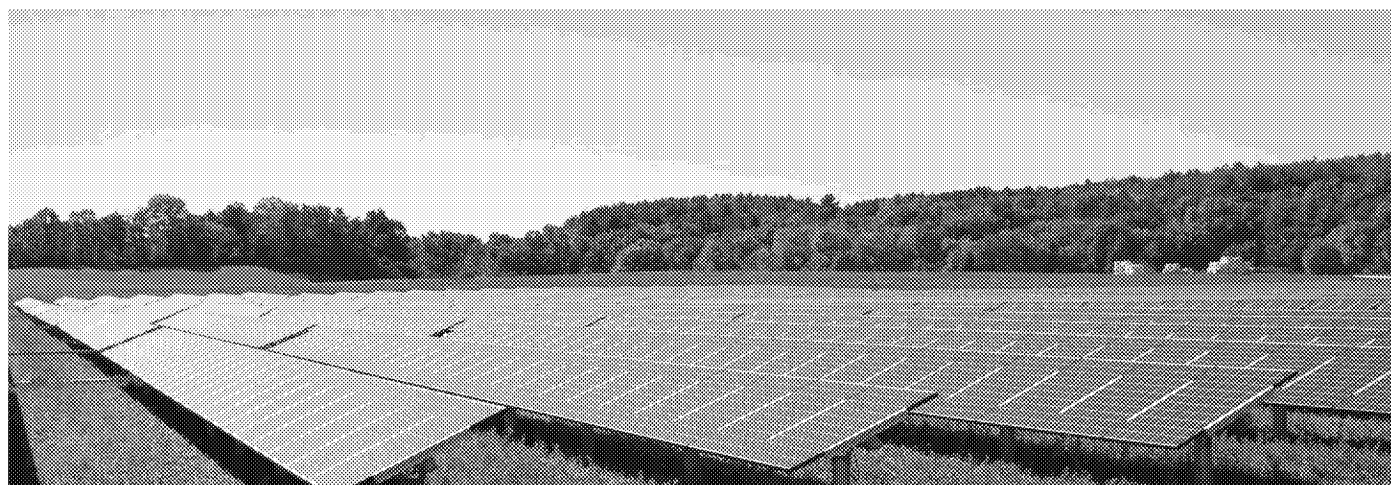


PHOTO: NOVATUS ENERGY'S 5 MWAC SOMERS SOLAR PV PLANT LOCATED IN SOMERS, CT



- **Optimizing financing structures.** Novatus and IIF are continuously evaluating additional financing alternatives at the project and portfolio level to further optimize the existing financing structures at the Company.
- **Operational performance.** Novatus is focused on optimizing the projects and is working on key initiatives with original equipment manufacturers to drive value through operational enhancements, including output enhancements and reducing scope (and costs) of third party service providers.

## Outlook

The U.S. continues to be one of the world's largest renewable energy markets with over 82 GW of installed wind capacity at the end of 2016. Renewable generation capacity in the U.S. has increased significantly during the past decade, spurred by improvements in wind and solar technology, cost, federal government subsidies, and state level mandates. Over the past few years, several factors have contributed to slowing growth,

including the development of U.S. natural gas resources leading to lower electricity prices, and stagnant load growth across the country. Even amidst these headwinds, renewable power is expected to maintain a high level of growth and emerge as a key component of electricity supply in many markets in the U.S. as coal retirements, environmental regulation and the competitive economics of renewables change the supply dynamics.

M&A activity remains robust with continued demand in the market for established portfolios of scale as demonstrated by the recently announced sPower and TerraForm transactions. Stand-alone projects or portfolios with long-term offtake agreements continue to attract significant attention from investors given the recent pressure on power prices and shortened tenors associated with new offtake agreements. While macro-level issues such as the evolving tax and regulatory landscape in the U.S. has added a degree of uncertainty in the market, high-quality projects with attractive offtake arrangements are expected to be highly sought after in 2017.



PHOTO: NOVATUS ENERGY'S SOUTH PLAINS II WIND FARM IN TEXAS.

## SONNEDIX POWER HOLDINGS LTD.

### Performance Summary

|                               | Year<br>12/31/16 | Year<br>12/31/15 | Year-over-year<br>Change (%) |
|-------------------------------|------------------|------------------|------------------------------|
| Gross Revenues (Millions)     | EUR 94.2         | EUR 49.1         | 91.9%                        |
| EBITDA (Millions)             | EUR 65.4         | EUR 42.6         | 53.5%                        |
| Total Generation Output (GWh) | 362.1            | 160.1            | 126.2%                       |
| Achieved Availability (%)     | 99.2             | 98.4             | 0.8%                         |

Sonnedix Power Holdings Ltd. is a joint venture platform company between IIF and Sonnedix Solar L.P., which develops and operates utility-scale solar projects globally. The company currently operates numerous projects across France, Spain, Italy, the UK, Japan, Puerto Rico, South Africa and Thailand, for a net generating capacity of 200 MW. In addition, the company has over 700 MW of solar projects in construction and pre-construction stages<sup>1</sup> in Japan, Puerto Rico, and Chile. Sonnedix benefits from a highly experienced management team, who brings together decades of industry and entrepreneurial experience.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | December 2014 |
|-----------------------------------------------|---------------|
| Portfolio Investment Cost                     | EUR 550.2     |
| Fourth Quarter NAV                            | EUR 576.1     |
| Proportion of Fund Portfolio                  | 10.6%         |
| Total Enterprise Value (at December 31, 2016) | EUR 1,292.0   |
| Leverage as a % of Total Enterprise Value     | 54.2%         |
| Fiscal Year End                               | December 31   |

### OWNERSHIP STRUCTURE

| Partner              | Economic Interest (%) |
|----------------------|-----------------------|
| IIF                  | 97.2                  |
| Sonnedix Solar, L.P. | 2.8                   |

<sup>1</sup> Highly advanced projects with key permits and contracts in place and construction expected to begin within the next 18 months.

### Performance Summary

Sonnedix continued to perform in line with plan during 2016.

### Milestones

- **Purchase of additional stake in Sonnedix.** In August 2016, IIF acquired an additional 44.1% stake in the company, bringing IIF's total ownership to 96.5%, which increased to 97.2% at year-end due to additional capital contributions. Since the Fund's original investment in 2014, Sonnedix has achieved consistent growth, increasing operational capacity from 117 MW to over 500 MW and is well positioned for further expansion.
- **Acquisitions.** Sonnedix has undergone a period of sustained growth in the past year, reaching a global capacity under control of over 1 GW, including 353 MW of operational sites. During 2016, growth achieved through acquisitions accounted for 60 MW of the operational capacity added. The company also added scale and platform capabilities in Italy and Spain during the year through M&A. In Q1, Sonnedix acquired the 48.6 MW Mitsubishi portfolio consisting of 22 projects located across Italy. This transaction brought the company's Italian operational assets to a scale which allowed for a EUR 197 million refinancing of the combined portfolio at significantly improved terms. Sonnedix also closed the acquisition of the TEP portfolio in Italy in December, which consists of three solar plants with an aggregate installed capacity of 11.2 MW bringing Sonnedix's Italian capacity to 80 MW at the end of 2016. Both





transactions forecast returns and yield at a significant premium compared to larger transactions recently observed in the Italian market. Sonnedix signed an additional deal which brings Italian capacity to over 100 MW, which closed during the first quarter of 2017.

In Q4, Sonnedix entered into definitive documentation for the acquisition of the Vela portfolio, a platform portfolio of 43 solar PV assets located across Spain with an installed capacity of 136 MW and a significant pipeline. Closing subsequently occurred in the first quarter of 2017. Prior to the acquisition, Sonnedix had a limited presence in Spain, operating 2.3 MW; this transaction made Sonnedix the second largest Solar PV player in the country. The acquisition provides a critical mass of installed capacity in addition to access to a talented management team with proven capabilities to aggregate projects within the fragmented Spanish market.

In Japan, Sonnedix, through its Japanese operator Nippon Solar Services, entered into a partnership with GSSG Solar, a U.S.-based developer, for the acquisition of three development projects with a capacity of ~117 MW. The 46.7 MW Suwa project is currently under construction and expected to reach Commercial Operation Date (COD) by the end of 2017. The partnership also includes an option for another 41 MW project which Sonnedix will acquire if and

only when certain issues identified through diligence are resolved. In the meantime, the team continues to focus on existing development projects in the portfolio.

- **Development projects.** At the end of July, Interconnection Cost Sharing Agreements were secured and executed with respective utilities for pre-construction projects in Japan. This represents a major milestone for Sonnedix in the development of these sites, as it secures the future PPA prices they will receive by meeting deadlines set by the regulator.

In South Africa, Sonnedix reached COD on the 86 MW Prieska project in July. The project was commissioned on budget and a few days ahead of plan. Since then, the plant has been performing well, operating above its contractual Performance Ratio resulting in revenues being higher than budget.

The 56 MW Oriana project in Puerto Rico reached mechanical completion on-time and on-budget and the plant is now energized and capable of discharging electricity onto the grid. Sonnedix successfully completed the testing phase on the Oriana plant, which was placed in service before the year-end deadline set by the U.S. Treasury. As a result, the project will receive an estimated USD 41 million federal cash grant in the coming months. The company also closed on the acquisition of the original developer's remaining minority stake during the year.

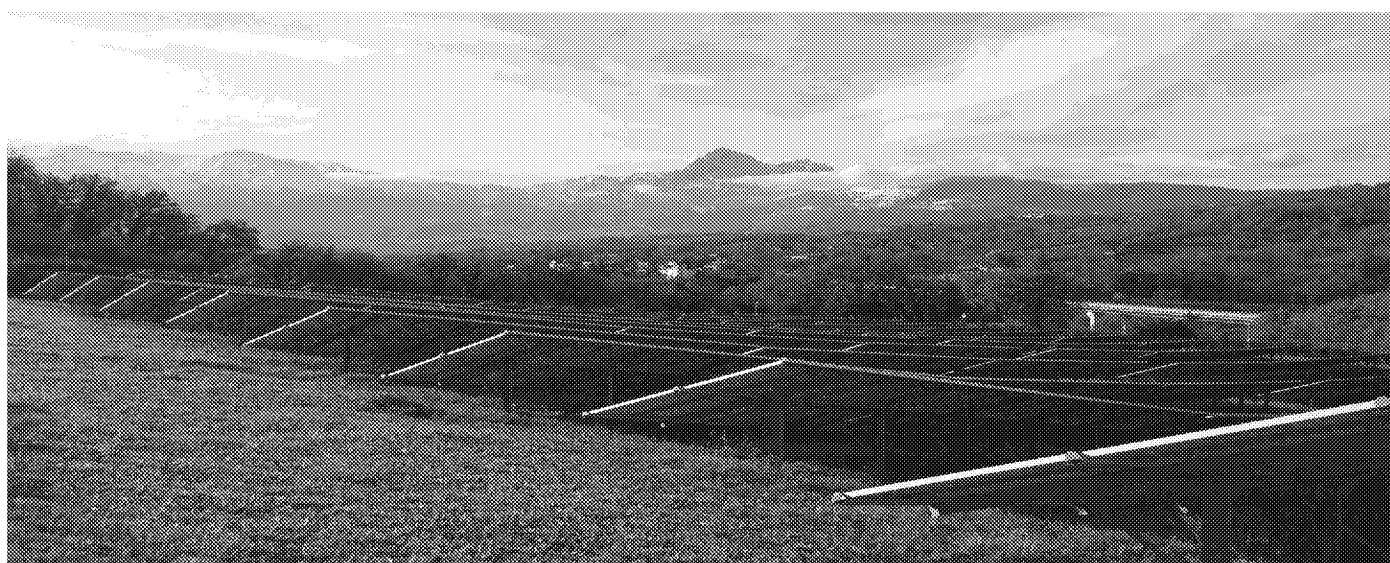


PHOTO: SONNEDIX POWER HOLDINGS' TEP PORTFOLIO IN ITALY



## Business Strategy

- **Acquisition opportunities.** In addition to its pre-construction portfolio, Sonnedix is continuously looking for new, attractive opportunities in OECD markets, both in existing and new jurisdictions. The company's rapidly growing track record continues to generate multiple M&A opportunities. After the recent acquisitions in Spain, Italy and Japan, the company is currently in advanced bilateral discussions for additional portfolios in Italy, Spain and France, in addition to actively reviewing numerous other potential transactions.
- **Japan expansion.** A key area of focus for 2017 will be the continued development of the Japanese portfolio. While certain projects have experienced delays, the company remains well-positioned to continue to progress development of the sites. It is expected that by the end of

2017, Sonnedix will have reached commercial operations on its first utility-scale plant in the country and have at least three projects under construction. The team will also carefully monitor any opportunity to acquire projects in development in the secondary market, in a similar manner to the Onsen portfolio acquired in Q4.

## Outlook

The outlook for solar continues to be strong: in the U.S., solar became the top new source of installed generating capacity, representing ~37% of new additions in 2016. Globally, renewable programs are established or soon to be implemented in the vast majority of countries. It is also expected that as renewables continue to mature, an increasing number of countries will shift from feed-in-tariffs to tendering programs as regulatory regimes evolve and the industry continues to mature.

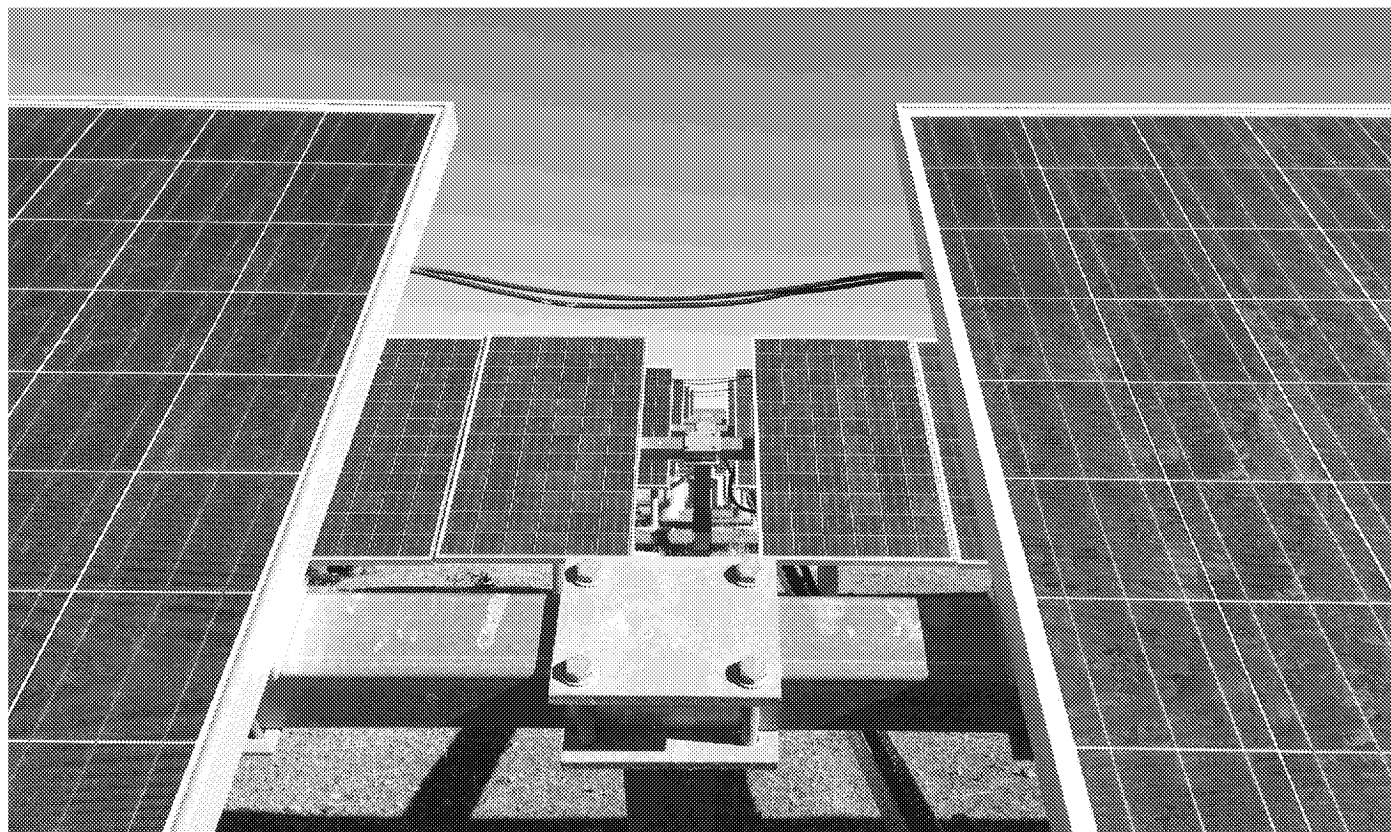


PHOTO: SONNEDIX POWER HOLDINGS' 11.6 MW SOLAR FARM LOCATED IN BADAJOZ, SPAIN, ACQUIRED IN MARCH 2017



## SOUTHWEST GENERATION

### Performance Summary

|                               | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|-------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)     | USD 78.8      | USD 48.0      | 64.2%                     | USD 54.4      | 44.9%               |
| EBITDA (Millions)             | USD 33.3      | USD 13.6      | 144.9%                    | USD 7.7       | 328.5%              |
| Total Generation Output (GWh) | 331.5         | 559.9         | -40.8%                    | 844.8         | -60.8%              |
| Achieved Availability (%)     | 99.5          | 99.2          | 0.3%                      | 99.8          | -0.4%               |

Southwest Generation is a 868 MW portfolio of eight power plants located in California, New Mexico and Colorado. SWGen is a contracted power generation platform led by a highly specialized executive management team with operational, commercial and development capabilities. 100% of the facilities are fired by natural gas, utilizing low-risk, proven technology, with none of the environmental risks associated with burning coal.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | July 2008   |
|-----------------------------------------------|-------------|
| Portfolio Investment Cost                     | USD 256.1   |
| Fourth Quarter NAV                            | USD 104.9   |
| Proportion of Fund Portfolio                  | 1.8%        |
| Total Enterprise Value (at December 31, 2016) | USD 374.6   |
| Leverage as a % of Total Enterprise Value     | 37.7%       |
| Fiscal Year End                               | December 31 |

### OWNERSHIP STRUCTURE

| Partner                  | Economic Interest (%) |
|--------------------------|-----------------------|
| IIF                      | 44.9*                 |
| Hastings Fund Management | 54.9*                 |
| SWGen Management         | 0.2                   |

\* Governance is 50/50.

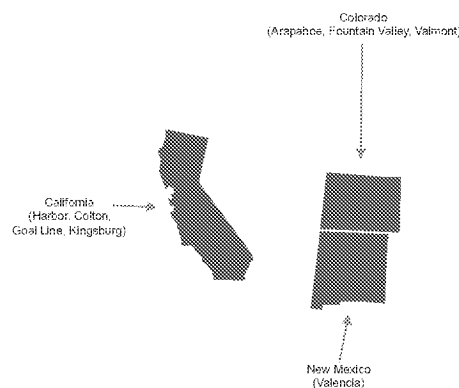
### Performance Summary

SWGen continued to perform above plan for the year, with the full fleet experiencing high availability through the summer run.

### Milestones

- **Acquisitions.** In early 2016 SWGen closed on its acquisition of three gas-fired generation projects located in California: Goal Line (50 MW), Kingsburg (34 MW) and Colton (83 MW). The SWGen team has successfully integrated the management and operations of these assets.

In December 2016, IIF entered into an agreement to acquire 100% of Pio Pico Energy Center ("Pio Pico"), a 318 MW simple cycle gas-fired power facility located in Otay Mesa, California. IIF was supported in the transaction by Southwest Generation, who is acting as the asset manager to Pio Pico. The transaction closed in early 2017.



- **2016 GRESB assessment.** SWGen received four stars on the 2016 GRESB assessment, ranking second out of ten in the category “Energy Generation: Fossil fuel generation/United States.” SWGen recently celebrated more than one million work hours with no lost time for injuries. This significant milestone represents the tremendous commitment to safety by SWGen’s employees, management and directors.
- **OSHA Voluntary Protection Program.** SWGen applied for approval into OSHA’s Voluntary Protection Program (“VPP”) for its Fountain Valley facility. The VPP manager has accepted resolutions of outstanding action items at Fountain Valley and we expect the plant to be accepted mid-year 2017. VPP promotes effective worksite-based safety and health whereby management, labor and OSHA establish cooperative relationships at workplaces that have implemented comprehensive safety and health management systems. Approval into VPP is OSHA’s official recognition of the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health.
- **Harbor facility.** During Q3 and Q4 2016, the Harbor facility was unable to secure a resource adequacy contract for 2017. The Board and management team agreed that the best

course of action would be to divest Harbor in 2017 if retirement options for the plant were unsuccessful. Management has been working with shareholders and advisers to identify potential buyers.

- **Valmont facility.** The management team has been closely tracking Xcel Energy’s procurement process in Colorado and is considering participating in an eventual supply solicitation. Xcel Energy filed its 2016 Electric Resource Plan with the Colorado Public Utilities Commission last quarter, confirming a need for 600 MW of additional supply through 2023.

### Business Strategy

- **Recontracting assets.** SWGen continues to focus on business development activities related to the assets it holds which are not currently under long-term contract. Although offtake agreements were signed for Colton for 2017, the contracted pricing for capacity was lower than expected.
- **Platform expansion.** Looking forward, SWGen is focused on expanding the current platform through acquisitions and new development, and is reinvesting a portion of its cash flows in the pursuit of this growth.

### Outlook

The team is focused on identifying new growth opportunities and potential acquisition targets. Key initiatives in 2017 include maintaining high levels of operational performance, pursuing opportunities to recontract Valmont, and identifying solutions for Harbor. Additionally, the team continues to monitor changes in commodity prices, demand and supply balance and new build costs for various generating technologies in each region and how they will impact future electricity prices and capacity value of the SWGen portfolio.



PHOTO: SOUTHWEST GENERATION’S FACILITY AT ARAPAHOE IN COLORADO.

## ZEPHYR INVESTMENTS LIMITED

### Performance Summary

|                               | Year 12/31/16 | Year 12/31/15 | Year-over-year Change (%) | Year 12/31/14 | Two-Year Change (%) |
|-------------------------------|---------------|---------------|---------------------------|---------------|---------------------|
| Gross Revenues (Millions)     | GBP 67.7      | GBP 83.6      | -19.0%                    | GBP 72.6      | -6.8%               |
| EBITDA (Millions)             | GBP 39.3      | GBP 55.6      | -29.3%                    | GBP 45.2      | -13.1%              |
| Total Generation Output (GWh) | 833.1         | 1,060.1       | -21.4%                    | 895.3         | -6.9%               |
| Achieved Availability (%)     | 93.2          | 92.0          | 1.3%                      | 91.9          | 1.4%                |

Zephyr Investments Limited is a portfolio of 17 wind farms located along the west coast of Scotland, England and Wales, with a total of 391 MW in capacity. Zephyr benefits from a favorable, grandfathered regulatory regime for its generation, and power offtake contracts are currently in place at all sites for 100% of the electricity generated.

### INVESTMENT SNAPSHOT

| Initial Date of Investment                    | June and August 2007 |
|-----------------------------------------------|----------------------|
| Portfolio Investment Cost                     | GBP 221.5            |
| Fourth Quarter NAV                            | GBP 168.9            |
| Proportion of Fund Portfolio                  | 3.7%                 |
| Total Enterprise Value (at December 31, 2016) | GBP 338.0            |
| Leverage as a % of Total Enterprise Value     | 23.6%                |
| Fiscal Year End                               | December 31          |

### OWNERSHIP STRUCTURE

| Partner                                                                      | Economic Interest (%) |
|------------------------------------------------------------------------------|-----------------------|
| IIF                                                                          | 66.7                  |
| Infracapital Partners LP, a fund managed by M&G of the Prudential Group (UK) | 33.3                  |

### Performance Summary

Zephyr continued to perform in line with plan during 2016.

### Milestones

- **Acquisitions.** In July IIF acquired an additional 33.3% stake in Zephyr, bringing the Fund's total ownership to 66.7%. In March 2017 IIF funded the acquisition of the remaining 33.3% stake in Zephyr, bringing the Fund's total ownership to 100%. IIF appointed two additional independent directors

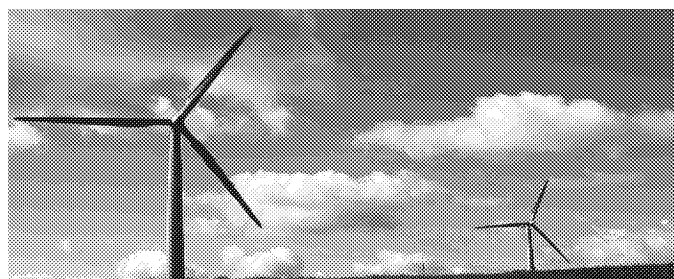
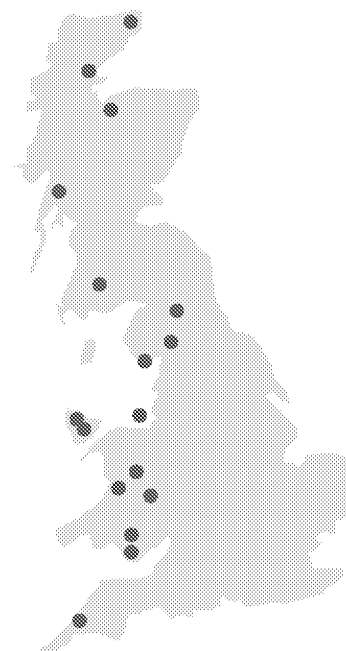


PHOTO: ZEPHYR WIND'S ONSHORE WIND FARM IN THE U.K.



to the Zephyr board, who will bring new perspectives and broader industry experience to complement the current board capabilities.

- **Operational initiatives.** A Condition Monitoring System is being implemented at North Hoyle to help increase performance and cost savings at the facility. The system will help provide early detection of defects in order to avoid catastrophic failures of the turbines, which currently can cause significant lost-time and negative financial impact for the company. O&M contracts at Ffynnon Oer, Bears Down and Windy Standard were all extended in 2016. The O&M contracts for Farr and Causeymire were part of a comprehensive tender exercise and a new contract has been agreed to start in June 2017.
- **PPA update.** Zephyr entered into seven new PPA contracts with lengths of 2-3 years in Q3 2016, following expiry of the existing agreements. In Q4 2016, Zephyr locked down fixed prices through to March 2018. These prices were an improvement on the 2017 budget, resulting from an increase in power prices in November and December driven by short-term supply concerns.
- **Management Services Agreement.** The current Management Services Agreement with RWE Innogy is in its termination notice period. Zephyr is currently in discussions with third party providers to finalize a new agreement by the end of 2017.

## Business Strategy

- **Operational performance.** Zephyr continues to focus on availability improvements in order to ensure optimal performance for 2017. The company also remains focused on progressing negotiations for the new maintenance contracts for the four sites in the North (Novar, Beinn Ghlas, Lambrigg and Kirby Moor), to achieve the optimal contract structure and terms for these priority sites, whose existing contracts are expiring this year.
- **Contract renewals.** Zephyr will also be focused on a number of upcoming tender/renewal processes for O&M contracts during 2017, which determine a significant part of the cost profile for the business. Maintenance agreements at 15 of the 17 wind farms expire over the next two years, providing a significant opportunity to implement a new coordinated site O&M strategy to optimize portfolio performance and output. In addition, a new Management Services Agreement will be finalized in 2017, providing the opportunity to avail further cost savings.

## Outlook

The UK power market has seen price levels increase during the past quarter as a result of low capacity margins this winter as well as import-price inflation.



PHOTO: ZEPHYR WIND'S ONSHORE WIND FARM IN THE U.K.





PHOTO: ZEPHYR WIND'S ONSHORE WIND FARM IN THE U.K.

# Responsible Investment – Sustainability Report

## UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT APPLICABLE TO THE FUND<sup>1</sup>

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE AT OUR PORTFOLIO COMPANIES

During 2016 the Fund took significant steps to integrate the United Nations Principles for Responsible Investment (the “Principles”) into its investment and asset management decisions, including providing substantial guidance to its portfolio companies in the management of material environmental, social and governance (“ESG”) matters. Below you will find the Fund’s (a) annual report on its progress in implementing the Principles, (b) first annual portfolio company ESG metric reporting dashboard and (c) fourth quarter qualitative portfolio company ESG reporting.

While we are pleased to be able to provide you with the metric reporting, it is only a step on our journey. We intend to have the majority of portfolio companies that we have owned for more than a year provide a stand-alone Global Reporting Initiative (“GRI”)-guided sustainability report for the 2017 calendar year, which will be summarized in Fund reporting and available on request and/or on such companies’ websites. In keeping with the Principles, the Fund has adopted a Mission Statement, Governance Principles and ESG Policy applicable to its portfolio companies, each available on request.

#### IIF Annual Report on the Principles - Year Ended December 31, 2016

Where consistent with our fiduciary responsibility, the Fund is committed to the following Principles:

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles

*Incorporate ESG issues into investment analysis and decision-making processes*

- IIF’s investment process, including its due diligence procedures, specifically incorporates ESG factors for analysis and consideration

*Signatory of:*



<sup>1</sup> J.P. Morgan Investment Management Inc. (“JPMIM”) is the Fund’s investment adviser. J.P. Morgan Asset Management (“JPMAM”) is the marketing name for the asset management business of J.P. Morgan Chase & Co. (“JPMC”). JPMAM is the signatory to the United Nations Principles for Responsible Investment (“UNPRI”).

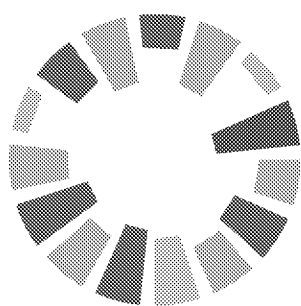
- ESG was a distinct topic within Investment Committee memoranda in 2016 in order to ensure Investment Committee members were informed of these considerations prior to voting on the proposed investment

*Be active owners and incorporate ESG issues into our ownership policies and practices*

- The Fund has adopted an ESG policy, available on request, applicable to its portfolio companies
- Each portfolio company board of directors has been provided an ESG primer explaining the Fund's approach to ESG matters in 2016
- ESG matters have been added to each portfolio company board's governance calendar

*Seek appropriate disclosure on ESG issues by the entities in which we invest*

- 13 of 14 portfolio companies participated in the inaugural Global Real Estate Sustainability Benchmark ("GRESB") Infrastructure Assessment in 2016<sup>2</sup> - GRESB is an investor-driven organization committed to assessing the ESG performance of real assets globally
- The Fund requires qualitative and quantitative reporting on ESG metrics, issues and initiatives, by each of its portfolio companies



**G R E S B<sup>®</sup>**  
INFRASTRUCTURE

<sup>2</sup> Coastal, the only asset we hold in which we are not the largest or co-largest shareholder, did not participate

*Promote acceptance and implementation of the Principles within the investment industry*

- The Fund promotes its ESG approach within the investment industry through both prospective client presentations and current client reviews
- The Fund hosted the results of the inaugural 2016 GRESB infrastructure assessment results
- The Fund participated in various ESG conferences and panels during 2016

*Work together to enhance our effectiveness in implementing the Principles*

- We work with our portfolio companies to address relevant emerging ESG issues, including providing form policies and working with companies to address matters identified as gaps in the GRESB assessment
- We strive to share and adopt a best practice approach in the practical implementation of decision-making across the Fund's portfolio companies
- We maintain an active discussion on emerging ESG issues with industry groups, Limited Partners, prospective consultants and partners
- We recently participated in GRESB working group calls to refine the GRESB infrastructure assessment for 2017

*Report on our activities and progress towards implementing the Principles*

- The Fund provides a report on its progress towards implementing the Principles in its annual report
- The Fund has reported on its ESG initiatives in each of its quarterly reports throughout 2016
- At the Fund's annual Investor Committee meeting in October, we discussed our approach, philosophy and progress made on ESG issues during the year

ESG METRIC REPORTING DASHBOARD - YEAR ENDED DECEMBER 31, 2016<sup>1</sup>

## 2016 Calendar Year Environmental Reporting

|                  | Net GHG Emissions (Avoided) in 2016          | Energy Purchased for Operations in 2016                                                                   | Water Used in Operations in 2016    | Environmental Violations Received in 2016 | Other Relevant Metric (SF2, methane, etc.)                                                                                             |
|------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Billy Bishop     | Not reported <sup>2</sup>                    | 3,824 MWh                                                                                                 | 4,913,864 gallons                   |                                           | N/A                                                                                                                                    |
| Coastal          | Not reported                                 | Not reported                                                                                              | Not reported                        | 0                                         | N/A                                                                                                                                    |
| ENW              | 23,133 tCO <sub>2</sub> e <sup>3</sup>       | 20,967 MWh                                                                                                | 15,018,181 gallons                  | 0                                         | Energy lost of 667,982 tCO <sub>2</sub> e <sup>4</sup><br>8,250 gallons of oil lost <sup>5</sup><br>Loss of 14.63kg of SF <sup>6</sup> |
| Koole            | 16,610 tCO <sub>2</sub> e                    | Electricity: 21,456 MWh <sup>7</sup><br>Gas: 5,069,682,268 gallons <sup>8</sup>                           | 70,723,878 gallons <sup>9</sup>     | 0                                         | N/A                                                                                                                                    |
| Noatum           | Not reported                                 | Electricity: 21,014 MWh<br>Gas oil A (autos): 11,105 gallons<br>Gas oil B (Industrial): 1,498,305 gallons | 4,964,057                           | 0                                         |                                                                                                                                        |
| Novatus/Corridor | (1,028,640) tCO <sub>2</sub> e <sup>10</sup> | 8,357 MWh <sup>11</sup>                                                                                   | 400,000 gallons <sup>12</sup>       | 0                                         | N/A                                                                                                                                    |
| NQA: Cairns      | 15,105 tCO <sub>2</sub> e                    | 27,640 MWh                                                                                                | 37,620,039 gallons                  | 0                                         | N/A                                                                                                                                    |
| NQA: Mackay      | 2,994 tCO <sub>2</sub> e                     | 2,738 MWh                                                                                                 | 5,480,825 gallons                   |                                           |                                                                                                                                        |
| Sonnedit         | (251,049) tCO <sub>2</sub> e <sup>13</sup>   | 4,356 MWh                                                                                                 | 191,789 gallons                     | 0                                         | N/A                                                                                                                                    |
| Summit           | 10,113 tCO <sub>2</sub> e <sup>14</sup>      | • Electricity 763 MWh<br>• Natural Gas 10,693 MWh<br>• Oil 363 Gallons<br>• Propane 124 Gallons           | 2,613,558 gallons                   | 0                                         | N/A                                                                                                                                    |
| SWGen            | 198,918 tCO <sub>2</sub> e <sup>15</sup>     | 20,551 MWh                                                                                                | 102,412,057 gallons                 | 2                                         | 112.95 tons of NOx emissions                                                                                                           |
| SWWC             | Not reported                                 | 57,732 MWh                                                                                                | 1,162,000,000 gallons <sup>16</sup> | 5                                         | N/A                                                                                                                                    |
| SWS              | 267,295 tCO <sub>2</sub> <sup>17</sup>       | Natural Gas 2,591 MWh<br>Elec 380,263 MWh                                                                 | Not reported                        | 35 <sup>19</sup>                          | N/A                                                                                                                                    |
| Zephyr           | (375,000) tCO <sub>2</sub> e <sup>18</sup>   | 2,562 MWh                                                                                                 | Not reported                        | 0                                         | N/A                                                                                                                                    |

<sup>1</sup> Data as of December 31, 2016 except as otherwise noted<sup>2</sup> The airport runs completely on renewable energy through renewable energy purchase agreements and offset credits purchased by PortsToronto<sup>3</sup> For the period 3/15-3/16, Scope 1, 2 & 3 (business transport only), excludes losses<sup>4</sup> For the period 3/15-3/16<sup>5</sup> For the period 3/15-3/16<sup>6</sup> For the period 3/15-3/16<sup>7</sup> 7 of 8 sites reporting<sup>8</sup> 6 of 8 sites reporting<sup>9</sup> 4 of 8 sites reporting<sup>10</sup> Scope 1 & 2 and employee business air travel - number for Novatus' share of co-owned projects<sup>11</sup> Estimated based on bill review<sup>12</sup> Estimate<sup>13</sup> Scope 1 & 2 and employee business travel<sup>14</sup> Annual total volumetric GHG emissions, at standard conditions, measured in Metric Tons of CO<sub>2</sub>e (Carbon Dioxide equivalent)<sup>15</sup> Scope 1 only<sup>16</sup> Used by SWWC and water lost in operations<sup>17</sup> CO<sub>2</sub> emissions only, scope 1 only<sup>18</sup> Estimate offset through renewable generation<sup>19</sup> Serious Pollution Incidents (Category 1 and 2) = 3; Wastewater treatment works permit compliance failed works = 2; Water treatment works permit compliance failed works = 2; Drinking Water Inspectorate: 28 compliance breaches

## 2016 Calendar Year Social Reporting

|                  | Employee Lost Time Incidents in 2016 | Contractor Lost Time Incidents in 2016 | Reported Community Safety Incidents in 2016 | Catastrophe Resilience Plan Adopted and/or Reviewed in 2016                                         |
|------------------|--------------------------------------|----------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Billy Bishop     | 0                                    | 1                                      | 8 <sup>20</sup>                             | No                                                                                                  |
| Coastal          | N/A                                  | 0                                      | Not reported                                | Not reported                                                                                        |
| ENW              | 6                                    | 4                                      | 0                                           | Yes                                                                                                 |
| Koole            | 2                                    | 0                                      | 0                                           | Yes, 2 plans reviewed/adopted                                                                       |
| Noatum           | 23                                   | 0                                      | 0                                           | No <sup>21</sup>                                                                                    |
| Novatus/Corridor | 0                                    | 11                                     | 0                                           | Plan not in place yet                                                                               |
| NQA              | 1                                    | 1                                      | 11 <sup>22</sup>                            | Yes, emergency and cyclone plans in place and reviewed.                                             |
| Sonnedix         | 0                                    | 5                                      | 0                                           | Yes, resilience plans for individual key issues and scenarios, not as a single plan                 |
| Summit           | 1                                    | 0                                      | 12 <sup>23</sup>                            | Yes, Summit maintains a variety of catastrophe resilience plans which were reviewed in 2016         |
| SWGEn            | 0                                    | 0                                      | 0                                           | Yes - SWG has Emergency Response Plans for all sites in its fleet. Annual reviews conducted in 2016 |
| SWWC             | 5                                    | 2                                      | 18 <sup>24</sup>                            | Not reported                                                                                        |
| SWS              | 17                                   | 19                                     | 0                                           | Not reported                                                                                        |
| Zephyr           | 0                                    | 0                                      | 0                                           | Yes <sup>25</sup>                                                                                   |

<sup>20</sup> Includes accidents with the airport bus service contracted to a third party.

<sup>21</sup> Review currently underway

<sup>22</sup> Instances where passengers have reported incidents relating to NQA infrastructure.

<sup>23</sup> Vehicle accidents, gas leaks, bore through

<sup>24</sup> Vehicle accidents

<sup>25</sup> Operator plan, tested on one Zephyr asset in 2016

## 2016 Calendar Year Governance Reporting

|                       | Code of Ethics including AML <sup>26</sup> /FCPA <sup>27</sup> Provisions Adopted and/or Reviewed in 2016 | Formal Risk Register provided to the Board in 2016 | Cyber Audit by 3rd Party in 2016          | Board Construction (% of INEDs <sup>28</sup> ) as of December 31, 2016 | Board Construction (% Women/ Minority Groups <sup>29</sup> ) as of December 31, 2016  | Number of Board Meetings in 2016 | Number of Audit Committee Meetings in 2016 |
|-----------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------|
| Billy Bishop          | No <sup>30</sup>                                                                                          | No <sup>31</sup>                                   | No                                        | 25%                                                                    | Women: 0%<br>Minority Groups: 25%                                                     | 4                                | 0 <sup>32</sup>                            |
| Coastal <sup>33</sup> | Not reported                                                                                              | N/A                                                | Not reported                              | N/A                                                                    | N/A                                                                                   | N/A                              | N/A                                        |
| ENW                   | No <sup>34</sup>                                                                                          | Yes                                                | Yes                                       | 57%                                                                    | 0%                                                                                    | 7                                | 4                                          |
| Koole                 | Yes                                                                                                       | No <sup>35</sup>                                   | No                                        | 50%                                                                    | Women: 25%<br>Minority Groups: 0%                                                     | 4                                | 5                                          |
| Noatum                | Yes                                                                                                       | Yes                                                | No                                        | 60%                                                                    | 0%                                                                                    | 5                                | 0 <sup>36</sup>                            |
| Novatus/Corridor      | Yes                                                                                                       | Yes                                                | No                                        | 67%                                                                    | Women: 17%<br>Minority Groups: 0%                                                     | 2 <sup>37</sup>                  | 0 <sup>38</sup>                            |
| NQA                   | No                                                                                                        | Yes                                                | Quarterly penetration testing             | Red: 40%<br>Blue: 25%                                                  | Red: Women: 20%<br>Blue: Women: 0%<br>Both: Minority Groups: 0%                       | 10                               | No                                         |
| Sonneditx             | Yes                                                                                                       | Yes                                                | No                                        | 29%                                                                    | Women: 0%<br>Minority Groups: 29%                                                     | 5                                | 2                                          |
| Summit                | No <sup>39</sup>                                                                                          | Yes                                                | IT Security Assessment conducted by EKS&H | 83%                                                                    | Women: 0%<br>Minority Groups: 17%                                                     | 5                                | 5                                          |
| SWGen                 | No <sup>40</sup>                                                                                          | No <sup>44</sup>                                   | No                                        | 33%                                                                    | Women: 0%<br>Minority Groups: 15%                                                     | 5                                | 0                                          |
| SWWC                  | Yes <sup>41</sup>                                                                                         | No <sup>44</sup>                                   | Yes                                       | 71%                                                                    | Women: 14%<br>Minority Groups: 29%                                                    | 4                                | 5                                          |
| SWS                   | Not reported                                                                                              | Yes                                                | Yes                                       | Holdco: 40%<br>Opco: 57%                                               | Holdco: Women: 20%<br>Minority Groups: 20%<br>Opco: Women: 29%<br>Minority Groups: 0% | 9                                | 4                                          |
| Zephyr <sup>42</sup>  | No <sup>43</sup>                                                                                          | Yes                                                | No                                        | 75%                                                                    | Women: 25%<br>Minority Groups: 0%                                                     | 5                                | 0                                          |

<sup>26</sup> Anti-Money Laundering<sup>27</sup> Foreign Corrupt Practices Act<sup>28</sup> INEDs includes JPM appointees who are not JPM employees but does not include co-shareholder appointees (it is conservatively assumed that all co-shareholder appointees are employed by such co-shareholder)<sup>29</sup> Limited to racial groups that are minorities in the areas in which the company operates including Hispanic/Latino, Indigenous People, those of African descent, and those of Asian descent<sup>30</sup> Scheduled to be adopted in 2017<sup>31</sup> Scheduled to be put in place in 2017<sup>32</sup> The board only has 4 members so has not instituted committees<sup>33</sup> Coastal does not have a board of directors, it is managed by Invenergy<sup>34</sup> Code including these provisions was adopted in early 2017<sup>35</sup> Draft provided, to be finalized in 2017<sup>36</sup> Audit committee formed at the end of 2016, first meeting in March 2017<sup>37</sup> Board formed in August, 2016<sup>38</sup> Committees planned for 2017<sup>39</sup> Code of Ethics adopted in 2015, not reviewed in 2016<sup>40</sup> Code of Ethics does not include specific reference to AML/FCPA<sup>41</sup> Review for AML/FCPA updates underway<sup>42</sup> 100% ownership acquired in early 2017, board changes to follow<sup>43</sup> The operator's Code of Ethics does not specifically reference AML/FCPA<sup>44</sup> Scheduled to be put in place in 2017

## FOURTH QUARTER QUALITATIVE PORTFOLIO COMPANY ESG REPORTING

### Nieuport Aviation

Ports Toronto publicly released its 2016 Sustainability Report covering, among other things, BBTCA. The Report confirmed that the airport runs on renewable electricity for all of its operations. In 2016 Nieuport worked with Ports Toronto to reduce the need for plastic water bottles in the BBTCA lounge. When going through security, passengers are required to empty their water bottles since liquids over 30mL are not permitted by the Canadian Air Transport Security Authority. The installation of new water stations allows passengers to refill their water bottles or the reusable drinking glasses available in the airport lounges—thus eliminating the need to purchase or use plastic water bottles. The Report also stated the following:

*“In October 2016, Ports Toronto approved plans submitted by Nieuport Aviation Infrastructure Partners, owner and operator of the airport’s passenger terminal, to undertake upgrades and enhancements to the terminal at the airport. The plans include increasing the terminal’s footprint to accommodate the airport’s growth since 2010, when the terminal was built, and to further enhance its world-class passenger experience. Specific improvements include reconfiguring offices and administrative areas to accommodate passenger processing needs. Overall, the changes will add approximately 2,500 square meters to the terminal, with the majority of the increase being in the passenger lounges. The terminal upgrade will provide the opportunity to incorporate environmentally responsible and sustainable infrastructure in the terminal’s design.”*

### Coastal Winds

The Fund receives monthly operational reports for each site from Invenergy, Coastal’s operator. These reports set forth, among other things, environmental incidents, material disputes with contractors, suppliers or others, and, depending on the site, safety incidents or safety trainings undertaken. During 2016 there were no reported Environmental Incidents or Lost Time Incidents and Invenergy reported having completed 175 safety trainings/drills at Turkey Track and 12 at Willow Creek in 2016.

### Electricity Northwest

Since Storm Desmond hit Cumbria a year ago, in preparation for the potential for increased severe weather events and other effects of climate change, ENW has invested more than GBP 130 million in strengthening and upgrading the power network to help keep the lights on for customers in the county ahead of any severe weather this winter. Since last winter, 505 miles of trees have been pruned, GBP 7.7 million invested in upgrading and replacing overhead power lines and GBP 15.4 million spent on upgrading underground electricity cables across the North West.

### Koole Terminals

Koole has publicly committed to environmental stewardship, as detailed on its website (<http://koole.com/hseq>):

*Koole is fully committed to running its business in a way that respects the environment and minimizes the impact on it. To achieve this, Koole constantly checks its operational procedures and makes sure that appropriate and effective technology is used. Koole also places a great deal of importance on the responsible use of energy and environmental awareness. Energy consumption is limited wherever possible by implementing effective measures and using smart systems. Every effort is made to reduce waste output. Workers are trained to reduce wastewater, energy consumption and the use of chemicals. Koole conducts its environmental policy through proper governance and fully complies with the environmental legislation.*

### Noatum Ports

Marmesda Noatum Maritime (“Marmesda”), a member of the Noatum group of companies, has been accepted as a new Member of the Maritime Anti-Corruption Network (“MACN”). MACN and its members promote good corporate practices in the maritime industry to tackle problems of bribery, extortion and other forms of corruption. MACN also collaborates with key stakeholders, including national Governments and international organizations, such as the United Nations Development Programme (UNDP), to identify and mitigate the causes of corruption in the maritime industry. Marmesda was the first Spanish company to become part of MACN. This milestone was achieved thanks to the commitment of the company to continue to improve its model of crime prevention. MACN requires members to have: developed a



model of compliance, established policies and procedures to develop the model, implemented a method of risk assessment, training programs, tracked the correct operation of the model, established an internal complaints system and undergone due diligence by MACN.

## Novatus Energy

Novatus has launched its website, including a tab for ESG (<http://www.novatusenergy.com/environmental-social-governance/>). The tab sets forth Novatus' incorporation of ESG principles, including its environmental stewardship as a renewable company, its high level approach to stakeholder engagement and a brief description of its board of directors, with bios of such directors found under the "About" tab.

### Environmental

*Our wind and solar projects deliver clean energy with a focus on reducing our environmental impact.*

### Social

*Novatus Energy is focused on continuing to build strong relationships within the communities it works, and upholding its reputation as a trusted partner. One of our top priorities is to support a cleaner environment while fostering economic growth in our local communities.*

### Governance

*The Board of Directors of Novatus Energy is composed of six seasoned professionals in the energy field with a vast range of experiences. Collectively, they set high standards for the Company, its employees and officers, and aim to foster a culture of performance, transparency, and accountability.*

## North Queensland Airports

NQA's 2015-2016 Earthcheck Performance Report showed that Cairns Airport was a Regional Leader in limiting Potable Water Consumption and Waste Sent to Landfill. Areas for focus included Energy Consumption and GHG (Scope 1 & 2). In addition, while Cairns Airport was above average in Community Contributions, the company is committed to continued improvement.

## Sonnedix Power Holdings

In the fourth quarter, Sonnedix received board approval to implement a multi-phase ESG strategic plan, which will include the following elements: Communication and Policies/Procedures Creation, Implementation, Training and Monitoring. The ESG plan states that the Policies/Procedures will be based on the International Finance Corporation ("IFC") Performance Standards and take into account World Bank guidelines, including areas of: (a) assessment and management of environmental and social risks and impacts; (b) labor and working conditions; (c) resource efficiency and pollution prevention; (d) community, health, safety and security; (e) land acquisition and involuntary resettlement; (f) biodiversity conservation and sustainable management of living natural resources; (g) indigenous people; and (h) cultural heritage.

Sonnedix intends to create an ESG portal allowing for, among other things, document version control, global accessibility and a sub-site for contractor access and document sharing. In addition to the mitigation and management of the risks associated with these factors, Sonnedix also plans to proactively develop and implement project- and corporate-level initiatives that create positive impacts on the environment and the communities in which Sonnedix engages. In 2016 Sonnedix created and filled the role of ESG Manager. Sonnedix's internal legal counsel and the ESG Manager are spearheading the ESG plan and are currently on track for delivery of the plan within the proposed timeline.

## Summit Utilities

Summit has become a member of ONE Future. ONE Future is a coalition of companies from across the natural gas industry focused on identifying policy and technical solutions that yield continuous improvement in the management of methane emissions associated with the production, processing, transmission and distribution of natural gas. ONE Future believes that, if widely adopted, its system of emissions management could lower total methane emissions to less than one percent of gross production – the point at which the use of natural gas for any purpose provides clear and immediate GHG-reduction benefits as compared to any other fossil fuel. ONE Future member companies aspire to continuously improve the energy delivery efficiency of the natural gas supply chain by reducing total methane emissions to less than one percent of gross production, a scientifically developed target. By promoting smarter policy approaches and working

to identify solutions across every segment of the natural gas supply chain, members can deliver better results to their customers, increase value to their shareholders, and improve the environment.

### Southwest Generation

The last Lost Time Incident at SWGen was in June 2010, a remarkable achievement. In addition, the company's GHG emissions rate for 2016 was nearly half that of the average Colorado Coal Plant emission rate (0.61 v. 1.15 Co2 equivalent metric tons per MWh).

### SouthWest Water Company

SWWC supports its customers in need in a variety of ways. The following are a few examples:

#### *Help2Others (H2O) & WISH (LIRA) Program:*

Founded in 2012, H2O is a utility-funded program that offers recurring bill-payment assistance to SWWC's water and sewer customers in Texas whose combined household incomes do not exceed 125 percent of the current Federal Poverty Guideline. SWWC also offers the Water Invoice and Statement Help Program ("WISH")—a low-income rate assistance program for qualifying residential customers. WISH provides a monthly adjustment for SWWC customers in California on a low-income budget.

#### *Project Wishbone:*

The program offers ready-to-cook food baskets to qualified SWWC Texas customers who desire to prepare a traditional Thanksgiving meal, but may not be able to afford one. Since the program's inception in 2012, SWWC has given more than 1,500 Thanksgiving meal baskets to Texas customers in need.

#### *Toilet Program:*

**FREE TOILETS:** Yes! SWWC gives away free toilets to customers! Any SWWC California customer who has not received free toilets in the past and currently has a toilet that is 20 years or older can participate in the program. The company gives away two toilets per household.

### Southern Water Services

SWS values community giving and targets its charitable resources on two main relationships: A two year company-wide partnership with a single charity and a year-long partnership with selected regional charities to focus on local projects.

SWS's charity partner for 2016-18 was the Kent, Surrey and Sussex Air Ambulance Trust. SWS was delighted to be able to support the crews and team with their lifesaving work, providing acute pre-hospital care to the most critically ill and injured people. The Trust is an independent charitable healthcare provider, funded almost entirely by voluntary donations. SWS will be working with the Trust to boost its fundraising efforts through a number of initiatives and events, including its annual charity Race Day at Fontwell.

Regional charities being supported by SWS include: Howletts Wild Animal Park (part of The Aspinall Foundation). SWS is helping to refurbish the park's education center to support the charity's world-renowned conservation work and help visitors to understand the issues around the survival of many species. There will also be work around the importance of conserving water not just globally but locally as well.

The Chailey Heritage Foundation is a pioneering center providing education, care and transition services for children and young adults with complex physical disabilities and other health needs. SWS is working with the charity to build a 'Care Farm' where children can play and learn through caring for animals. Supplying water-saving areas for hand-washing and hygiene will be a key part of the project.

### Zephyr Wind

The maintenance contractor for Zephyr's North Hoyle wind farm, an off-shore facility, has recently reached 3,000 days without a lost time injury in connection with the site, demonstrating the benefits of Zephyr's sustained focus on health and safety with its contractors.

The Fund has recently acquired 100% of the equity interests in Zephyr, which will allow IIF to fully dictate the policies and procedures of the company, including its ESG related policies and procedures.

# Select Awards, Certifications and Accreditations



IN MARCH 2016, INSTITUTIONAL INVESTOR AWARDED J.P. MORGAN ASSET MANAGEMENT ITS U.S. INVESTMENT MANAGEMENT AWARD FOR INFRASTRUCTURE FOR 2015. THE AWARD RECOGNIZES U.S. INSTITUTIONAL INVESTORS WHOSE INNOVATIVE STRATEGIES AND FIDUCIARY SAVVY RESULTED IN IMPRESSIVE RETURNS IN 2015 AND STOOD OUT IN THE EYES OF THE INVESTOR COMMUNITY FOR THEIR EXCEPTIONAL PERFORMANCE, RISK MANAGEMENT AND SERVICE.

## NIEUPORT AVIATION

### - BILLY BISHOP TORONTO CITY AIRPORT



PHOTO: AERIAL VIEW OF BBTCA

#### Condé Nast Traveler Readers' Choice Awards

BBTCA ranked fourth amongst airports worldwide for favorite airport (2016).

#### Skytrax World Airport Awards

BBTCA awarded #9 for best regional airport in North America (2016 & 2015).

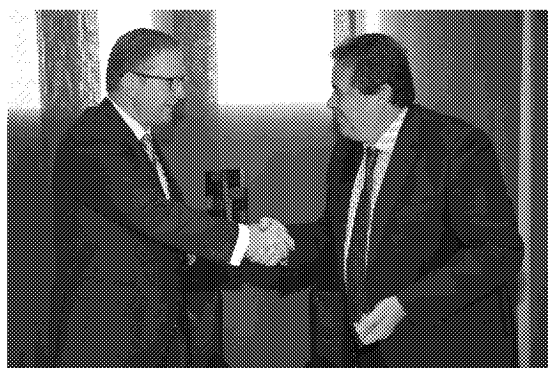
**Airports Council International's (ACI) Airport Service Quality Awards** - BBTCA was named Best Airport in North America and tied for second place for Best Airport in the World (2016).

#### PrivateFly Most Scenic Airport Approaches in the World

BBTCA was ranked as the sixth most scenic airport approaches in the world in 2016, up from #7 in 2015.

## NOATUM PORTS

In 2016 NCTV was awarded the "Empresa Importante Julio" (Important Company Award) by Levante Newspaper, for Noatum's commitment to the port of Valencia, the port community and the city.



DOUGLAS SCHULTZ, CEO OF NOATUM, AND JULIO MONREAL, DIRECTOR OF LEVANTE NEWSPAPER

## SOUTHERN WATER SERVICES



PHOTO: A SWS METER USED IN ITS UNIVERSAL METERING PROGRAM

Southern Water scooped up a Runner-up Award at the Sixth Annual Guardian Sustainable Business Awards in May for their universal metering program. The awards celebrate organizations and individuals that go above and beyond to tackle global challenges and drive sustainability. SWS was shortlisted in the 'bold move

category' - which recognizes companies who have 'pushed the boundaries' by taking a groundbreaking step to advance sustainability - and pave the way for other businesses.

Ben Earl, SWS's water efficiency manager, said, "It was fantastic to be shortlisted for the UK's most coveted Sustainable Business Awards and so to be 'Runner up' in the first ever 'Bold Move' category was a real tribute to the whole team who delivered Southern Water's market leading water efficiency as part of our metering program."

"Metering is one of the fairest and most environmentally friendly ways to save water, energy and money," he added.

The shortlisted companies were judged on a number of criteria, including whether there was evidence of measurable, sustainable change as a result of the project. Exhaustive research conducted by SWS found 85 percent of their customers agreed paying for the exact amount of water used is the fairest way to charge, and gave customers more control over their bills. Research at the University of Southampton also demonstrated the program resulted in a strong decrease in water consumption.

An important feature of the program was visits to customer households. After the initial round of visits offering early advice, another round took place on the day of installation, providing customers with a booklet explaining that the meter is now being switched on and the various tariff choices available.

The judging panel was made up of a raft of sustainability experts - including Craig Bennett, chief executive, Friends of the Earth; Paul Ekins, professor of resources and environment policy and director, UCL Institute for Sustainable Resources, University College London; and John Sauven, executive director, Greenpeace UK. SWS was the only water company shortlisted for an award, joining companies as diverse as The Carbon Trust, Innocent Smoothies, B&Q and Ikea.

In addition, SWS achieved 99.98% compliance against the Drinking Water Inspectorate's water quality measures, which puts SWS at the top of the industry league tables.

## ELECTRICITY NORTH WEST

**2016 'In-house Team of the Year' Award, Public Relations Consultants Association Regional Awards, Manchester**  
ENW's small in-house PR team received the award for its contribution to the company and also its crisis communications response during the winter when Storm Desmond caused the loss of power to more than 75,000 properties due to flooding. The team provided a 24-hour media response for five days, issuing 32 news releases and organizing 20 media interviews, which resulted in doubling the followers on social media and over 1,000 pieces of positive coverage.

## 2016 Best People Engagement Award, Call North West Contact Centre Awards

In October ENW won the 'Best People Engagement' Award for its outstanding contribution to the Contact Centre sector in the North West.



**2016 'Outstanding In-house Public Relations Team Gold Award' and 'Crisis Management Gold Award', Chartered Institute of Public Relations (CIPR) Pride Awards, Manchester**  
In November ENW scooped up two gold accolades for 'outstanding in-house public relations team' and 'crisis management' at the regional CIPR Pride Awards in Manchester. The small in-house PR team received the awards for its contribution to the company, its focus on teamwork and strategy and also its crisis communications response during the winter when Storm Desmond caused the loss of power to more than 75,000 properties due to flooding.

## 2016 Fleet Van Operator of the Year, Motor Transport Awards

Operating in the North West of the UK, with a fleet of more than 600 commercial vehicles and a further 600 contractor vehicles, this Van Excellence-accredited fleet demands that its contractors meet the same standards it has been attaining since 2010. Proactive fleet management with an emphasis on safety, including the introduction of a smartphone app to log vehicle defects and a program of driver training and risk management has seen ENW's insurance premiums drop. Its drive to continually improve the business has also seen it install forward facing cameras to curb vehicle accident costs, and achieve a 2% year-on-year reduction in fleet fuel consumption despite expanding its fleet by 5%, and increasing payloads. The judges noted that its clear focus is evident throughout the organization.



PHOTO: ONE OF ENW'S FLEET

# IIF Appointed Non-Executive Directors and Executive Management Teams



**Peter Emery**  
*Chief Executive Officer*  
*Electricity North West*  
*Appointed in 2016*

Peter Emery joined Electricity North West in 2016 from Drax Group plc, where he served for over a decade and most recently in the post of Group Operations Director. Peter has a wealth of global energy experience garnered over a thirty year career in the sector. Peter has also worked with the Government and Regulators to enable the delivery of ambitious national and international climate change goals.



**John Roberts**  
*Chairman*  
*Electricity North West*  
*Appointed in 2014*

John Roberts joined Electricity North West in 2014 as Chairman of the Board of Directors. John comes with extensive knowledge in the utility sector having previously been Chief Executive of Manweb, the network operator for Merseyside and North Wales, and United Utilities which owned the North West's power grid before Electricity North West took over in 2007.

A fellow of the Royal Academy of Engineering and Institution of Engineers, John previously chaired the North West Energy Council.



**Chris Dowling**  
*Board Director*  
*Electricity North West*  
*Appointed in 2015*

Chris Dowling was the Chairman of Challenger - Europe until December 2013, primarily responsible for Challenger's European Infrastructure investments. Prior to this role, he was Managing Partner of Rutland Partners LLP, the Private Equity fund, and a founding Director of Rutland Trust PLC.

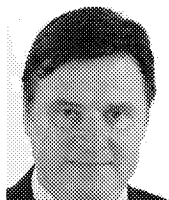
Chris has a degree in Economics and is qualified as a Chartered Accountant with Deloitte Haskins & Sells (now PricewaterhouseCoopers LLP ("PwC")).



**Rob Holden**  
*Board Director*  
*Electricity North West*  
*Appointed in 2015*

Rob Holden joined the Nuclear Decommissioning Authority as a Non-Executive Director in June 2015. Rob was appointed Chair of High Speed 1 in 2011. He is the former Chief Executive Officer of Crossrail and London & Continental Railways (LCR). Rob also led the LCR team in a series of transactions that secured the future of the Channel Tunnel Rail Link (later renamed High Speed 1) between 1999 and 2009. Rob also is a Non-Executive Director of Viridor Ltd, a waste management and recycling business. He also advises on long-term projects in the rail and defense sectors. Rob participates on PwC's infrastructure advisory board and has recently worked for the Cabinet Office's Major Projects Review Group.

Rob qualified as a Chartered Accountant with Arthur Young in Manchester before moving to the Vickers Shipbuilding Group early in his career.



**Mike Nagle**  
*Board Director*  
*Electricity North West*  
*Appointed in 2011*  
*Southern Water Services*  
*Appointed in 2015*

Mike Nagle was admitted as a Solicitor of the Supreme Court of England and Wales in 1982. After a career in private practice as a commercial litigator Mike joined SEEBOARD plc, a regional electricity supply and distribution company in the UK, where he was appointed Group Company Secretary & Solicitor. On leaving SEEBOARD Mike was appointed Senior Vice President of Legal Services at Metronet Rail, a consortium formed to upgrade of two-thirds of the London Underground. Having now retired as a Solicitor, Mike is a Non-Executive Director on the Boards of Electricity North West and Greensands Holdings Limited (the parent company of Southern Water) and was previously a director of Zephyr Investments Limited.

Mike holds a Bachelor of Arts degree in Law from Kingston University.



**David Brocksom**  
*Board Director*  
*Electricity North West*  
*Appointed in 2016*

David Brocksom joined the company as interim Chief Financial Officer in September 2013 and served until January 2015. He rejoined the Company in May 2015 and became a Director in October 2015. Previously David held a number of Chief Financial Officer roles, including at UK Coal plc and Pace plc.

David is a fellow of the Institute of Chartered Accountants in England and Wales qualifying with Price Waterhouse (now PricewaterhouseCoopers LLP 'PwC') and holds an MA from Cambridge University.



**Ian McAulay**  
*CEO*  
*Southern Water Services*  
*Appointed in 2016*

Ian McAulay has extensive experience in the UK regulated utility, construction, and environmental services sector. He was the former chief executive of Viridor and managing director of capital programmes at United Utilities. Ian also has substantial experience in running privately-owned entities both in the UK and overseas. He comes with a demonstrable track record of achieving strong operational results and transformational change.



**Bill Tame**  
*Chairman of the Board*  
*Southern Water Services*  
*Appointed in 2015*

Bill Tame joined the Board in January 2015 and was appointed Chairman in March 2017. A Chartered Accountant by training, Bill held a number of senior finance roles at Courtaulds PLC, the UK FTSE100 chemicals company, both in the UK and overseas operating as CFO in Europe based in France and then as Finance Director in Asia Pacific based in Singapore.

Bill subsequently worked as Finance Director for Scapa Group PLC before joining the Board of Babcock International Group PLC in 2002 as Group Finance Director. Following the acquisition by Babcock of the international aviation services business, Avincis, in 2014, Bill assumed the role of CEO of Babcock's Global Growth & Operations with responsibility for the integration, business development and operations of its international businesses.



**Rosemary Boot**  
*Board Director*  
*Southern Water Services*  
*Appointed in 2015*

Rosemary Boot is Chief Financial Officer of Future Cities Catapult, one of a network of technology and innovation centers established by the UK Government. Previously, Rosemary worked at Circle Housing Group and was involved in setting up the Government owned Low Carbon Contracts Company and Electricity Settlements Company. From 2001 to 2011 Rosemary was Group Finance Director of the Carbon Trust, the independent company set up in 2001 to work with business and the public sector to accelerate the move to a sustainable, low carbon economy. Prior to this, she worked for 16 years as an investment banker, primarily advising large listed UK companies on mergers and acquisitions.

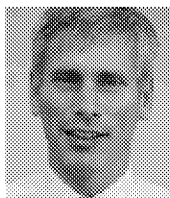
Rosemary is also a governor of the Conservatoire for Dance and Drama, the higher education institution for the performing arts, and a trustee of Green Alliance, the environmental think tank.





**Lisa Harrington**  
*Board Director*  
*Southern Water Services*  
*Appointed in 2015*

Lisa Harrington is the Managing Director of Customer Service and Chief Information Officer of British Telecom's (BT) Wholesale division. Lisa has a strong track record of delivering customer service improvement in a variety of transformational and operational roles. Before BT, Lisa spent 12 years with Andersen Consulting (now Accenture), specializing in customer service consulting and delivering big transformation projects for companies such as Microsoft, Compaq, Vodafone and Sainsbury's. She also served as a Non-Executive Director for the NHS West London Mental Health Trust.



**Paul Sheffield**  
*Board Director*  
*Southern Water Services*  
*Appointed in 2014*

Paul Sheffield is currently Managing Director of the Northern Hub for Laing O'Rourke – the engineering and construction enterprise. In his career Paul enjoyed more than 30 years with Kier Group Plc, the construction, property and services business, starting as a graduate civil engineer in 1983. He spent 15 years working on a series of significant infrastructure projects around the world and then led a number of the company's business units in the UK.

In 2005, he joined the Kier Group Board, with responsibility for the GBP1.5 billion per annum construction division, and was appointed Chief Executive Officer at the start of 2010, stepping down in June 2014 having overseen a substantial restructuring of the business and significant growth. Following that, Paul took up a new role with Laing O'Rourke to lead the expansion of their activities across the UK, Middle East and Canada.

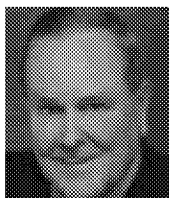
Paul has a wealth of knowledge about the construction and maintenance of infrastructure assets and the delivery of major programs of capital works.



**Mike Quinn**  
*CEO and Board Director*  
*SouthWest Water Company*  
*Appointed in 2013*

Mike Quinn is the Chief Executive Officer of SouthWest Water Company. Previously, he was the Managing Director of West Utilities of South West Water Company, Inc. and served as Financial Controller of South East Water Limited. He served as the President of Monarch Utilities Inc. and Suburban Water Systems since 1996. From 1992 to 1996 Mike served as the Chief Operating Officer for Suburban Water Systems, and from 1985 to 1992 as President of ECO Resources Inc. Prior to that, he served as Controller and Treasurer at Suburban Water Systems and since 1970 has held a variety of positions within Southwest Water Company and its subsidiaries. He serves on the boards of California Domestic Water Company, Covina Irrigating Company and the Citrus Valley Health Foundation. Previously Mike served as the President of the California Water Association and the National Association of Water Companies.

Mike holds a Bachelor of Arts in Business Management from California State University at Fullerton.



**Bob Carroll**

*Chairman*

*SouthWest Water Company*

*Appointed in 2012*

*Chairman*

*Summit Utilities*

*Appointed in 2015*

Bob Carroll has extensive leadership experience as the Chairman and Chief Executive Officer of both publicly traded and privately owned companies. He is currently the Principal in Roscommon Limited, a Dallas-based investment and consulting practice providing specialized support in operations management, acquisitions and divestitures.

Previously, he was Chairman at NovusEdge, a company specializing in network-based security solutions and building energy management systems. He was also Chairman, President and Chief Executive Officer of AMX Corporation. His prior experience includes Chairman and Chief Executive Officer roles at BEI Holding Corporation, AE Research Corporation and Intratec Systems. He has also held management positions with Philips N.V. and Xerox Corporation.

Bob attended the University of Dallas Graduate School of Management and The American University in Washington, D.C.



**Randy Daniels**

*Board Director*

*SouthWest Water Company*

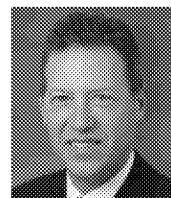
*Appointed in 2015*

Randy Daniels served as the New York State Secretary of State under Governor George Pataki from 2001-2005.

Prior to serving as Secretary of State, Mr. Daniels was Senior Vice President of Canyon Johnson Urban Fund, L.L.P., a real estate equity fund based in Beverly Hills, CA. From 1995-1999, Randy served under Governor Pataki as Senior Vice President and Deputy Commissioner of Economic Revitalization at the Empire State Development Corporation (ESDC). Prior to his career in public service, Randy was a broadcast journalist.

Randy was Press Secretary to the Prime Minister of the Bahamas from 1988-1992, Director of Communications for the New York City Council President's Office from 1986-1988, and was an adjunct journalism professor at the City College of New York and Columbia University's Graduate School of Journalism. Randy is also a Director of IIF and serves as Vice Chairman of the Board of Directors of the State University of New York (SUNY) Board of Trustees.

Randy holds a BA in government and journalism from Southern Illinois University.



**Peter Kind**

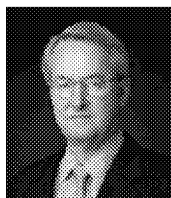
*Board Director*

*SouthWest Water Company*

*Appointed in 2014*

Peter Kind has been a Director of the Enable Midstream Partners, LP since February 2014. Peter is an Executive Director of Energy Infrastructure Advocates LLC and a Director of the General Partner of NextEra Energy Partners. Previously, Peter was a Senior Managing Director of Macquarie Capital from 2009 to 2011 and Managing Director of Bank of America Securities from 2005 to 2009.

Peter is a CPA and also has experience in the audit of large public energy companies.



**Pat Oles**

*Board Director  
SouthWest Water Company  
Appointed in 2012*

Pat Oles is the President and Chief Executive Officer of Barshop & Oles Company, a privately owned Texas based commercial real estate development and management firm. Since 1983, the Company and its affiliates have developed, owned and/or managed over four million square feet of shopping centers, industrial and office properties and master planned projects in Texas.

Prior to this, Pat served as Director of Governmental Appointments for the Governor of Texas, William P. Clements, Jr. Pat has also been involved in numerous governmental, business and civic organizations. He currently serves as Chairman of the Board of Trustees of the Texas Parks & Wildlife Foundation, on the Board of Trustees of St. Andrew's Episcopal School, as Chairman of the University of Texas Elementary School Development Council, and as the McCoy Professor of Entrepreneurial Studies at the McCoy College of Business Administration at Texas State University.

Previously, Pat served on the Board of Directors of the Lower Colorado River Authority, as chairman of the local chapter of the Young Presidents Organization, and as a Trustee of the Texas Nature Conservancy and Texas Water Foundation.

Pat received a B.B.A. in Finance from the University of Texas.



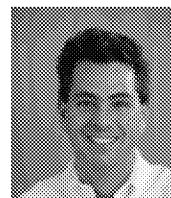
**Karen Plessinger**

*Board Director  
SouthWest Water Company  
Appointed in 2014*

Karen Plessinger joined ArcLight Capital Partners in 2001 and has 22 years of energy finance and private equity experience. Since 2009, she has been a consultant for the firm.

Prior to ArcLight, she was a Managing Director at Shoreline Utility Advisors, where she was responsible for electric utility and gas research. From 1992 to 1997, Karen was Research Director of the Angelo Gordon & Co., L.P. Utility Department and was co-Portfolio Manager/Analyst of hedged utility funds. She additionally advised the distressed portfolio, risk arbitrage desk and convertible arbitrage desk on utility-related positions.

Previously, she spent two years at Merrill Lynch Asset Management's Global Utility Fund, where she was responsible for domestic and international equity research and portfolio recommendations for electric, natural gas, water utilities, and telecommunications. She began her career as an Analyst for the Franklin Custodial Utility and Franklin Income funds.



**Kurt Adams**

*Chief Executive Officer  
Summit Utilities  
Appointed in 2014*

Kurt Adams was Chairman of the Maine Public Utilities Commission from 2005 to 2008, where he served as Maine's primary energy regulator. As Chairman, he served as a member of the New England Conference of Public Utilities Commissions, the National Association of Regulatory Utility Commissions (NARUC), the NARUC Electricity Committee, and the NARUC Competitive Procurement Committee. He was also Maine's representative on the New England State Committee on Electricity. Prior to his position with the Maine PUC, Kurt was Governor John Baldacci's chief legal counsel from 2003 to 2005. Before joining the Governor's staff, Kurt was a Partner in the law firm of Bernstein, Shur, Sawyer & Nelson in Portland, Maine, and Vice Chairman of the firm's energy practice. Kurt represented independent power producers in all facets of project development. He also represented national and international private and public sector clients on energy projects and financings.

Kurt was formerly the Executive Vice President and Chief Development Officer at Sun Edison.



**Larry Altenbaumer**  
*Board Director*  
*Summit Utilities*  
*Appointed in 2014*

Larry Altenbaumer has over 40 years of experience in the energy and utility industry and serves as a Senior Advisor at ArcLight Capital Partners. Larry has held various roles at Illinois Power including President and Chief Executive Officer from 1999 to 2004. During his tenure, he led the company's efforts that established Illinois Power as a leader in terms of operating reliability and customer service. He is recognized as a leader in achieving comprehensive and balanced legislation for regulatory reform in Illinois, resulting in a framework that is considered to be among the best in the nation.

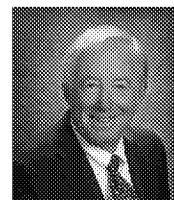
Larry is an Independent Director of the Southwest Power Pool and the MYR Group, serves as a Director of Illinois Health and Science, and provides energy advisory services to the University of Illinois. He served as a Director of IEI Financial Services LLC, as a Member of Advisory Board of Consonus Inc., and as Director of Illinois Power Co. since February 2002.



**Henry Fayne**  
*Board Director*  
*Summit Utilities*  
*Appointed in 2014*  
*Southwest Generation*  
*Appointed in 2008*

During his thirty-year career at American Electric Power, an electric utility company serving five million customers in eleven states, Henry Fayne held senior positions on both the financial and operating sides of the business. As Chief Financial Officer and Executive Vice President—Financial Services, he was responsible for financial planning and budgeting, risk management, internal audits, accounting and treasury functions. In 2001, he became Executive Vice President—Energy Services, responsible for the transmission, distribution and customer service of the AEP System. He retired at the end of 2004. Henry is a director of MYR Group Inc, a leading electrical infrastructure specialty contractor, and Murray Energy Corporation, a privately held coal mining company. He is also a Director of Directions of Youth and Families, a non-profit organization serving children at risk in Franklin County, Ohio.

Henry has a Bachelor of Arts in Economics from Columbia College of Columbia University and an MBA in Finance from Columbia Graduate School of Business.



**Robert Hill**  
*Board Director*  
*Summit Utilities*  
*Appointed in 2006*

Robert Hill joined as a member of the Summit Board in May 2006. Robert is the founder of Denver law firm Hill and Robbins, which he founded in 1978. Robert graduated from the University of Colorado School of Law in 1970 where he was Co-Editor-in-Chief of the Law Review. He serves on several boards for non-profit and charitable corporations.



**Armando Peña**  
*Board Director*  
*Summit Utilities*  
*Appointed in 2007*

Armando Peña has spent his entire career with American Electric Power (AEP), one of the largest electric utilities in the United States. He served as Senior Vice President of Financial Policy from 2003-2004 and as Treasurer of AEP and its subsidiary companies, including AEP Service Corp., from 1995-2003. Prior to Treasurer, Armando was Vice President of Finance, and appointed Assistant Vice President of Banking and Security Analyst Relations in 1982; he also served as Assistant to the President in 1979. Armando joined the company in 1971 as a controllership staff analyst.

Armando is a Director of IIF, Summit Utilities and Southwest Generation, and was previously a Director of Electricity North West.

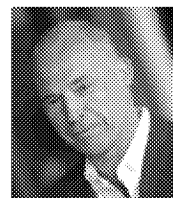
Armando emigrated to the US with his family from Cuba in 1961. He received a BS in Industrial Engineering from the University of Miami in Florida in 1966 and an MS in Management from MIT in 1968. He also completed the AEP Management Development Program at the University of Michigan.



**John Foster**  
*President and Chief Executive Officer*  
*Southwest Generation*  
*Appointed in 2014*

John Foster has held executive positions at leading Independent Power Producer (IPP) companies over the last 20 years. Getting his start in the industry as a lawyer at Dickstein Shapiro, John then joined J Makowski Company as General Counsel in 1993. When Makowski transformed into InterGen in the mid 90s, John became Senior Vice President in charge of Latin American development and operations, leading the development, financing, construction and commercial operations of over 2500 MWs in Mexico. In 2006, John became Executive Vice President at Competitive Power Ventures focusing on natural gas and wind businesses in the United States, including the 800 MW Sentinel facility in Palm Springs, CA. John served as interim Chief Financial Officer before becoming Chief Executive Officer at Southwest Generation.

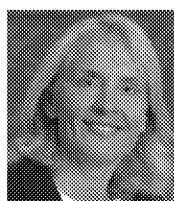
John has an undergraduate degree from Carleton College and a J.D. from Vanderbilt University School of Law.



**John Kraakman**  
*Chief Executive Officer*  
*Koole Terminals*  
*Appointed in 2016*

John Kraakman joined Koole Terminals as Chief Operating Officer in 2005, and became CEO during 2011. John oversaw the integration of Koole Tanktransport with NOVA Terminals in 2014, after which he became CEO of the joint terminals business which is today known as Koole Terminals. Prior to joining Koole, John worked as a General Manager at Ahold.

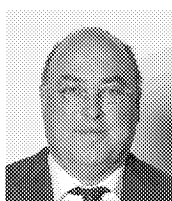
John studied Business at the Universiteit van Wageningen.



**Jabine van der Meijs**  
*Board Director*  
*Koole Terminals*  
*Appointed in 2016*

Jabine van der Meijs is a senior executive with 24 years of experience in commercial finance roles. Jabine started at Shell in 1992 where she has held a number of finance management roles across multiple subsidiaries and locations, including Financial Controller of Brunei Shell companies and Financial Director of Shell Development Australia. She currently serves as VP of Finance Projects for Shell Global Solutions in the Netherlands where she is responsible for financial support of 200+ engineering projects within Shell.

Jabine qualified as an associate chartered management accountant in 2000, while she was with Shell Finance Services in London.



**Frank Dorjee**  
*Board Director*  
*Koole Terminals*  
*Appointed in 2016*

Frank Dorjee began his career at KPMG in the Netherlands, where he qualified as a certified public accountant and became a Partner in audit. He went on to hold a number of CFO roles including at Draka, where he then served as Chief Executive Officer until 2011. Following the merger of Prysmian and Draka in 2011 to create Prysmian Group, the leading manufacturer of cables, he became Chief Strategy Officer and a member of the board until 2014. In this time he oversaw M&A, strategy, and Joint Ventures, and has acted as an adviser to the CEO on Joint Ventures since.

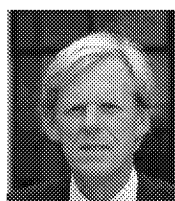
Frank attended the University of Amsterdam and is a certified public accountant in the Netherlands.



**Niels Von Hombracht**  
*Board Director*  
*Koole Terminals*  
*Appointed in 2016*

Niels Von Hombracht has over 35 years of experience in the refining, petrochemical and tank storage industries. Beginning his career at Shell Chemical, Niels subsequently held a number of senior positions in refining, tank storage, shipping and supply chain management at Pakhoed, being appointed Vice President of the European Business in 1997. Following a merger of Pakhoed and van Ommeren into VOPAK, Niels became a member of the Executive Board of VOPAK, where he was responsible for the U.S. and European business. Niels later became group CEO of French International LBC Tank Terminal group following its acquisition by One Equity Partners, and led the company through a period of significant expansion. Niels now acts as an independent consultant, advising on projects, new developments and acquisitions within the liquid tank storage and logistics sector.

Niels graduated in chemical engineering from Groningen University, and later studied business administration at INSEAD and obtained a Masters in Corporate Communication from Erasmus University Rotterdam School of Business.



**Henk Rottinghuis**  
*Chairman*  
*Koole Terminals*  
*Appointed in 2016*

During a 27-year career, Henk Rottinghuis has held several senior management positions in leading multi-national businesses. Following a range of senior positions from 1982 to 1993, Henk became Division Director of European Road Transport at the Royal Nedlloyd Group. In 1993, he became Managing Director of Pon Holdings, an international distribution and trading company. In 2000, Henk joined the group's Executive board, and two years later became its Chairman and CEO. In his 17-year career with Pon Holdings, the business more than quadrupled in size. Henk was also its temporary Chief Finance Officer from 2008-2010.

In 2010, Henk stepped down from his positions at Pon Holdings in order to spend more time on his other interests. He currently holds a number of supervisory positions, including the Supervisory Board of Stork.



**Pamela Griffith-Jones**  
*Chief Executive Officer*  
*Nieuport Aviation*  
*Appointed in 2015*

Pamela Griffith-Jones served as Chief Marketing and Commercial Officer from 2009 to 2012 with the Greater Toronto Airports Authority (GTAA), the owner of Pearson International Airport. During Pamela's time at GTAA, she established strong commercial relationships with airlines, executed a new business and brand strategy, and reinvented retail and other services to drive revenue growth and enhance the customer experience. In 2012, her responsibilities with the GTAA expanded as Vice President, Guest and Terminal Services, where she directed all operational aspects of the airport's terminals with a focus on service, safety and security.

Prior to joining the GTAA, Pamela held a number of roles with Canadian Tire, one of the largest Canadian retailers with over CAD13 billion in revenue. Pamela began her career working at Coopers & Lybrand in Corporate Finance and then Senior Strategy Consultant.

Pamela holds a BA in Business Administration and a Master of Business Administration from the University of Western Ontario and Richard Ivey School of Business, respectively.



**Chris Ward**  
*Board Director*  
*Nieuport Aviation*  
*Appointed in 2015*

Chris Ward is Senior Vice President and Chief Executive, Metro New York, for AECOM (NYSE: ACM), a USD19-billion, fully integrated infrastructure and support services firm with the ability to design, build, finance and operate infrastructure assets globally. Prior to joining AECOM, Chris served as Executive Vice President for major projects at Dragados USA. Chris is a Director of IIF and previously served as Executive Director of the Port Authority of New York and New Jersey.

His 30-plus-year career in infrastructure and government comprises experience in both the public and private sectors. Earlier in his career, Chris served in the first term of the Bloomberg administration in New York City, leading the Department of Environmental Protection. Previous roles included Managing Director at the General Contractors Association of New York, Inc., and Chief Executive Officer of American Stevedoring, Inc.



**Douglas Schultz**  
*Chief Executive Officer*  
*Noatum Ports*  
*Appointed in 2010*

Prior to joining Noatum, Doug Schultz was the Divisional General Manager for Patrick Container Ports ("PCP") from 2007-2009, with responsibility for ocean terminals and landside logistics. Prior to this he was the General Manager of Terminals at PCP from 2004-2007, with responsibility for ocean terminals at Brisbane, Sydney, Melbourne and Fremantle. Prior to that role, he was with P&O Ports from 1989-2004, where he held a variety of managerial positions and was the Regional Manager, Port Services Vic/SA/Tas from 1999-2004.

Doug has a Bachelor of Business (Economics and Finance Double Major) and an Australian Master Class 1 Unlimited with endorsement for liquid chemicals and crude oil. He has also been through the P&O Management Development Programs and leadership development coaching.



**Antonio Campoy**  
*Chief Executive Officer*  
*Noatum Ports Services*  
*Appointed in 2005*

With over thirty-five years of port and logistics experience, Antonio Campoy joined Marmedsa in 1974 and grew the business into the leading port services provider in Iberia.

Antonio has been CEO of Marmedsa since 2005 and is a Director of a number of Marmedsa group companies. He developed his professional career at the Marmedsa group, holding numerous roles (Commercial Director and Business Development) in numerous posts (Cartagena, Barcelona, Alicante, and Valencia) before becoming General Manager and a Board Member.



**Chris Gray**  
*Chairman of the Board*  
*Noatum Ports*  
*Appointed in 2011*

Chris Gray brings over 40 years' experience in international transport and maritime industry to Noatum and will be in charge of chairing the Boards of Directors. Having worked at an early age in Australia and New Zealand, Chris returned to the UK in 1969 setting up a transport company specializing in transportation by road and rail between the UK and Europe. In 1975 Chris joined Gottardo Ruffoni and established their UK operations based in Felixstowe. In 1977 Chris joined Contship as Managing Director, forming their UK head office in Felixstowe. Chris was subsequently appointed as Deputy Managing Director of Contship Containerlines and served with the company until its sale to CP Ships.

In July 1998, Chris joined Hutchison Port Holdings and was appointed as Chief Executive of Hutchison Ports UK Ltd with responsibility for the ports of Felixstowe, Harwich and Thamesport. In 2002 he was appointed as Chief Executive of Hutchison Ports Bahamas with responsibility for Freeport Container Port, Freeport Harbour Company and Grand Bahama Airport Company.

Chris Gray is a former Chairman of the UK Major Ports Group and served for nine years as a Board member of the Harwich Haven Authority. Chris also served as a Board Member of the Grand Bahama Tourism Board from 2002-2009.





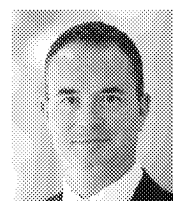
**Maximo Buch**  
*Board Director*  
*Noatum Ports*  
*Appointed in 2015*

Maximo Buch is the former Minister for Community Economics, Industry, Tourism and Employment for Valencia – he is a technocrat appointed to the role to deal with the serious fiscal challenges the Valencian community faced. His background is industrials and private equity including Managing Partner of Tandem Capital Gestion, Head of International Operations/CEO for Osborn, and CEO for other industrial businesses. Most recently, Maximo was a Partner in Boyden Executive Search.



**Joaquim Coelle**  
*Board Member*  
*Noatum Ports*  
*Appointed in 2015*

Joaquim Coelle is a naval engineer by background, and has also served as Chief Executive Officer and Chairman of Applus, General Manager of Gamesa renewables, Chairman of the Port of Barcelona, Head of the Spanish naval submarine project based on Cartagena, and Chairman of Eurojet, a Eurofighter engine project. He sits on a harbor/ports technology company alongside Puertos del Estados.



**Norris Carter**  
*CEO*  
*North Queensland Airports*  
*Appointed in 2016*

In August 2016 Norris Carter was announced as the new Chief Executive Officer of NQA, effective December 2016. Most recently Norris was General Manager, Aeronautical Commercial at Auckland Airport, where he was responsible for the sustainable growth of the air services that fuel New Zealand tourism and trade. Before joining Auckland Airport, Norris spent 14 years at Qantas, where he was responsible for strategy, network planning and revenue management for the airline's international operations. Mr. Carter represented Auckland Airport on the NQA board for 12 months prior to joining NQA as CEO.

Norris holds a Bachelor of Engineering with First Class Honors in Electrical and Electronic Engineering from the University of Adelaide, and an MBA from the University of NSW.



**Ross Rolfe**

*Chairman*

*North Queensland Airports*

*Appointed in 2014*

Ross Rolfe has broad experience in the Australian infrastructure and energy sectors at executive and director levels in both the public and private sectors. Since 2011 Ross has held a part-time senior executive role in Lend Lease, developing its infrastructure investment business. In addition, Ross is a Director on the boards of two energy companies and one publicly listed specialist contracting firm. Prior to this, in 2008 he was appointed as Chief Executive Officer of Alinta Energy, which had interests in power stations and served 600,000 retail gas and electricity customers.

For much of the last two decades, Ross has held senior positions at the chief executive level within the Queensland government. He also held the position of Coordinator General in Queensland for six years. In this role he was responsible for planning the State's long term infrastructure requirements and developing industry strategy including the aviation industry strategy. In this context, he played a leadership role in attracting Virgin Airlines to establish its headquarters in Queensland and Boeing to relocate there. Ross also facilitated Qantas' location of its heavy maintenance facilities in Queensland.



**Colin Storrie**

*Board Director*

*North Queensland Airports*

*Appointed in 2014*

Colin Storrie is Finance Officer at Woolworths. Previously he was Chief Financial Officer and Group Treasurer of AMP Limited from January 2011 to February 2014. Prior to this role, Colin was Chief Financial Officer and Executive Director of Qantas Airways Ltd. In his thirteen years at Qantas, Colin held roles that included responsibility for all finance functions including accounting, treasury, mergers and acquisitions, investor relations, insurance, airline economics and aircraft procurement.

Colin has over twenty years experience in senior finance roles in listed companies, investment banking and government. In addition to his responsibilities on the board of Cairns Airport Pty Ltd and Mackay Airport Pty Ltd, Colin is also a Director at AIG Australia Limited. Colin previously held directorship positions at Qantas Airways, Jetset Travel Group, AMP Finance Services Ltd and AMP Bank Ltd.

Colin is also a Fellow of the Australian Society of CPA's (FCPA) and a graduate of the Australian Institute of Company Directors (GAICD).



**Clinton Dines**

*Board Director*

*North Queensland Airports*

*Appointed in 2016*

Originally from Queensland, Clinton Dines has lived and worked continuously in the Greater China Region for almost 36 years. A fluent Mandarin speaker, Clinton has extensive frontline operational and commercial management positions in China and was BHP Billiton's senior country executive in China for 21 years. He was a prime mover in the establishment of the Australian Chamber of Commerce in China in 1993 and its chair for many years and was the the Attaché to the Australian Olympic Team for the Beijing Olympic Games in 2008. Clinton is currently a Non-Executive Director of Kazakhmys plc and Zanaga Iron Ore Company in London, and the Aurecon Group and a member of the Griffith University Council.

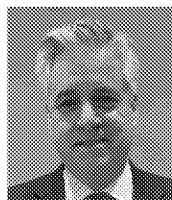
Clinton has a Degree from the School of Modern Asian Studies and is also a graduate of the Course in International Management at INSEAD in France.



**Steve Doyon**  
*Chief Executive Officer  
 and Board Director  
 Novatus Energy  
 Appointed in 2016*

Steve Doyon has been in the energy industry for 30 years, with a background primarily focused in power generation. His expertise covers both conventional and renewable generation, energy storage, and transmission, both domestic and international. Steve's experience includes senior positions at Cogentrix Energy, DTE Energy Services, Comverge, AES, and most recently, Terra-Gen Power. Steve was a founding member of Terra-Gen's executive management team, initiating and leading its development efforts as Chief Development Officer. His expertise includes M&A, valuation, risk assessment and management, contract negotiations, origination, greenfield development, financing, equity and debt fund raising, due diligence, and strategy.

Steve holds an engineering degree from the University of Florida, and an MBA from Duke University.



**Dennis Clark**  
*Board Director  
 Novatus Energy  
 Appointed in 2016*

Dennis Clarke is a Principal of Northern Lights Power, LLC, an entity that is involved in the independent power generation business in the U.S. Previously, Dennis was a co-founder and Principal of Morris Energy Group, LLC, an independent power producer that owned and operated nine gas- and oil-fired generating facilities totaling 850 MW in the Northeast U.S. Prior to co-founding MEG in 2002, Dennis worked at Delta Power Company, where he led a number of acquisition, sale, financing and restructuring transactions. Earlier in his career, Dennis worked in business development at GPU International, and as an engineer at Burns and Roe Company.

Dennis received a Bachelor of Science degree in Mechanical Engineering from Massachusetts Institute of Technology in 1984.



**Lindsey Brace-Martinez**  
*Board Director  
 Novatus Energy  
 Appointed in 2016*

Lindsey Brace-Martinez founded and is President of StarPoint Advisors, LLC. She selectively partners with and advises senior leadership and Boards at family offices, endowments, foundations (USD 1 billion) and investment firms on broad business, organizational and investment strategies, with particular focus on sustainability, natural resources, and impact. She spent 15 years (2000-2014) in senior management at Cambridge Associates, a global investment advisory firm to foundations, endowments and family clients with over USD 150 billion in advisory assets.

Lindsey currently serves on the Investment Committee for the National Geographic Society and the Advisory Board for the Yale Center for Business and Environment.

Lindsey received her MBA (Finance, Strategy) and a Master of Environmental Studies (Forest Ecology) from Yale University and her Bachelor of Arts from Dartmouth College.



**Barry Welch**  
*Board Director*  
*Novatus Energy*  
*Appointed in 2016*

Since 2015, Barry Welch has been an independent energy consultant, including a senior advisor role to a U.S.-based private independent power firm with a portfolio of gas-fired projects. He assists firms with their growth strategy and specific acquisitions, including financing and integration.

From 2004 to 2014, Barry served as the Chief Executive Officer of Atlantic Power Corporation, and also served on their board of directors from 2006 to 2014. From 2001 to 2004, Barry served as the Senior Vice President, Head of the Bond and Corporate Finance Group at John Hancock, with over USD 50 billion in Assets Under Management and investing USD 8+ billion annually. From 1989 to 2001, he held a number of other positions at John Hancock Financial Services, where he was also a member of Hancock's Pension Investment Advisory Committee, on the board of Energy Investors Funds' general partner and helped structure Hancock's investment at the formation of ArcLight Capital Partners.

Barry holds a Bachelor of Science in Engineering degree from Princeton University and a Masters of Business Administration from Boston College. He lives outside Boston.



**Andreas Mustad**  
*Chief Executive Officer*  
*Sonnedix*  
*Appointed in 2014*

Andreas Mustad has spent the last 15 years in the energy and industrial sectors. Prior to his role at Sonnedix, Andreas served as country manager for AES Solar Spain. In this role, Andreas was responsible for originating and delivering more than USD150 million in direct investments in Spain.

In addition, Andreas was the President and Principal Equity Stakeholder in Arbortech USA, a company specializing in the manufacture of high-end precision mechanized components. While acting as Chief Operating Officer for Arbortech, he engineered and launched several new profitable product lines turning the company into a highly profitable business.

Earlier in his career, Andreas worked for Sithe Energies Inc., an independent power producer, in New York, Beijing, Seoul and Hong Kong. While at Sithe, he was a Director of the Company's Pakistani company and negotiated project financing for assets totaling over 800 MW of predominantly coal fired assets in China.

Andreas graduated as a structural engineer from Cornell University's School of Civil and Environmental Engineering and has an MBA from IESE Business School in Spain.



**Petros Kitsos**  
*Board Director*  
*Sonnedix*  
*Appointed 2014*

Petros Kitsos is the Co-founder and Principal of the KT Family Trust (a private revocable trust) and Managing Principal of TBL Strategy, a strategic advisory firm. He is widely acknowledged as a pre-eminent strategic advisor in the Aerospace, Defense and Diversified Industrial sectors and his advisory and transactional involvement has contributed to the significant and successful growth of a variety of companies in those sectors in the past 22 years.

Petros enjoyed a distinguished 15-year career in investment banking with Citigroup, where he served as Head of the Global Defense & Aerospace Group, Head of Western Region Mergers & Acquisitions and Co-Head of the Los Angeles office.

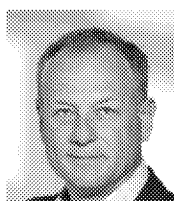
Petros is a graduate of Hamilton College, and holds an MBA from Harvard Business School. He also attended St. Antony's College, Oxford.



**Carlos Guinand**  
*Board Director*  
*Sonnedix*  
*Appointed in 2014*

Carlos Guinand is a founding member of Sonnedix and has also been a successful entrepreneur in various businesses. He oversees a portfolio of private equity investments in South America and Europe. Among other directorships, Mr Guinand was Managing Director of Editorial Arte a leading printing and publishing company in South America for the last 15 years. He began his career in the Venezuelan Stock Market specializing in portfolio management.

Carlos attended Law School at UCAB Venezuelan.

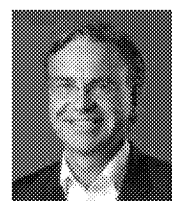


**Steen Stavnsbo**  
*Board Director*  
*Sonnedix*  
*Appointed in 2014*  
*Zephyr Wind*  
*Appointed in 2014*

Steen Stavnsbo is an Executive Director and Partner at Clean Energy Invest, an Aarhus-based company focused on wind and solar energy investment & management, as well as a Director/ Partner at ESC Asp, a Danish property developer, owner & operator. He also serves as a board member of several Danish unlisted companies.

Since the mid-1990's, Steen has held several senior executive positions within the global wind energy industry, having previously been the Senior Vice President of Sales & Marketing at NEG Micon (now part of Vestas), Chief Executive Officer at Global Renewable Energy Partners (GREP), and Global Head of Wind Energy at Allco Finance Group (AFG). Prior to joining the wind industry, Steen was Chief Financial Officer at Schouw & Co., a mid-cap Danish industrial conglomerate.

Steen holds an MBA (International Finance & Marketing) from the Aarhus School of Business, Denmark. He is also a member of the municipal board of the City of Aarhus, the 2nd largest municipality in Denmark.



**Mikael Kramer**  
*Board Director*  
*Zephyr Wind*  
*Appointed in 2016*

Mikael Kramer is a seasoned energy professional with over 30 years' experience. He was the Head of Mergers, Acquisitions and New markets at Vattenfall AB for more than 15 years, and has also worked in venture capital and banking prior. His career has covered over SEK 350 billion in energy transactions throughout the whole value chain in 10 countries in the Northwest European markets.



**Dima Rifai**

*Board Member*

*Zephyr Wind*

*Appointed in 2016*

Dima Rifai has over 25 years' experience across technology and finance, the greater part of which was spent at several top tier investment banks, involving hundreds of transactions globally, across a wide range of stakeholders and diverse jurisdictions. Over the past decade, she has built businesses and expertise in the low carbon space: its value chain, drivers and stakeholders, working extensively with institutional investors to boost understanding and allocation, to low carbon sectors and with companies in strategically, financially and operationally scaling out globally.

Dima has a BSc in Electrical Engineering and has completed the Corporate Strategy Executive Program at the University of Chicago Booth School of Business. She was a member of the Advisory Group forming UK's Green Investment Bank and is one of London Mayor's Business Ambassadors.

# IIF Board of Directors



**Dennis Clarke**

Dennis Clarke is responsible for commercial matters and transactions at Morris Energy Group (“MEG”). He has over twenty years experience in the electric power industry. Prior to co-founding MEG in 2002, Dennis was Director of Business Development at Delta Power Company, where he led a number of acquisition, sale, financing and restructuring transactions. Prior to joining Delta Power, Dennis worked in business development at GPU International, and as an engineer at Burns and Roe Company.

Dennis received a Bachelor of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology in 1984.



**Randy Daniels**

Randy Daniels served as New York State Secretary of State under Governor George Pataki from 2001-2005.

Prior to serving as Secretary of State, Randy was Senior Vice President of Canyon Johnson Urban Fund, L.L.P., a real estate equity fund based in Beverly Hills, CA. From 1995-1999, Randy served under Governor Pataki as Senior Vice President and Deputy Commissioner of Economic Revitalization at the Empire State Development Corporation (ESDC). Prior to his career in public service, Randy was a broadcast journalist.

Randy was Press Secretary to the Prime Minister of the Bahamas from 1988-92, Director of Communications for the New York City Council President’s Office from 1986-88, and was an adjunct journalism professor at the City College of New York and Columbia University’s Graduate School of Journalism. Randy serves as Vice Chairman of the Board of Directors of the State University of New York (SUNY) Board of Trustees.

Randy holds a BA in government and journalism from Southern Illinois University.



**Jason Fitzgerald**

Jason Fitzgerald is a Director in the Cayman office of DMS Offshore Investment Services (“DMS”), a professional investment services firm, licensed and regulated under the Laws of the Cayman Islands, whose principals are focused on providing investment fund, banking, trust, corporate, and outsourcing solutions. Jason has extensive experience having worked exclusively in the hedge funds industry in Bermuda, Ireland and the Cayman Islands over the past 14 years. Formerly, he was employed as an auditor with Ernst & Young in Ireland and Deloitte in Bermuda. He was also a Manager for Citco Fund Services of Ireland, where he managed a team of accountants across a wide variety of hedge funds and worked with a portfolio of clients that had assets in excess of USD 4 billion.

Jason holds an ACA, Institute of Chartered Accountants in Ireland, and a Higher Diploma and B.S. from the University College Cork.



**Roger H. Hanson**

Roger Hanson is a Managing Director of DMS Offshore Investment Services (DMS), a professional investment services firm, licensed and regulated under the Laws of the Cayman Islands, whose principals are focused on providing investment fund, banking, trust, corporate, and outsourcing solutions.

Previously, he was the Regional Manager (North America & Caribbean) for Fortis Prime Fund Solutions with responsibility for operations, compliance and sales for the entire region.

Prior to that, Roger was the Managing Director of Fortis Bank (Cayman) Limited and Fortis Prime Fund Solutions (Cayman) Limited, where he was responsible for fund administration and banking operations.

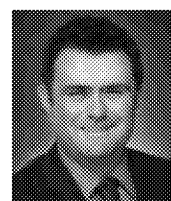
His previous experience includes public accounting in the audit department of Ernst & Young in the Cayman Islands, having qualified as a Chartered Accountant with Deloitte Haskins and Sells in England.



**Andrew Lepper**

Andrew Lepper serves as the Chief Financial Officer of Freed Developments Ltd. Andrew has more than fifteen years of experience in real estate asset management on behalf of private and institutional investors. Prior to joining Freed in 2010, he served as an Investment Consultant to a number of Ontario-based multi-employer pension and health and welfare trust fund clients. Prior to this, Andrew worked as a Public Accountant with De Visser & Company in British Columbia. He has been an Independent Trustee at Boulevard Industrial Real Estate Investment Trust since 2014. Andrew is also a Member of the Toronto CFA Institute and the Certified General Accountants Association of Ontario and a Chartered Financial Analyst.

Andrew holds a B.A. from the University of British Columbia and a Diploma of Technology in Financial Management from the British Columbia Institute of Technology.



**Jamie Murphy**

Jamie has been active in the financial services industry since 1998, with 16 years experience in global organisations in the areas of investment banking, hedge funds and asset management. He has expertise in UCITS and AIFMD compliant fund operational oversight and governance. He is responsible for advising asset managers on the establishment of both UCITS and non-UCITS funds and has experience in the preparation of Business Plans and Risk Management Process documents for UCITS funds.

Prior to joining KB Associates, Jamie was Vice President of Business Unit Control for Northern Trust Hedge Fund Services in London and Dublin. Prior to Northern Trust, Jamie was Vice President of Business Unit Control for Citadel Investment Group Europe in London. Jamie also gained significant experience at JP Morgan's investment bank in a variety of senior operational, management and project roles.

Jamie holds a M.B.S. in Strategic Management and Planning from University College Dublin Graduate School of Business (Smurfit School), a B.A Law & Accounting from University of Limerick and is a qualified barrister (The Honorable Society of King's Inns), accountant (ACCA) and tax professional (Associate of Irish Tax institute).





**Mike Nagle**

Mike Nagle was admitted as a Solicitor of the Supreme Court of England and Wales in 1982. After a career in private practice as a commercial litigator Mike joined SEEBOARD plc, a regional electricity supply and distribution company in the UK, where he was appointed Group Company Secretary & Solicitor. On leaving SEEBOARD Mike was appointed Senior Vice President of Legal Services at Metronet Rail, a consortium formed to upgrade of two-thirds of the London Underground. Having now retired as a Solicitor, Mike is a Non-Executive Director on the Boards of Electricity North West and Greensands Holdings Limited (the parent company of Southern Water) and was previously a director of Zephyr Investments Limited.

Mike holds a Bachelor of Arts degree in Law from Kingston University.

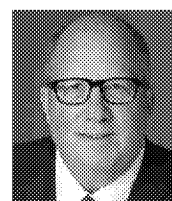


**Armando A. Peña**

Armando Peña has spent his entire career with American Electric Power (AEP), one of the largest electric utilities in the United States. He served as Senior Vice President of Financial Policy from 2003-2004 and as Treasurer of AEP and its subsidiary companies, including AEP Service Corp., from 1995-2003. Prior to Treasurer, Armando was Vice President of Finance, and appointed Assistant Vice President of Banking and Security Analyst Relations in 1982; he also served as Assistant to the President in 1979. Armando joined the company in 1971 as a controllership staff analyst.

Armando is a Director of Southwest Generation, Summit Utilities and Southwest Generation, and was previously a Director of Electricity North West.

Armando emigrated to the US with his family from Cuba in 1961. He received a BS in Industrial Engineering from the University of Miami in Florida in 1966 and an MS in Management from MIT in 1968. He also completed the AEP Management Development Program at the University of Michigan.



**Chris Ward**

Chris Ward is senior vice president and chief executive, Metro New York, for AECOM (NYSE: ACM), a USD19-billion, fully integrated infrastructure and support services firm with the ability to design, build, finance and operate infrastructure assets globally. Prior to joining AECOM, Chris served as executive vice president for major projects at Dragados USA. Chris previously served as executive director of the Port Authority of New York and New Jersey.

His 30-plus-year career in infrastructure and government comprises experience in both the public and the private sectors. Earlier in his career, Chris served in the first term of the Bloomberg administration in New York City, leading the Department of Environmental Protection. Previous roles included managing director at the General Contractors Association of New York, Inc., and chief executive officer of American Stevedoring, Inc.

# IIF Board of Directors – By Entity

## FIVs

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### **IIF Manager, LLC**

(general partner of IIF Tax-Exempt LP, IIF ERISA LP, and IIF LP)

Randy Daniels  
Christopher Ward  
Dennis Clarke

### **IIF Cayman 1 Ltd.**

Roger Hanson  
Randy Daniels

### **IIF Dutch FIV GP Ltd.**

(general partner of IIF Dutch 1 Cayman L.P.)

Roger Hanson  
Randy Daniels

### **IIF Canadian GP, Inc.**

(general partner of IIF Canadian 1 LP)

Andrew Lepper  
Armando Peña

### **IIF Canadian 2 GP, Inc.**

(general partner of IIF Canadian 2 LP)

Andrew Lepper  
Armando Peña

### **IIF Canadian 3 GP, Inc.**

(general partner of IIF Canadian 3 LP)

Andrew Lepper  
Armando Peña

### **IIF Canadian 4 GP, Inc.**

(general partner of IIF Canadian 4 LP)

Andrew Lepper  
Armando Peña

### **IIF UK 1 GP Limited**

(general partner of IIF UK 1 LP)

James Murphy  
Daniel Cox

## HOLDING ENTITIES

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### **IIF US Holding GP, LLC**

(general partner of IIF US Holding LP)

Randy Daniels  
Christopher Ward  
Dennis Clarke

### **IIF US Holding 2 GP, LLC**

(general partner of IIF US Holding 2 LP)

Randy Daniels  
Christopher Ward  
Dennis Clarke

### **IIF Int'l Holding GP Ltd.**

(general partner of IIF Int'l Holding L.P.)

Roger Hanson  
Armando Peña  
Mike Nagle

# Responsible Contractor Policy

In 2009, the Fund adopted a Responsible Contractor Policy (“Policy”) which is designed to guide, in a manner consistent with the Fund’s responsibility and prudence in managing its investments, the selection of independent contractors, including all operating company managers and their employees, and their subcontractors who provide construction, repairs, maintenance and infrastructure operating services to qualifying assets and companies in which the Fund invests. The Policy seeks to ensure that the selection process for independent contractors will include among other things, a demonstrated ability to provide reliable and high

quality services which may be evidenced by their compliance with applicable statutes and payment of fair compensation and benefits to employees, as well as their relevant experience, reputation, dependability, and ability to provide cost-efficient services, thereby enhancing the value of the Fund’s investments.

The Fund has fully complied with the Policy for the fiscal year ending December 31, 2016.

# Alternative Investment Fund Managers Directive Required Disclosures for the 2016 Annual Report

## REMUNERATION DISCLOSURE

JP Morgan Funds Limited (the “Management Company”) is the Alternative Investment Fund Manager of IIF UK 1 LP and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms “J.P. Morgan” or “Firm” refers to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers’ Directive (the **AIFMD**), the European Commission Delegated Regulation supplementing the AIFMD and the ‘Guidelines on sound remuneration policies’ issued by the European Securities and Markets Authority under the AIFMD.

### Remuneration Policy

The current remuneration policy for the Management Company (the “Remuneration Policy”) can be found at <https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy>.

This policy includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm’s Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the funds it manages (“Identified Staff”). The Identified Staff include members of the Board of the Management Company (the “Board”), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of Identified Staff. As at 31 December 2016, the Board last reviewed and adopted the Remuneration Policy in February 2016 with no material changes and was satisfied with its implementation.

The Remuneration Policy, and its implementation, is designed to foster proper governance and regulatory compliance. The remuneration structure as described in the Remuneration Policy is designed to contribute to the achievement of short-term and long-term strategic and operational objectives, while avoiding excessive risk-taking inconsistent with the risk management strategy. This is intended to be accomplished, in part, through a balanced total compensation program comprised of a mix of fixed remuneration (including base salary), and variable remuneration in the form of cash incentives and long-term, equity based or fund-tracking incentives that vest over time. A balanced assessment of employees’ performance is undertaken taking account of business and financial results, risk and control outcomes, client/customer goals, and other priorities including people and leadership objectives as appropriate. The compensation governance practices contain a number of measures to avoid conflicts of interest, including independent oversight and control of the remuneration policy, and the assessment of employees in Control Functions against independent objectives linked to their functions.

### Quantitative Disclosures

The table below provides an overview of the aggregate 2016 total remuneration paid to J.P. Morgan staff that can be reasonably attributed to the Management Company and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an AUM weighted basis.

Due to the Firm’s operational structure, the information needed to provide a further breakdown of remuneration attributable to IIF UK 1 LP is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 31 AIFs and 2 UCITS (with 41 sub-funds), with a combined AUM as of December 31, 2016 of GBP12,163m and GBP13,627m respectively.

|                      | Fixed remuneration | Variable remuneration | Total remuneration <sup>1</sup> | Number of beneficiaries |
|----------------------|--------------------|-----------------------|---------------------------------|-------------------------|
| All staff (USD’000s) | 16,270             | 10,174                | 26,445                          | 131                     |

<sup>1</sup> No carried interest or performance fees were paid to any staff by the Company in the year.

The ‘Identified Staff’ of the Company are those employees whose actions have a material impact on the risk profile of the Company or the AIFs it manages, including IIF UK 1 LP. The aggregate 2016 total remuneration paid to Identified Staff was USD 20,467,993, of which USD 7,387,251 relates to Senior Management and USD 13,080,742 relates to other Identified Staff.

For the purposes of the above disclosures, where portfolio management activities have been formally delegated to another entity, remuneration for the relevant employees has been excluded.

LEVERAGE DISCLOSURES

The IIF UK 1 LP is required to calculate and disclose leverage percentages in accordance with the “Gross method” and the “Commitment method” as described in AIFMD.

As of December 31, 2016 the leverage percentages for IIF UK 1 LP were:

| Gross Leverage | Commitment Leverage |
|----------------|---------------------|
| 100%           | 100%                |

The leverage percentage calculations above are based on the appropriate Net Asset Position, as required by AIFMD.

# FINANCIAL STATEMENTS AND NOTES

For the year ended December 31, 2016

**REPORT OF INDEPENDENT  
AUDITORS AND  
FINANCIAL STATEMENTS  
FOR THE FUND INVESTOR  
VEHICLES**

For the year ended December 31, 2016

# Report of Independent Auditors



## Report of Independent Auditors

To the Board of Directors of:

IIF Tax-Exempt LP  
IIF ERISA LP  
IIF LP  
IIF USSC LP  
IIF Canadian 1 LP  
IIF Cayman 1 Ltd.  
IIF Canadian 2 LP  
IIF Dutch 1 Cayman L.P.  
IIF UK 1 LP  
IIF Canadian 3 LP  
IIF Australian 1 Trust  
IIF Canadian 4 LP

We have audited the accompanying financial statements of IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF Australian 1 Trust and IIF Canadian 4 LP (collectively, “the FIVs”), which comprise the statement of assets and liabilities as of December 31, 2016, and the related statements of operations, of changes in net assets and of cash flows for the year then ended.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors’ Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the FIVs’ preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FIVs’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF Australian 1 Trust and IIF Canadian 4 LP as of December 31, 2016, and the results of their operations, changes in their net assets, and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

New York, New York  
March 31, 2017

# Statements of Assets and Liabilities

## INFRASTRUCTURE INVESTMENTS FUND

AS OF DECEMBER 31, 2016

| <b>ASSETS</b>                                                                                                                                                                    |                   |                |                  |               |                 |                   |                   |                       |                  |                   |                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|------------------|---------------|-----------------|-------------------|-------------------|-----------------------|------------------|-------------------|------------------------|
| Investment in infrastructure assets, at estimated fair value                                                                                                                     |                   |                |                  |               |                 |                   |                   |                       |                  |                   |                        |
|                                                                                                                                                                                  | IIF Tax-Exempt LP | IIF ERISA LP   | IIF LP           | IIF USSC LP   | IIF Canadian LP | IIF Cayman 1 Ltd. | IIF Canadian 2 LP | IIF Dutch 1 Cayman LP | IIF UK 1 LP      | IIF Canadian 3 LP | IIF Australian 1 Trust |
| (cost: \$216,539,398; 803,116,963; 929,685,832; 20,141,567; 654,795,142; 306,367,124; 936,273,909; 355,408,879; 956,848,925; 250,899,219; 191,348,053; 290,007,039 respectively) | \$214,184,699     | \$825,170,049  | \$988,505,022    | \$20,506,431  | \$667,875,454   | \$313,240,318     | \$958,957,581     | \$392,252,001         | \$990,166,993    | \$261,200,921     | \$193,791,015          |
| Cash and cash equivalents                                                                                                                                                        | 10,144            | 8,415          | 3,045            | 5,465         | 1,701           | 4,296             | 4,824             | 7,474                 | 3,545            | 4,849             | 2,228                  |
| Receivables from Holding Companies                                                                                                                                               | 11,977,466        | 6,944,604      | 33,858,780       | 2,966,340     | 30,547,195      | 5,055,936         | 7,122,827         | 7,300,339             | 23,600,016       | 1,052,455         | 21,697                 |
| Other assets                                                                                                                                                                     | 84,176            | 523,920        | 543,926          | 5,231         | 568,135         | 282,176           | 265,066           | 259,899               | 970,111          | 7                 | 75,778                 |
| <b>Total Assets</b>                                                                                                                                                              | 226,256,485       | 832,646,988    | 1,022,910,773    | 23,483,467    | 698,992,485     | 318,582,726       | 966,350,298       | 399,819,713           | 1,014,740,665    | 262,258,232       | 193,890,718            |
| <b>LIABILITIES</b>                                                                                                                                                               |                   |                |                  |               |                 |                   |                   |                       |                  |                   |                        |
| Accounts payable and accrued expenses                                                                                                                                            |                   |                |                  |               |                 |                   |                   |                       |                  |                   |                        |
| Payables to Holding Companies                                                                                                                                                    | 1,541,221         | 4,606,987      | 4,843,713        | 52,515        | 3,331,376       | 1,046,588         | 4,765,440         | 1,728,327             | 4,306,355        | 1,137,000         | 829,948                |
| Deferred taxes                                                                                                                                                                   | 13,082,131        | 8,689,192      | 38,942,774       | 3,982,057     | 32,602,947      | 6,790,884         | 6,778,829         | 9,444,836             | 25,254,372       | 4,350,636         | 524,098                |
| Distributions payable                                                                                                                                                            | 36,058            | 5,799,038      | -                | -             | 8,443,988       | 4,689,325         | 174,558           | 1,210,632             | 3,664,202        | -                 | 1,632,275              |
|                                                                                                                                                                                  | 2,128,786         | 8,226,663      | 9,706,307        | 213,029       | 6,723,303       | 3,038,071         | 9,282,659         | 3,847,189             | 9,608,813        | 2,543,816         | 1,876,975              |
| <b>Total Liabilities</b>                                                                                                                                                         | 16,788,196        | 27,321,880     | 53,492,794       | 4,247,601     | 51,101,614      | 15,564,868        | 21,001,486        | 16,230,984            | 42,833,742       | 8,031,452         | 4,863,296              |
| <b>Net Assets</b>                                                                                                                                                                | \$209,468,289     | \$805,325,108  | \$969,417,979    | \$19,235,866  | \$647,890,871   | \$303,017,858     | \$945,348,812     | \$383,588,729         | \$971,906,923    | \$254,226,780     | \$189,027,422          |
| Number of units (Note 2B)                                                                                                                                                        | 264,763,651.15    | 973,245,609.61 | 1,158,019,351.55 | 26,100,149.17 | 784,893,665.04  | 398,325,447.33    | 1,226,217,886.99  | 463,059,118.92        | 1,025,655,561.68 | 268,292,816.38    | 195,351,686.17         |
| Net asset value per unit                                                                                                                                                         | 0.79              | 0.83           | 0.84             | 0.74          | 0.83            | 0.76              | 0.77              | 0.83                  | 0.95             | 0.95              | 0.97                   |
| Offering Price (Note 2B)                                                                                                                                                         | 0.81              | 0.85           | 0.85             | 0.81          | 0.85            | 0.76              | 0.77              | 0.84                  | 0.95             | 0.95              | 0.97                   |

The accompanying notes are an integral part of these financial statements.

## INFRASTRUCTURE INVESTMENTS FUND

|           |       |       |            |          |            |            |          |            |          |
|-----------|-------|-------|------------|----------|------------|------------|----------|------------|----------|
|           | IF    | IF    | IF         | IF       | IF         | IF         | IF       | IF         | IF       |
|           | ERISA | USSC  | Canadian 1 | Cayman 1 | Canadian 2 | IF Dutch 1 | Canadian | Australian | Canadian |
| IF Tax-   | LP    | LP    | LP         | Ltd.     | LP         | Cayman LP  | 3 LP     | Trust      | 4 LP     |
| Exempt LP |       | IF LP |            |          |            | IF UK 1 LP |          |            |          |

The accompanying notes are an integral part of these financial statements.

# Statements of Changes in Net Assets

## INFRASTRUCTURE INVESTMENTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

| EQUITY                                                                 | IIF Tax-Exempt LP | IIF ERISA LP  | IIF LP        | IIF USSC LP  | IIF Canadian 1 LP | IIF Cayman 1 Ltd. | IIF Canadian 2 LP | IIF Dutch 1 Cayman LP | IIF UK 1 LP   | IIF Canadian 3 LP | IIF Australian 1 Trust | IIF Canadian 4 LP |
|------------------------------------------------------------------------|-------------------|---------------|---------------|--------------|-------------------|-------------------|-------------------|-----------------------|---------------|-------------------|------------------------|-------------------|
| <b>Net assets – beginning of period</b>                                | \$203,697,072     | \$852,563,876 | \$780,792,916 | \$19,919,782 | \$513,767,391     | \$118,744,381     | \$516,590,721     | \$353,223,797         | \$526,155,784 | \$163,022,564     | \$44,279,368           | \$–               |
| <b>Increase (decrease) in net assets from operations</b>               |                   |               |               |              |                   |                   |                   |                       |               |                   |                        |                   |
| Net investment income (loss)                                           | 5,188,708         | 22,612,194    | 23,776,491    | 740,763      | 16,137,840        | 7,258,346         | 21,934,108        | 10,117,137            | 23,374,919    | 5,673,095         | 3,692,169              | 7,297,490         |
| Net realized gain (loss) on infrastructure assets                      | 387,463           | 1,395,797     | 1,421,921     | 37,688       | 1,005,431         | 448,174           | 1,281,284         | 675,808               | 1,348,365     | 495,594           | 83,340                 | 547,460           |
| Net unrealized gain (loss) on infrastructure assets                    | 8,907,463         | 34,231,518    | 34,195,753    | 868,517      | 24,148,745        | 11,034,458        | 30,459,787        | 15,451,443            | 32,143,147    | 9,651,950         | 4,230,241              | 10,836,253        |
| Deferred taxes on infrastructure assets                                | (220,898)         | 1,424,060     | (1,446,117)   | (20,112)     | (7,955,807)       | (3,891,677)       | (971,187)         | 449,588               | (3,664,461)   | (245,269)         | (1,612,705)            | (4,112,617)       |
| Net realized gain (loss) on foreign currency exchange                  | (1,332,595)       | (5,213,545)   | (5,577,139)   | (131,588)    | (3,873,210)       | (1,754,315)       | (5,025,733)       | (2,348,166)           | (5,246,659)   | (1,433,630)       | (824,004)              | (1,605,591)       |
| Net unrealized gain (loss) on foreign currency exchange                | (9,863,898)       | (36,198,852)  | (42,035,925)  | (978,426)    | (29,472,512)      | (13,245,760)      | (40,775,170)      | (17,744,909)          | (42,369,145)  | (13,116,657)      | (6,726,918)            | (14,346,924)      |
| <b>Net increase (decrease) in net assets resulting from operations</b> | 3,066,243         | 18,251,172    | 10,334,984    | 516,842      | (9,513)           | (150,774)         | 6,903,089         | 6,600,901             | 5,586,166     | 1,025,083         | (1,157,877)            | (1,383,929)       |
| Contributions                                                          | 18,000,000        | 73,500,000    | 233,014,646   | -            | 259,723,604       | 213,300,146       | 446,557,101       | 23,768,953            | 378,066,474   | 100,501,482       | 150,509,809            | 300,537,080       |
| Redemptions                                                            | (4,368,650)       | (137,985,789) | (26,997,269)  | -            | (25,685,149)      | (2,272,084)       | (6,599,984)       | -                     | (11,050)      | -                 | -                      | -                 |
| Transfers                                                              | -                 | -             | -             | -            | (79,844,347)      | (10,155,315)      | -                 | -                     | 89,999,662    | -                 | -                      | -                 |
| Distributions                                                          | (14,797,085)      | (57,432,027)  | (57,526,871)  | (1,445,320)  | (40,407,050)      | (18,423,626)      | (50,690,686)      | (25,672,760)          | (53,408,289)  | (15,585,074)      | (7,058,925)            | (17,551,775)      |
| Reinvestment of distributions                                          | 3,870,709         | 56,427,876    | 29,799,573    | 244,562      | 20,345,935        | 1,975,130         | 32,588,571        | 25,667,839            | 25,518,176    | 5,262,725         | 2,455,047              | -                 |
| <b>Total increase (decrease)</b>                                       | 5,771,217         | (47,238,768)  | 188,625,063   | (683,916)    | 134,123,480       | 184,273,477       | 428,758,091       | 30,364,932            | 445,751,139   | 91,204,216        | 144,748,054            | 281,601,376       |
| <b>Net assets – end of period</b>                                      | \$209,468,289     | \$805,325,108 | \$969,417,979 | \$19,235,866 | \$647,890,871     | \$303,017,858     | \$945,348,812     | \$383,588,729         | \$971,906,923 | \$254,226,780     | \$189,027,422          | \$281,601,376     |

The accompanying notes are an integral part of these financial statements.

# Statements of Cash Flows

## INFRASTRUCTURE INVESTMENTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

### Cash flows from operating activities

#### Net investment income/(loss)

Adjustments to reconcile net investment income (loss) to net cash (used in) provided by operating activities:

|                                                            | IIF Tax-Exempt LP | IIF ERISA LP       | IIF LP               | IIF USSC LP      | IIF Canadian LP      | IIF Cayman Ltd.     | IIF Canadian LP      | IIF Dutch 1 Cayman LP | IIF UK LP            | IIF Canadian LP     | IIF Australian Trust | IIF Canadian LP     |
|------------------------------------------------------------|-------------------|--------------------|----------------------|------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|---------------------|----------------------|---------------------|
| Investment in Holding Companies                            | \$5,188,708       | \$22,612,194       | \$23,776,491         | \$740,763        | \$16,137,840         | \$7,258,346         | \$21,934,109         | \$10,117,137          | \$23,374,919         | \$5,673,094         | \$3,692,169          | \$7,297,490         |
| Distributions from Holding Companies                       | (34,237,496)      | (180,141,452)      | (308,836,912)        | (1,496,111)      | (312,327,594)        | (425,717,076)       | (514,430,779)        | (70,965,113)          | (530,642,933)        | (116,549,728)       | (156,031,582)        | (308,789,445)       |
| Net investment (income) loss from Holding Companies        | 35,327,220        | 258,442,424        | 141,732,182          | 2,715,339        | 185,404,151          | 242,617,723         | 98,275,100           | 51,567,465            | 95,112,652           | 27,890,159          | 9,086,714            | 24,159,244          |
| Changes in operating assets and liabilities:               | (8,059,853)       | (31,373,993)       | (33,441,057)         | (793,274)        | (23,328,512)         | (10,600,735)        | (30,381,342)         | (14,195,406)          | (31,764,724)         | (8,793,649)         | (5,085,272)          | (9,836,015)         |
| Other assets                                               | (23,286)          | 490,699            | (9,635)              | 1,568            | 584,018              | 13,157              | (225,453)            | 32,438                | 207,126              | 15,003              | (70,720)             | 1                   |
| Payable (Receivables) to Holding Companies                 | 19,188,843        | 53,488,528         | 46,633,379           | 175,481          | 75,521,132           | 142,115,575         | 104,551,737          | 18,784,933            | 135,604,708          | 1,013,089           | 233,898              | 199,719,307         |
| Accounts payable and accrued expenses                      | (1,967,956)       | (3,254,979)        | (2,775,069)          | (109,335)        | (86,397,669)         | (9,331,915)         | 2,821,604            | (1,266,114)           | 91,449,374           | 344,187             | 803,590              | 1,513,078           |
| Deferred taxes                                             | (7931)            | -                  | -                    | (6,422)          | (109,717)            | 73,011              | (33,165)             | -                     | (13,331)             | (37,033)            | 18,307               | 152,339             |
| <b>Net cash (used in)/provided by operating activities</b> | <b>15,408,249</b> | <b>120,263,421</b> | <b>(132,920,621)</b> | <b>1,228,009</b> | <b>(144,516,351)</b> | <b>(53,571,914)</b> | <b>(317,488,189)</b> | <b>(5,924,660)</b>    | <b>(216,672,209)</b> | <b>(90,444,878)</b> | <b>(147,352,896)</b> | <b>(85,784,001)</b> |

### Cash flows from financing activities

|                                                            |                     |                      |                    |                    |                    |                   |                    |                  |                    |                   |                    |                   |
|------------------------------------------------------------|---------------------|----------------------|--------------------|--------------------|--------------------|-------------------|--------------------|------------------|--------------------|-------------------|--------------------|-------------------|
| Contributions from investors                               | -                   | 20,000,000           | 186,500,000        | -                  | 188,796,678        | 70,000,000        | 338,504,000        | 5,744,522        | 240,282,835        | 100,000,000       | 150,504,750        | 100,537,080       |
| Redemptions                                                | (4,368,650)         | (137,985,789)        | (26,997,269)       | -                  | (25,685,149)       | (2,272,084)       | (6,599,984)        | -                | (11,050)           | -                 | -                  | -                 |
| Distributions, net                                         | (11,041,036)        | (2,277,210)          | (26,583,980)       | (1,223,630)        | (19,052,133)       | (14,719,424)      | (14,415,916)       | (27,791)         | (23,987,880)       | (9,560,700)       | (3,206,211)        | (14,747,386)      |
| <b>Net cash (used in)/provided by financing activities</b> | <b>(15,409,686)</b> | <b>(120,262,999)</b> | <b>132,918,751</b> | <b>(1,223,630)</b> | <b>143,969,396</b> | <b>53,008,492</b> | <b>317,488,100</b> | <b>5,716,731</b> | <b>216,283,905</b> | <b>90,439,300</b> | <b>147,298,539</b> | <b>85,789,694</b> |

### Net (decrease)/increase in cash and cash equivalents

|  |         |     |         |       |           |           |      |           |           |         |          |       |
|--|---------|-----|---------|-------|-----------|-----------|------|-----------|-----------|---------|----------|-------|
|  | (1,437) | 422 | (1,870) | 4,379 | (546,954) | (563,422) | (89) | (207,929) | (388,304) | (5,578) | (54,357) | 5,693 |
|--|---------|-----|---------|-------|-----------|-----------|------|-----------|-----------|---------|----------|-------|

### Cash and cash equivalents

|                   |          |         |         |         |         |         |         |         |         |         |         |         |
|-------------------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Beginning of year | 11,581   | 7993    | 4,915   | 1,086   | 548,655 | 567,718 | 4,913   | 215,403 | 391,849 | 10,427  | 56,585  | -       |
| End of year       | \$10,144 | \$8,415 | \$3,045 | \$5,465 | \$1,701 | \$4,296 | \$4,824 | \$7,474 | \$3,545 | \$4,849 | \$2,228 | \$5,693 |

### Non-Cash Activities

|                                                                   |             |              |              |           |              |              |             |             |             |             |             |             |
|-------------------------------------------------------------------|-------------|--------------|--------------|-----------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Rebalancing Contributions to Holdings Companies                   | 3,107,011   | 12,611,215   | 10,139,297   | 466,379   | 7,010,417    | 18,923,776   | 4,170,350   | 5,902,910   | 4,995,421   | 7,742,695   | 3,692,213   | 5,506,487   |
| Rebalancing Distributions from Holding Companies                  | (3,107,011) | (12,611,215) | (10,139,297) | (466,379) | (7,010,417)  | (18,923,776) | (4,170,350) | (5,902,910) | (4,995,421) | (7,742,695) | (3,692,213) | (5,506,487) |
| Reinvestment of distributions                                     | 3,870,709   | 56,427,876   | 29,799,573   | 244,562   | 20,345,935   | 1,975,130    | 32,588,571  | 25,667,839  | 25,518,176  | 5,262,725   | 2,455,047   | -           |
| Contributions of prior year subscriptions in advance and interest | 18,000,000  | 53,500,000   | 46,514,647   | -         | 71,016,925   | 342,495,926  | 108,000,000 | 18,024,431  | 137,783,638 | -           | -           | -           |
| Contributions of management fees                                  | -           | -            | -            | -         | -            | 804,219      | 73,445      | -           | -           | 501,482     | -           | -           |
| Transfers                                                         | -           | -            | -            | -         | (79,844,347) | (10,155,315) | -           | -           | 89,999,662  | -           | -           | -           |

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements for the Fund Investor Vehicles

## 1. DESCRIPTION OF FUND

The Infrastructure Investments Fund (the “Fund”), which is not a legal entity, currently consists of thirteen (13) Fund investor vehicles which include IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF German 1 GmbH & Co. KG, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF Australian 1 Trust and IIF Canadian 4 LP (collectively, the “FIVs”) and three (3) holding companies which include: IIF US Holding LP, IIF Int’l Holding L.P. and IIF US Holding 2 LP (collectively, the “Holding Companies”). IIF German 1 GmbH & Co. KG is in the process of being liquidated. The FIVs’ sole purpose is to invest capital in the Holding Companies who, in turn, invest in infrastructure-related assets. Each FIV is established to permit investors with different tax and regulatory profiles to enter the Fund in an efficient manner. Investors participate in the Fund by subscribing to one of the FIVs. J.P. Morgan Investment Management Inc. (the “Adviser”) is the adviser to the Fund and participates in the Fund with a commitment in IIF USSC LP. The FIVs co-invest in the same investments through the Holding Companies. The Fund made its first capital call on May 22, 2007 (“Inception Date”). As of December 31, 2016 the ownership of each of the thirteen FIVs in the Holding Companies as follows: 3.55%, 13.71%, 16.18%, 0.36%, 0.00%, 11.21%, 5.06%, 15.47%, 6.41%, 16.01%, 4.24%, 3.13%, and 4.67% for IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF German 1 GmbH & Co. KG, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF 1 Australian 1 Trust and IIF Canadian 4 LP, respectively.

As capital contributions are received by the FIVs, rebalancing of the ownership interests of the underlying Holding Companies may occur among each of the FIVs. These rebalancing events are necessary to keep the FIVs’ proportionate interests in the Holding Companies aligned with the capital contributions. Rebalancing may result in a FIV selling an interest in one of the Holding Companies at a gain or loss to another FIV. For the year ended December 31, 2016, there were rebalancing events that resulted in a realized gain (loss) of approximately (\$3.1), (\$30.2), (\$5.9), (\$0.3), (\$0.7), (\$1.1), (\$1.5), (\$2.7), (\$0.8) and (\$2.3) million for IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF Canadian 1LP, IIF Cayman1 Ltd. IIF Dutch 1 Cayman L.P., IIF Canadian 3 LP, IIF 1 Australian 1 Trust and IIF Canadian 4 LP, respectively. This is

included in the net realized and unrealized gain (loss) on foreign currency and other in the accompanying statement of operations.

The Fund held its initial closing on October 31, 2006. As of December 31, 2016, the total capital commitments were \$8,241.8 million. Total contributions from inception to December 31, 2016 were \$7,056.4 million, which includes a net (\$306.1) million of reinvested distributions, reinvested interest and redemptions. Committed but uncalled capital as of December 31, 2016 totaled \$881.0 million.

The Advisor, at its discretion, may drawdown Unpaid Commitments, as defined by the Private Placement Memorandum. Redemptions or Repurchases, as defined in the Private Placement Memorandum, by investors are accepted by the Advisor at March 31 or September 30 of each year.

Prior to October 1, 2013, any repurchase of an investor’s interest completed within four years after an investor’s final drawdown date, as defined by the Private Placement Memorandum, was made at 94% of Offering Net Asset Value (“NAV”) per interest (“Original Repurchase Discount”). Beginning on October 1, 2013, for investors that have chosen the 4-year soft lock option for the management fee calculation (see note 7), any repurchase completed within four years after an investor’s final drawdown date is made at 96% of NAV per interest (together with the Original Repurchase Discount, “Repurchase Discount”). Other investors maintain the Original Repurchase Discount. After four years, repurchase is made at 100% of Offering NAV per interest. If an investor has multiple commitments, for the purposes of calculating the repurchase discount, funded commitments are treated on a first in, first out basis. One-third of the total Original Repurchase Discount is paid to the Adviser. The Holding Companies have earned \$0.3 million in repurchase discount fee for the year ended December 31, 2016.

The purpose of the Fund is to invest in a broad range of infrastructure and infrastructure-related assets located in member countries of the Organisation for Economic Co-Operation and Development (OECD) with a primary focus on the US, Canada, Western Europe, and Australia. These assets may include toll roads, bridges, tunnels, oil and gas pipelines, electricity transmission and distribution facilities, contracted power generation assets, communication assets, water distribution and wastewater collection and processing

assets, railway lines and rapid transit links, seaports and airports. The Fund focuses on core and core-plus infrastructure assets but has the flexibility to invest in value-added assets as well. Investments may be in the form of direct investments, securities of infrastructure issuers, joint ventures and other infrastructure-related assets (such as debt, indices, synthetics and other interests).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of presentation

The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") that are applicable to investment companies.

The accompanying financial statement presentation comprises twelve (12) FIVs and their wholly-owned subsidiaries, which have a common Adviser and co-invest in the same investments through the Holding Companies. As of December 31, 2016, all FIVs have invested in the Holding Companies.

### B. Offering price

The offering price herein referred to as "Trading NAV" represents the share price at which shares may be subscribed.

The Fund's NAV as of December 31, 2016 based on GAAP is \$5,980.1 million as compared to \$6,050.0 million on an offering price basis which is described in the Private Placement Memorandum. The difference of approximately \$69.9 million represents organizational and acquisition pursuit costs including dead deals which are immediately expensed for US GAAP but are amortized over 240 and 120 months, respectively, for Trading NAV purposes. The Fund's NAV is denominated in United States Dollars and is affected by fluctuations in currency exchange rates as a result of certain investments owned by the Holding Companies that are denominated in foreign currencies.

### C. Investment in Holding Companies and investment valuations

The investment in the Holding Companies consists of non-marketable, limited partnership interests and is reported on the statement of assets and liabilities at estimated fair value.

The cost basis increases through contributions to and decreases through distributions from the Holding Companies as well as the fund's share of undistributed earnings. Each FIV records its share of contributions paid to and share of distributions received from the Holding Companies as a reduction in its investment in the Holding Companies on the accompanying statement of assets and liabilities. Each FIV records its allocated share of investment income, expense, realized and unrealized gains (losses) from the Holding Companies in the accompanying statement of operations. The allocated share of investment income, expense, realized and unrealized gains (losses) is based on each FIV's equity percentage interest in the Holding Companies.

The FIVs' investment in the Holding Companies is stated at its estimated fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the investment in the Holding Companies is based on each FIV's allocable share of the Holding Companies' net assets. Infrastructure investments made by the Holding Companies are valued by independent appraisers on an annual basis. Asset valuations and the salient valuation-sensitive assumptions of each interest are reviewed by the Adviser and values are adjusted quarterly.

In the opinion of the Adviser, these estimated values are reasonable approximations of fair values as of December 31, 2016. The estimate of fair value may vary significantly from the price achieved in a sale and this difference may be material to the financial statements.

### D. Federal income taxes

Certain corporate subsidiaries of the Fund may be required to pay income taxes. Subsidiaries of IIF Tax-Exempt LP, IIF ERISA LP, IIF USSC LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Dutch 1 Cayman L.P., IIF Canadian 2 LP, IIF UK 1 LP, IIF Canadian 3 LP, IIF Australian 1 Trust and IIF Canadian 4 LP, which are subject to taxation, use the asset and liability method of accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and the respective tax basis, as well as the applicable subsidiaries' operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted

tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. No income tax provisions are established for Fund entities that are treated as partnerships or pass-through entities as the remaining net income is reportable on the income tax return of its partners.

The significant temporary differences are primarily related to changes in fair value of the Holding Companies' assets and the depreciation expense of those assets which result in deferred tax liabilities. As of December 31, 2016, the deferred tax liabilities have been recorded by IIF ERISA LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF 1 Australian 1 Trust and IIF Canadian 4 LP in the amounts of \$5.8 million, \$8.4 million, \$4.7 million, \$0.2 million, \$1.2 million, \$3.7 million, \$1.6 million, and \$3.8 million, respectively. The temporary differences resulted in a deferred tax benefit (expense) for IIF ERISA LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF 1 Australian 1 Trust and IIF Canadian 4 LP in the amounts of approximately (\$2.9) million, \$7.4 million, \$3.6 million, \$0.2 million, (\$1.1) million, \$2.8 million, \$1.5 million and \$3.8 million, respectively, and is included in deferred taxes on infrastructure assets.

The Fund follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires the Adviser to determine whether a tax position of the Fund is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. As of December 31, 2016, the Fund has determined there are no uncertain tax positions.

The Fund files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Fund is subject to examination by federal, state, local and foreign jurisdictions, where applicable. Outlined below is a summary of the years that remain subject to examination by the major tax jurisdictions under the statute of limitations.

| Jurisdiction     | Years Subject to Examination |
|------------------|------------------------------|
| Cayman Islands:  | None*                        |
| Australia:       | 2012 forward                 |
| Canada:          | 2012 forward                 |
| Luxembourg:      | 2012 forward                 |
| The Netherlands: | 2012 forward                 |
| United States:   | 2013 forward                 |
| United Kingdom:  | 2015 forward                 |

\* The Fund holds valid Cayman Islands tax exemption certificates, no company or corporate income tax is applicable. Accordingly, the statute of limitations for corporate income tax purposes does not apply.

The Fund has elected to classify interest and penalties relating to uncertain tax positions in investment level expenses on the statement of operations. There were no interest or penalties related to uncertain tax positions during the year ended December 31, 2016.

## E. Cash and cash equivalents

Cash equivalents consist of temporary cash investments, which are carried at cost and which, with accrued interest receivable, approximate fair value due to the relatively short maturity of these investments. Cash equivalents are defined as those instruments which mature within three months of the date of purchase.

## F. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Adviser to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. INVESTMENT IN HOLDING COMPANIES

The Fund follows the authoritative guidance for fair value measurements. The guidance defines fair value, expands disclosure requirements, and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Fund's market assumptions.

These two types of inputs create the following fair value hierarchy:



Level I – Quoted prices for identical instruments in active markets.

Level II – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets.

Level III – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Fund to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value

hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement as a whole. The Fund's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

The Holding Companies were organized for the purpose of carrying on the business of investing in infrastructure assets. As of December 31, 2016, the Holding Companies hold interests in a total of fourteen investments.

The combined financial statements of the Holding Companies, including the combined schedule of investments, are included elsewhere in this report and should be read in conjunction with the Fund's financial statements.

During the year ended December 31, 2016, the FIVs invested \$3,044.4 million in the Holding Companies. Income, losses and distributions will be allocated on a pro-rata basis to each FIV in accordance with their ownership percentage.

Each FIV's investment activity in the Holding Companies for the year ended December 31, 2016, which is all Level III on the fair-value hierarchy, is as follows (in thousands):

| Description             | Investment Balance,<br>January 1, 2016 | Contributions and<br>Transfers | Distributions | Investment income,<br>expenses, and total<br>realized and unrealized<br>gains (losses) allocated<br>from the Holding<br>Companies | Investment Balance,<br>December 31, 2016 |
|-------------------------|----------------------------------------|--------------------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| IIF Tax-Exempt LP       | \$209,482                              | \$37,345                       | \$(38,434)    | \$5,792                                                                                                                           | \$214,185                                |
| IIF ERISA LP            | 879,320                                | 192,753                        | (271,054)     | 24,151                                                                                                                            | 825,170                                  |
| IIF LP                  | 801,401                                | 318,976                        | (151,872)     | 20,000                                                                                                                            | 988,505                                  |
| IIF USSC LP             | 21,172                                 | 1,962                          | (3,182)       | 554                                                                                                                               | 20,506                                   |
| IIF Canadian 1 LP       | 526,833                                | 319,338                        | (192,415)     | 14,119                                                                                                                            | 667,875                                  |
| IIF Cayman 1 Ltd.       | 123,526                                | 444,641                        | (261,542)     | 6,615                                                                                                                             | 313,240                                  |
| IIF Canadian 2 LP       | 527,769                                | 518,601                        | (102,445)     | 15,033                                                                                                                            | 958,958                                  |
| IIF Dutch 1 Cayman L.P. | 363,261                                | 76,868                         | (57,470)      | 9,593                                                                                                                             | 392,252                                  |
| IIF UK 1 LP             | 538,354                                | 535,638                        | (100,107)     | 16,282                                                                                                                            | 990,167                                  |
| IIF Canadian 3 LP       | 168,526                                | 124,292                        | (35,633)      | 4,016                                                                                                                             | 261,201                                  |
| IIF Australian 1 Trust  | 45,211                                 | 159,724                        | (12,779)      | 1,635                                                                                                                             | 193,791                                  |
| IIF Canadian 4 LP       | -                                      | 314,296                        | (29,664)      | 4,842                                                                                                                             | 289,474                                  |

#### 4. RISKS AND UNCERTAINTIES

Each FIV holds an interest in the Holding Companies that ultimately invests in infrastructure and infrastructure-related assets, therefore the risks of the FIVs are directly related to those risks of the Holding Companies.

##### Concentration of Credit Risk

Concentrations of credit risk may exist with respect to investor commitments to the Fund.

As summarized in the table below, the Fund has several investors representing 10% or more of the aggregate of NAV and uncalled capital commitments within each FIV. As of December 31, 2016, each of these investors is current on all capital calls to date.

In the event one or more of such investors were to request redemption, the Adviser may use its discretion in satisfying the redemption request and may consider if the redemption payment would reasonably be expected to be detrimental to the Fund as a whole.

|                                                                                        | IIF Tax-Exempt LP | IIF ERISA LP | IIF LP | IIF USSC LP | IIF Canadian 1 LP | IIF Cayman 1 Ltd. | IIF Canadian 2 LP | IIF Dutch 1 Cayman L.P. | IIF UK 1 LP | IIF Australian 1 Trust | IIF Canadian 3 LP | IIF Canadian 4 LP |
|----------------------------------------------------------------------------------------|-------------------|--------------|--------|-------------|-------------------|-------------------|-------------------|-------------------------|-------------|------------------------|-------------------|-------------------|
| Investors representing 10% or more of FIV Trading NAV and uncalled capital commitments | 4                 | 2            | 2      | 2           | 1                 | 3                 | -                 | 1                       | 4           | 2                      | 3                 | 1                 |

#### 5. FEES AND EXPENSES

On an ongoing basis, the Fund will pay organization costs, legal expenses, external audit and tax preparation fees, meeting expenses, management or advisory fees, insurance, taxes, printing and mailing expenses, and any other related expenses, as well as any non-recurring expenses such as litigation and indemnification costs.

The FIVs, as an investor in the Holding Companies, will also be indirectly subject to all fees and expenses of the Holding Companies, as provided in their organization documents. These fees and expenses may include, but are not limited to, organization costs, investment pursuit and acquisition costs, investment-related costs including travel costs, legal expenses, tax preparation fees, meeting expenses, insurance, interest and fees on borrowings, taxes, printing and mailing expenses, and any other related expenses, as well as non-recurring expenses such as litigation and indemnification expenses.

#### 6. CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS

Capital contributions received through a drawdown notice are effective on the first calendar date of a quarter. Capital distributions are accrued for as of the last calendar date of a quarter. Investors may choose to reinvest those dividends, however, reinvestments are effective on the first date of the following quarter.

## 7. MANAGEMENT AND SUBSCRIPTION SERVICES FEES

Each investor is required to pay fees for management and advisory services to the Advisor quarterly, in arrears. For the first and second quarters of 2016, investors had a choice of either a “4-year soft lock” option or an “8-year hard lock” option for the advisory fee calculation, applying the following annual fee rates: 125 and 110 basis points, respectively, for the first \$50 million of investor NAV, 115 and 100 basis points, respectively, for the next \$50 million of investor NAV and 105 and 90 basis points, respectively, for amounts over \$100 million of investor NAV. Effective July 1, 2016, investors were given the option to accept new fee terms applying the following annual fee rates: 100 basis points for the first \$100 million of investor NAV, 90 basis points of the investor NAV if it is between \$100 million and \$300 million, and 80 basis points of investor NAV if it is over \$300 million. In addition, new investors are only offered a “4-year soft lock” option. For the year December 31, 2016, advisory fees are separately presented in the accompanying statements of operations for each FIV. Advisory fees payable as of December 31, 2016 are: IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF 1 Australian 1 Trust and IIF Canadian 4 LP, \$2.6 million, \$8.3 million, \$9.3 million, \$6.9 million, \$3.0 million,

\$8.6 million, \$3.3 million, \$8.4 million, \$2.0 million, \$1.1 million and \$2.2 million, respectively. These amounts have been included in accounts payable and accrued expenses in the accompanying statements of assets and liabilities.

Effective January 1, 2012, the Advisor will earn an incentive fee equal to 15% of the excess of a defined adjusted return of the Fund’s assets (“Adjusted IRR”) over a hurdle rate of 7% measured over a three-year period. Such fees are born directly by the individual investor, and accordingly, such amounts are not presented in the accompanying financial statements. For purposes of calculating the incentive fee, annual Adjusted IRR will be capped at 13.5%. The incentive fee will be subject to payment in three annual installments; the second and third installment of which are contingent upon subsequent cumulative performance continuing to meet or exceed the hurdle rate. It is the intention of the Adviser that approximately 50% of the incentive fee will be paid by the Adviser to employees who are involved in the activities of the Fund. It is expected that the employee portion of such incentive fee will be reinvested in the Fund for a period of time.

## 8. RELATED PARTY TRANSACTIONS

As of December 31, 2016, the FIVs have net payables of approximately \$19.7 million to the Holding Companies.

## 9. FINANCIAL HIGHLIGHTS

The following table presents the Fund's financial highlights, for the year ended December 31, 2016 on the basis of US GAAP, under which both organization and acquisition pursuit costs including for dead deals are expensed as incurred. Such financial highlights are calculated for each Fund's investors taken as a whole. An individual investor's results may vary from the financial highlights presented based on a different management fee arrangements as applicable and the timing of capital transactions. (All units are in thousands except unit price.)

|                                                   | IIF Tax-<br>Exempt LP | IIF ERISA<br>LP | IIF LP | IIF USSC<br>LP | IIF Canadian<br>1 LP | IIF Cayman 1<br>Ltd | IIF Canadian<br>2 LP | IIF Dutch<br>1 Cayman<br>L.P. | IIF UK<br>1 LP | IIF Canadian<br>3 LP | IIF Australian<br>1 Trust | IIF Canadian<br>4 LP |
|---------------------------------------------------|-----------------------|-----------------|--------|----------------|----------------------|---------------------|----------------------|-------------------------------|----------------|----------------------|---------------------------|----------------------|
| Net asset value<br>per unit, beginning<br>of year | \$0.82                | \$0.86          | \$0.87 | \$0.77         | \$0.86               | \$0.80              | \$0.80               | \$0.86                        | \$0.99         | \$0.99               | \$1.01                    | \$-                  |
| Contributions                                     | -                     | -               | -      | -              | -                    | -                   | -                    | -                             | -              | -                    | -                         | 1.00                 |
| Distributions                                     | (0.06)                | (0.06)          | (0.06) | (0.06)         | (0.06)               | (0.05)              | (0.05)               | (0.06)                        | (0.06)         | (0.07)               | (0.05)                    | (0.07)               |
| Net Investment<br>income (loss)                   | 0.03                  | 0.03            | 0.03   | 0.03           | 0.03                 | 0.03                | 0.03                 | 0.03                          | 0.03           | 0.03                 | 0.03                      | 0.03                 |
| Net realized and<br>Unrealized gains<br>(losses)  | -                     | -               | -      | -              | -                    | (0.02)              | (0.01)               | -                             | (0.01)         | -                    | (0.02)                    | (0.01)               |
| Net asset value per<br>unit, end of year          | 0.79                  | 0.83            | 0.84   | 0.74           | 0.83                 | 0.76                | 0.77                 | 0.83                          | 0.95           | 0.95                 | 0.97                      | 0.95                 |

|                                  | IIF Tax-<br>Exempt LP | IIF ERISA<br>LP | IIF LP    | IIF USSC<br>LP | IIF Canadian<br>1 LP | IIF Cayman 1<br>Ltd | IIF Canadian<br>2 LP | IIF Dutch<br>1 Cayman<br>L.P. | IIF UK<br>1 LP | IIF Canadian<br>3 LP | IIF Australian<br>1 Trust | IIF Canadian<br>4 LP |
|----------------------------------|-----------------------|-----------------|-----------|----------------|----------------------|---------------------|----------------------|-------------------------------|----------------|----------------------|---------------------------|----------------------|
| Units - beginning of<br>year     | 247,252               | 990,133         | 897,942   | 25,811         | 594,378              | 149,268             | 646,459              | 410,022                       | 533,907        | 165,038              | 43,788                    | -                    |
| Contributions                    | 21,398                | 83,155          | 267,258   | -              | 308,144              | 266,386             | 558,435              | 27,137                        | 553,784        | 100,835              | 193,868                   | 300,085              |
| Redemptions                      | (5,286)               | (154,455)       | (30,295)  | -              | (132,668)            | (15,720)            | (8,338)              | -                             | (79,303)       | -                    | (43,669)                  | -                    |
| Reinvestment of<br>distributions | 4,588                 | 63,947          | 33,848    | 289            | 22,969               | 2,204               | 40,534               | 29,707                        | 25,891         | 4,503                | 2,465                     | -                    |
| Management Fee                   | (3,188)               | (9,534)         | (10,734)  | -              | (7,929)              | (3,813)             | (10,872)             | (3,807)                       | (8,623)        | (2,083)              | (1,100)                   | (2,245)              |
| Units - end of year              | 264,764               | 973,246         | 1,158,019 | 26,100         | 784,894              | 398,325             | 1,226,218            | 463,059                       | 1,025,656      | 268,293              | 195,352                   | 297,840              |

| Operating Performance: GAAP Basis |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total return <sup>1</sup>         | 1.26% | 1.98% | 1.46% | 2.55% | 0.23% | 0.14% | 1.51% | 1.74% | 1.23% | 1.24% | 0.01% | 0.14% |

| Ratios/Supplemental data:                             |       |       |       |       |       |       |       |       |       |       |       |       |
|-------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Ratios to weighted average<br>net assets <sup>2</sup> |       |       |       |       |       |       |       |       |       |       |       |       |
| Fund level operating<br>expenses                      | 1.69% | 1.45% | 1.50% | 0.70% | 1.70% | 1.74% | 1.44% | 1.46% | 1.44% | 1.72% | 2.22% | 1.60% |
| Net investment<br>income (loss)                       | 2.35% | 2.62% | 2.54% | 3.72% | 2.43% | 2.25% | 2.55% | 2.63% | 2.56% | 2.31% | 1.78% | 2.35% |

<sup>1</sup> Total return is calculated based on a time-weighted rate of return methodology. The returns and ratios reported above are reported after management fees.

<sup>2</sup> Average net assets is calculated using the weighted average net assets at the end of each calendar quarter.

The following table presents the Fund's financial highlights, for the year ended December 31, 2016 on the basis of accounting described in the Fund's Private Placement Memorandum, which details how the net asset value for the purpose of share purchases or sales will be computed in accordance with generally accepted accounting principles, except that both organization and acquisition pursuit costs (including dead deal) are capitalized and amortized over 240 months and 120 months, respectively, in order to spread the cost among the initial and subsequent investors (please refer to Note 2B). Such financial highlights are calculated for each Fund's investors taken as a whole. An individual investor's results may vary from the financial highlights presented based on a different management fee arrangements as applicable and the timing of capital transactions. (All units are in thousands except unit price.)

|                                              | IIF Tax-<br>Exempt LP | IIF ERISA<br>LP | IIF LP | IIF USSC<br>LP | IIF<br>Canadian<br>1 LP | IIF<br>Cayman 1<br>Ltd | IIF<br>Canadian<br>2 LP | IIF Dutch<br>1 Cayman<br>L.P. | IIF UK<br>1 LP | IIF<br>Canadian<br>3 LP | IIF<br>Australian<br>1 Trust | IIF<br>Canadian<br>4 LP |
|----------------------------------------------|-----------------------|-----------------|--------|----------------|-------------------------|------------------------|-------------------------|-------------------------------|----------------|-------------------------|------------------------------|-------------------------|
| Net asset value per unit - beginning of year | \$0.84                | \$0.88          | \$0.88 | \$0.85         | \$0.89                  | \$0.81                 | \$0.81                  | \$0.87                        | \$0.99         | \$1.00                  | \$1.02                       | \$-                     |
| Contributions                                | -                     | -               | -      | -              | -                       | -                      | -                       | -                             | -              | -                       | -                            | 1.00                    |
| Distributions                                | (0.06)                | (0.06)          | (0.06) | (0.06)         | (0.06)                  | (0.05)                 | (0.05)                  | (0.06)                        | (0.06)         | (0.07)                  | (0.07)                       | (0.06)                  |
| Net investment income (loss)                 | (0.00)                | (0.00)          | (0.00) | (0.00)         | (0.01)                  | (0.01)                 | (0.01)                  | 0.00                          | (0.00)         | (0.01)                  | (0.01)                       | (0.01)                  |
| Net realized and Unrealized gains (losses)   | 0.03                  | 0.03            | 0.03   | 0.02           | 0.03                    | 0.01                   | 0.02                    | 0.03                          | 0.02           | 0.02                    | 0.03                         | 0.01                    |
| Net asset value per unit - end of year       | 0.81                  | 0.85            | 0.85   | 0.81           | 0.85                    | 0.76                   | 0.77                    | 0.84                          | 0.95           | 0.95                    | 0.97                         | 0.94                    |

|                               | IIF Tax-<br>Exempt LP | IIF ERISA<br>LP | IIF LP    | IIF USSC<br>LP | IIF<br>Canadian<br>1 LP | IIF<br>Cayman 1<br>Ltd | IIF<br>Canadian<br>2 LP | IIF Dutch<br>1 Cayman<br>L.P. | IIF UK<br>1 LP | IIF<br>Canadian<br>3 LP | IIF<br>Australian<br>1 Trust | IIF<br>Canadian<br>4 LP |
|-------------------------------|-----------------------|-----------------|-----------|----------------|-------------------------|------------------------|-------------------------|-------------------------------|----------------|-------------------------|------------------------------|-------------------------|
| Units - beginning             | 247,252               | 990,133         | 897,942   | 25,811         | 594,378                 | 149,268                | 646,459                 | 410,022                       | 533,907        | 165,038                 | 43,788                       | -                       |
| Contributions                 | 21,398                | 83,155          | 267,258   | -              | 308,144                 | 266,386                | 558,435                 | 27,137                        | 553,784        | 100,835                 | 193,868                      | 300,085                 |
| Redemptions                   | (5,286)               | (154,455)       | (30,295)  | -              | (132,668)               | (15,720)               | (8,338)                 | -                             | (79,303)       | -                       | (43,669)                     | -                       |
| Reinvestment of distributions | 4,588                 | 63,947          | 33,848    | 289            | 22,969                  | 2,204                  | 40,534                  | 29,707                        | 25,891         | 4,503                   | 2,465                        | -                       |
| Management Fee                | (3,188)               | (9,534)         | (10,734)  | -              | (7,929)                 | (3,813)                | (10,872)                | (3,807)                       | (8,623)        | (2,083)                 | (1,100)                      | (2,245)                 |
| Units - end of year           | 264,764               | 973,246         | 1,158,019 | 26,100         | 784,894                 | 398,325                | 1,226,218               | 463,059                       | 1,025,656      | 268,293                 | 195,352                      | 297,840                 |

| Operating Performance: Offering Price - Basis |       |       |       |       |       |        |       |       |       |       |       |       |
|-----------------------------------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| Total return <sup>1</sup>                     | 1.14% | 1.77% | 1.28% | 2.19% | 0.05% | -0.03% | 1.33% | 1.55% | 1.06% | 1.04% | 0.25% | 0.09% |

| Ratios/Supplemental data:                          |       |       |       |       |       |       |       |       |       |       |       |       |
|----------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Ratios to weighted average net assets <sup>2</sup> |       |       |       |       |       |       |       |       |       |       |       |       |
| Fund level operating expenses                      | 1.94% | 1.51% | 1.80% | 0.89% | 2.70% | 2.97% | 1.64% | 1.78% | 1.77% | 2.01% | 2.16% | 2.40% |
| Net investment income (loss)                       | 2.03% | 2.46% | 2.18% | 3.15% | 1.33% | 1.01% | 2.32% | 2.25% | 2.20% | 1.99% | 1.82% | 1.55% |

<sup>1</sup> Total return is calculated based on a time-weighted rate of return methodology. The returns and ratios reported above are reported after management fees.

<sup>2</sup> Average net assets is calculated using the weighted average net assets at the end of each calendar quarter.

## 10. SUBSEQUENT EVENTS

The Adviser evaluated subsequent events through March 31, 2017, the date the financial statements were available for issuance, and determined that except as otherwise disclosed herein there were no additional material subsequent events requiring disclosure.

**REPORT OF INDEPENDENT  
AUDITORS AND COMBINED  
FINANCIAL STATEMENTS  
FOR THE HOLDING  
COMPANIES**

For the year ended December 31, 2016

# Report of Independent Auditors



## Report of Independent Auditors

To the General Partner of:  
IIF US Holding LP  
IIF Int'l Holding L.P.  
IIF US Holding 2 LP

We have audited the accompanying combined financial statements of IIF US Holding LP, IIF Int'l Holding L.P. and IIF US Holding 2 LP (collectively, the "Holding Companies"), which comprise the combined statement of assets and liabilities, including the combined schedule of investments held, as of December 31, 2016 and the related combined statements of operations, of changes in net assets, and of cash flows for the year then ended.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Holding Companies' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Holding Companies' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of IIF US Holding LP, IIF Int'l Holding L.P. and IIF US Holding 2 LP as of December 31, 2016, and the combined results of their operations, changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

March 31, 2017

PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017  
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# Combined Statement of Assets and Liabilities

## INFRASTRUCTURE INVESTMENTS FUND

AS OF DECEMBER 31, 2016

| ASSETS                                                                              |                        |
|-------------------------------------------------------------------------------------|------------------------|
| Investment in infrastructure assets, at estimated fair value (cost \$5,484,228,451) | \$5,714,300,000        |
| Cash and cash equivalents                                                           | 449,108,175            |
| Receivables from FIVs                                                               | 151,247,682            |
| Other assets                                                                        | 21,241,831             |
| <b>Total Assets</b>                                                                 | <b>6,335,897,688</b>   |
| LIABILITIES                                                                         |                        |
| Accounts payable and accrued expenses                                               | 4,455,423              |
| Payables to FIVs                                                                    | 131,533,274            |
| Deferred taxes                                                                      | 84,579,348             |
| <b>Total Liabilities</b>                                                            | <b>220,568,045</b>     |
| <b>Net Assets</b>                                                                   | <b>\$6,115,329,643</b> |

The accompanying notes are an integral part of these combined financial statements.

# Combined Statement of Operations

## INFRASTRUCTURE INVESTMENTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

| INVESTMENT INCOME                                                      |                      |
|------------------------------------------------------------------------|----------------------|
| Dividend income                                                        | \$228,474,922        |
| Interest and other income                                              | 1,065,120            |
| Investment income                                                      | 229,540,042          |
| INVESTMENT EXPENSE                                                     |                      |
| Interest expense                                                       | 5,063,136            |
| Directors fees                                                         | 616,097              |
| Professional fees                                                      | 9,140,387            |
| Administrative fees                                                    | 962,514              |
| Tax expense                                                            | 5,711,853            |
| Other expenses                                                         | 391,559              |
| <b>Total investment expense</b>                                        | <b>21,885,546</b>    |
| <b>Total investment income (loss)</b>                                  | <b>207,654,496</b>   |
| Realized and unrealized gain (loss):                                   |                      |
| Net realized gain (loss) on infrastructure assets                      | 9,128,329            |
| Net change in unrealized gain (loss) on infrastructure assets          | 216,159,581          |
| Deferred taxes on infrastructure assets                                | (9,067,707)          |
| Net realized gain (loss) on foreign currency exchange                  | (34,366,223)         |
| Net change in unrealized gain (loss) on foreign currency exchange      | (266,875,175)        |
| <b>Total realized and unrealized gain / (loss)</b>                     | <b>(85,021,195)</b>  |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b>\$122,633,301</b> |

The accompanying notes are an integral part of these combined financial statements.

# Combined Statement of Changes in Net Assets

## INFRASTRUCTURE INVESTMENTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

| EQUITY                                                          |                        |
|-----------------------------------------------------------------|------------------------|
| <b>Net assets – beginning of period</b>                         | \$4,205,048,335        |
| <b>Increase (decrease) in net assets from operations</b>        |                        |
| Net investment income (loss)                                    | 207,654,496            |
| Net realized gain (loss) on infrastructure assets               | 9,128,329              |
| Net unrealized gain (loss) on infrastructure assets             | 216,159,581            |
| Deferred taxes on infrastructure assets                         | (9,067,707)            |
| Net realized gain (loss) on foreign currency exchange           | (34,366,223)           |
| Net unrealized gain (loss) on foreign currency exchange         | (266,875,175)          |
| Net increase (decrease) in net assets resulting from operations | 122,633,301            |
| Contributions                                                   | 3,044,456,458          |
| Distributions                                                   | (1,256,808,451)        |
| Total increase (decrease)                                       | 1,910,281,308          |
| <b>Net assets – end of period</b>                               | <b>\$6,115,329,643</b> |

The accompanying notes are an integral part of these combined financial statements.

# Combined Statement of Cash Flows

## INFRASTRUCTURE INVESTMENTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

|                                                                                                               |                        |
|---------------------------------------------------------------------------------------------------------------|------------------------|
| <b>Cash flows from Operating activities</b>                                                                   |                        |
| <b>Net investment income/(Loss)</b>                                                                           | \$207,654,496          |
| Adjustments to reconcile net investment income (loss) to net cash (used in) provided by operating activities: |                        |
| Investments in infrastructure assets                                                                          | (853,408,084)          |
| Return of capital on infrastructure assets                                                                    | 171,783,078            |
| Proceeds from disposition of infrastructure assets                                                            | 264,423,036            |
| Changes in operating assets and liabilities:                                                                  |                        |
| Receivables from FIVs - net                                                                                   | (798,523,702)          |
| Other assets                                                                                                  | 7,986,938              |
| Accounts payable and accrued expenses                                                                         | (4,008,413)            |
| Deferred taxes                                                                                                | 1,199,580              |
| <b>Net cash (used in)/provided by operating activities</b>                                                    | <b>(1,002,893,071)</b> |
| <b>Cash flows from financing activities</b>                                                                   |                        |
| Contributions from FIVs                                                                                       | 2,960,188,287          |
| Distributions to FIVs                                                                                         | (1,172,540,280)        |
| Proceeds from Line of Credit                                                                                  | 251,600,000            |
| Repayment of Line of Credit                                                                                   | (651,600,000)          |
| <b>Net cash (used in)/provided by financing activities</b>                                                    | <b>1,387,648,007</b>   |
| <b>Net increase in cash and cash equivalents</b>                                                              | <b>384,754,936</b>     |
| <b>Cash and cash equivalents</b>                                                                              |                        |
| Beginning of year                                                                                             | 64,353,239             |
| End of year                                                                                                   | \$449,108,175          |
| <b>Non-Cash Activities:</b>                                                                                   |                        |
| Rebalancing Contributions from FIVs                                                                           | \$84,268,171           |
| Rebalancing Distributions to FIVs                                                                             | \$(84,268,171)         |

The accompanying notes are an integral part of these combined financial statements.

# Combined Schedule of Investments Held

## INFRASTRUCTURE INVESTMENTS FUND

AS OF DECEMBER 31, 2016

| Investment Name                           | Acquisition Date | Location       | Portfolio Ownership Interest | Portfolio Investment Cost - USD | Portfolio Investment Fair Value - USD | Portfolio Investment Cost in Local Currency | Portfolio Investment Fair Value in Local Currency |
|-------------------------------------------|------------------|----------------|------------------------------|---------------------------------|---------------------------------------|---------------------------------------------|---------------------------------------------------|
| <b>ASSETS</b>                             |                  |                |                              |                                 |                                       |                                             |                                                   |
| Electricity North West                    | December 2007    | United Kingdom | 50.0%                        | \$536,386,175                   | \$492,900,000                         | £265,312,300                                | £398,900,000                                      |
| Southern Water                            | October 2007     | United Kingdom | 31.2%                        | \$777,660,300                   | \$631,400,000                         | £391,407,129                                | £511,000,000                                      |
| SouthWest Water Company                   | March 2010       | United States  | 100.0%                       | \$372,333,783                   | \$488,300,000                         | \$372,333,783                               | \$488,300,000                                     |
| Summit Utilities                          | May 2007         | United States  | 89.2%                        | \$533,587,525                   | \$505,100,000                         | \$533,587,525                               | \$505,100,000                                     |
| Koole Terminals                           | December 2015    | Various        | 50.0%                        | \$511,723,202                   | \$507,800,000                         | EUR 464,580,100                             | EUR 482,700,000                                   |
| Nieuport Aviation                         | January 2015     | Canada         | 41.3%                        | \$240,453,575                   | \$252,300,000                         | CAD 286,690,850                             | CAD 339,200,000                                   |
| Noatum Ports                              | December 2010    | Spain          | various                      | \$401,411,606                   | \$468,500,000                         | EUR 304,556,577                             | EUR 445,300,000                                   |
| North Queensland Airports                 | January 2009     | Australia      | 49.9%                        | \$67,358,430                    | \$449,700,000                         | AUD 181,597,225                             | AUD 624,800,000                                   |
| Coastal Winds                             | December 2008    | United States  | 36.9%                        | \$103,567,227                   | \$207,800,000                         | \$103,567,227                               | \$207,800,000                                     |
| Corridor Energy                           | December 2014    | United States  | 100.0%                       | \$107,394,137                   | \$156,900,000                         | \$107,394,137                               | \$156,900,000                                     |
| Novatus Energy                            | December 2015    | United States  | 100.0%                       | \$551,689,521                   | \$633,900,000                         | \$551,689,521                               | \$633,900,000                                     |
| Sonnedix Power Holdings                   | December 2014    | Various        | 97.2%                        | \$636,260,385                   | \$606,100,000                         | EUR 550,184,942                             | EUR 576,100,000                                   |
| Southwest Generation                      | July 2008        | United States  | 44.9%                        | \$256,066,593                   | \$104,900,000                         | \$256,066,593                               | \$104,900,000                                     |
| Zephyr Wind                               | June 2007        | United Kingdom | 66.7%                        | \$388,335,992                   | \$208,700,000                         | £221,524,625                                | £168,900,000                                      |
| Total Assets (14)                         |                  |                |                              | \$5,484,228,451                 | \$5,714,300,000                       |                                             |                                                   |
| <b>Total Schedule of Investments (14)</b> |                  |                |                              |                                 | \$5,714,300,000                       |                                             |                                                   |

The accompanying notes are an integral part of these combined financial statements.

# Notes to Combined Financial Statements for the Holding Companies

## 1. DESCRIPTION OF FUND

The Infrastructure Investments Fund (the “Fund”), which is not a legal entity, currently consists of thirteen (13) fund investor vehicles which include IIF Tax-Exempt LP, IIF ERISA LP, IIF LP, IIF USSC LP, IIF German 1 GmbH & Co. KG (“German KG”), IIF Canadian 1 LP, IIF Cayman 1 Ltd., IIF Canadian 2 LP, IIF Dutch 1 Cayman L.P., IIF UK 1 LP, IIF Canadian 3 LP, IIF Australian 1 Trust and IIF Canadian 4 LP (collectively, the “FIVs”) and three (3) holding companies which include IIF US Holding LP, IIF Int’l Holding L.P. and IIF US Holding 2 LP (collectively, the “Holding Companies”). The FIVs’ sole purpose is to invest capital in the Holding Companies, who, in turn, invest in infrastructure-related assets. Each FIV is established to permit investors with different tax and regulatory profiles to enter the Fund in an efficient manner. Investors participate in the Fund by subscribing to one of the FIVs. J.P. Morgan Investment Management Inc. (the “Adviser”) is the adviser to the Fund and each FIV and participates in the Fund with a commitment in IIF USSC LP. The FIVs co-invest in the same investments through the Holding Companies. The Fund made its first capital call on May 22, 2007 (“Inception Date”).

The purpose of the Fund is to invest in a broad range of infrastructure and infrastructure-related assets located in member countries of the Organisations for Economic Co-Operation and Development (OECD) with a primary focus on the US, Canada, Western Europe, and Australia. These assets may include toll roads, bridges, tunnels, oil and gas pipelines, electricity transmission and distribution facilities, contracted power generation assets, communication assets, water distribution and wastewater collection and processing assets, railway lines and rapid transit links, seaports and airports. The Fund focuses on core and core-plus infrastructure assets but has the flexibility to invest in value-added assets as well. Investments may be in the form of direct investments, securities of infrastructure issuers, joint ventures and other infrastructure-related assets (such as debt, indices, synthetics and other interests).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of presentation

The combined financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) that are applicable to investment companies.

The accompanying combined financial statements are comprised of the combination of the Holding Companies and consolidation of 100% owned subsidiary entities, which have common ownership and a common Adviser. All significant intercompany balances and transactions have been eliminated in combination and consolidation.

### B. Investment valuation

#### Fair Value Measurements

Estimated fair values of infrastructure and infrastructure-related investments are determined by the Adviser at each valuation date. The Holding Companies’ interest in these investments is based on their proportionate ownership. Such investments may include direct investments in infrastructure assets, partnership interests or other interests in infrastructure-related assets. As part of the Adviser’s valuation process, infrastructure assets are valued by independent appraisers on an annual basis. Asset valuations and the salient valuation-sensitive assumptions of each interest are reviewed by the Adviser. In addition, the Adviser may have additional third-party appraisals performed as warranted by the specific asset or market conditions.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three valuation techniques that can be used: the market, income or cost approach; the appropriateness of each approach depends on the type of asset or business being valued. Determining values involves many assumptions including, but not limited to, discount rates, growth assumptions, price curves, tax effect of the respective structures, leverage, capital expenditures and expense amounts, each of which may be subjective in nature. In the opinion of the Adviser, these estimated values are reasonable

approximations of fair values as of December 31, 2016. The estimate of fair value may vary significantly from the price achieved in a sale and this difference may be material to the combined financial statements.

### C. Revenue recognition

The Holding Companies recognize distributions received from underlying infrastructure assets as dividend income if such amounts are paid from earnings of the underlying investment. Undistributed income from infrastructure assets is considered in the valuation of the investment. Unrealized gains and losses are computed using the cost of investments and their fair values.

### D. Federal income taxes

Certain corporate subsidiaries of the Holding Companies may be required to pay income taxes. Subsidiaries of the Holding Companies which are subject to taxation, use the asset and liability method of accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and the respective tax basis, and the applicable subsidiaries' operating loss and tax credit carry forwards. The significant temporary differences are primarily related to changes in fair value of the Holding Companies' assets and the depreciation expense of those assets which result in deferred tax liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. No income tax provisions are established for Fund entities that are treated as partnerships or pass-through entities as the remaining net income is reportable on the income tax return of its partners.

The Holding Companies are limited partnerships. There are no taxes payable by the Holding Companies and as such no income taxes are recorded.

The investments for Southern Water Services ("SWS"), Electricity North West ("ENW"), Summit Utilities Inc. ("Summit"), Novatus Energy, Zephyr Wind, Southwest Generation ("SWGen"), Coastal Winds, North Queensland Airports ("NQA"), SouthWest Water Company ("SWWC"),

Noatum Ports, Koole Terminals, Sonnedix Power Holdings ("Sonnedix"), Corridor Energy and Nieuport Aviation are held in various structures as described below.

A tax provision of \$9.2 million was recorded related to the North Queensland Airports investment for the year ended December 31, 2016. This amount is largely to provide for capital gains tax at a rate of 30% and is included in deferred taxes on infrastructure assets in the accompanying combined statement of operations.

A tax expense of \$0.8 million related to Zephyr Wind for the year ended December 31, 2016, was recorded and is included in deferred taxes on infrastructure assets in the accompanying combined statement of operations.

A total tax provision of \$6.4 million was recorded related to Nieuport Aviation investment for the year ended December 31, 2016. This amount is included in deferred taxes on infrastructure assets in the accompanying combined statement of operations.

The Fund follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires the Adviser to determine whether a tax position of the Fund is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the combined financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. As of December 31, 2016, the Fund has determined there are no uncertain tax positions which require recognition in the financial statements.

The Fund files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Fund is subject to examination by federal, state, local and foreign jurisdictions, where applicable. Outlined below is a summary of the years that remain subject to examination by the major tax jurisdictions under the statute of limitations.

| Jurisdiction     | Years Subject to Examination |
|------------------|------------------------------|
| Cayman Islands:  | None*                        |
| Australia:       | 2012 forward                 |
| Canada:          | 2012 forward                 |
| Luxembourg:      | 2012 forward                 |
| The Netherlands: | 2012 forward                 |
| United States:   | 2013 forward                 |
| United Kingdom:  | 2015 forward                 |

\* The Fund holds valid Cayman Islands tax exemption certificates, no company or corporate income tax is applicable. Accordingly, the statute of limitations for corporate income tax purposes does not apply.

The Fund has elected to classify interest and penalties relating to uncertain tax positions in tax expenses in the combined statement of operations. There were no interest or penalties related to uncertain tax positions during the year ended December 31, 2016.

### E. Cash and cash equivalents

Cash equivalents consist of temporary cash investments, which are carried at cost and which, with accrued interest receivable, approximate fair value due to the relatively short maturity of these investments. Cash equivalents are defined as those instruments which mature within three months ended of the date of purchase.

### F. Use of estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires the Adviser to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### G. Currency

The Holding Companies' combined financial statements are denominated in United States Dollars ("USD"). For Fund entities that own interests in investments held outside the United States of America, the USD is generally the functional currency. One entity with an ownership interest in the North Queensland Airports investment uses the Australian Dollar ("AUD") as the functional currency. Where applicable, the fair value of investment interests are translated to USD at the Fund

entities using current exchange rates at the balance sheet date. Income and expenses are translated to USD using a weighted average exchange rate during the period. The gains and losses resulting from such translation are reported as a component of realized and unrealized gain (loss) on the accompanying combined statement of operations.

## 3. INFRASTRUCTURE INVESTMENTS

The Fund follows the authoritative guidance for fair value measurements. The guidance defines fair value, expands disclosure requirements and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Fund's market assumptions.

These two types of inputs create the following fair value hierarchy:

Level I – Quoted prices for identical instruments in active markets.

Level II – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level III – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Fund to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.



In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement as a whole.

The Fund's assessment of the significance of a particular input to the investment's fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investments by the fair value hierarchy levels as of December 31, 2016 (in thousands):

|                            | Total       | Level I | Level II | Level III   |
|----------------------------|-------------|---------|----------|-------------|
| Investments, at fair value | \$5,714,300 | \$-     | \$-      | \$5,714,300 |

As of December 31, 2016, the Holding Companies had fourteen investments. All investments are considered to be Level III on the fair-value hierarchy. See below for a reconciliation of the assets measured at fair value on a recurring basis using the Level III inputs for the year ended December 31, 2016 (in millions):

| Description               | January 1, 2016  | Contribution   | Sale Proceed     | Distribution     | Net Realized/<br>Unrealized Gain/<br>(Loss) <sup>1</sup> | December 31, 2016 |
|---------------------------|------------------|----------------|------------------|------------------|----------------------------------------------------------|-------------------|
| Electricity North West    | \$573.2          | \$-            | \$-              | \$(44.4)         | \$(35.9)                                                 | \$492.9           |
| Southern Water            | 705.9            | -              | -                | (45.0)           | (29.5)                                                   | 631.4             |
| Southwest Water Company   | 448.7            | 31.5           | -                | (28.0)           | 36.1                                                     | 488.3             |
| Summit Utilities          | 431.6            | 70.4           | -                | -                | 3.1                                                      | 505.1             |
| Koole Terminals           | 688.8            | -              | (209.4)          | (18.3)           | 46.7                                                     | 507.8             |
| Nieuport Aviation         | 283.1            | -              | (55.1)           | (19.1)           | 43.4                                                     | 252.3             |
| Noatum Ports              | 500.7            | -              | -                | (10.8)           | (21.4)                                                   | 468.5             |
| North Queensland Airports | 421.6            | -              | -                | (19.3)           | 47.4                                                     | 449.7             |
| Coastal Winds             | 269.1            | -              | -                | (0.5)            | (60.8)                                                   | 207.8             |
| Corridor Energy           | 115.9            | -              | -                | (4.2)            | 45.2                                                     | 156.9             |
| Novatus Energy            | 469.5            | 105.8          | -                | (37.1)           | 95.7                                                     | 633.9             |
| Sonnedix Power Holdings   | 250.7            | 376.1          | -                | (31.2)           | 10.5                                                     | 606.1             |
| Southwest Generation      | 84.1             | 33.5           | -                | (4.5)            | (8.2)                                                    | 104.9             |
| Zephyr Wind               | 135.1            | 98.4           | -                | (12.7)           | (12.1)                                                   | 208.7             |
| <b>Total</b>              | <b>\$5,378.0</b> | <b>\$715.7</b> | <b>\$(264.5)</b> | <b>\$(275.1)</b> | <b>\$160.2</b>                                           | <b>\$5,714.3</b>  |

<sup>1</sup> Includes related realized/unrealized gain (loss) on foreign currency.

The following table provides quantitative information about unobservable inputs related to the Holding Companies' Level III fair value measurements used to derive values as of December 31, 2016:

| Asset Classification                              | Fair value (in millions) | Valuation Technique | Unobservable input             | Range       |
|---------------------------------------------------|--------------------------|---------------------|--------------------------------|-------------|
| Regulated Water                                   | \$1,119.7                | Income Approach     | Discount rate                  | 9.3%-9.7%   |
|                                                   |                          |                     | Terminal EBITDA Exit Multiples | 10.0x-10.8x |
| Regulated Energy                                  | 998.0                    | Income Approach     | Discount rate                  | 10.0%-10.5% |
|                                                   |                          |                     | Terminal EBITDA Exit Multiples | 12.0x-13.9x |
| Transportation                                    | 1,678.3                  | Income Approach     | Discount rate                  | 10.8%-14.7% |
|                                                   |                          |                     | Terminal EBITDA Exit Multiples | 6.0x-12.0x  |
| Power Generation                                  | 1,918.3                  | Income Approach     | Discount rate                  | 9.0%-11.1%  |
|                                                   |                          |                     | Terminal EBITDA Exit Multiples | 1.0x-5.0x   |
| <b>Total Fair Value for Level III Investments</b> | <b>\$5,714.3</b>         |                     |                                |             |

Significant increases/decreases in any of these inputs in isolation would result in significant lower/higher fair value measurements. In addition to the techniques and inputs noted in the table above, according to the valuation policy discussed in Note 2B, the Adviser may use other valuation techniques and methodologies, including the consideration of qualitative factors, when determining its fair value measurements. The table above is not intended to be all-inclusive, but rather provides information on the significant Level III inputs as they relate to the Holding Companies' fair value measurements.

### Summit Utilities

In May 2007, the Holding Companies acquired an interest of approximately 81% in Summit, formerly CNG, for approximately \$35.8 million. Headquartered in Littleton, Colorado, Summit is engaged primarily in the distribution of natural gas through its two wholly-owned, regulated subsidiaries, Colorado Natural Gas, Inc. and Missouri Gas Utility, Inc. Between 2009 and 2011, the Holdings Companies Purchased the remaining 19% for \$31.5 million. As of December 31, 2011 the Holding Companies owned a 100% interest in Summit.

In July 2008, the Holding Companies acquired an interest of approximately 98% in Southern Missouri Natural Gas ("SMNG"), a regulated natural gas distribution company, for approximately \$26.5 million. Between 2008 and 2011 the Holding Companies made subsequent investments into SMNG totaling \$65.5 million. As of December 31, 2011, the Holding Companies owned a 100% interest in SMNG.

The Holding Companies made additional contributions to Summit from 2013 through 2015 totaling \$331.0 million. In June 2015, the Holding Companies sold an interest of approximately 11% in Summit for \$50.4 million. In January 2016, the Holding Companies made additional contributions of \$30.3 million, followed by another \$29.0 million in March 2016, \$7.1 million in June 2016 and \$4.0 million in December 2016. As of December 31, 2016, Summit was valued at approximately \$505.1 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately \$3.1 million, which is included in net unrealized gain (loss) on infrastructure assets in the accompanying combined statement of operations.

### Zephyr Wind

In each of June and August 2007, the Holding Companies acquired an interest of approximately 16.67% for a total interest of approximately 33.33% in Zephyr Investments Ltd., a wind generation portfolio in the United Kingdom, for approximately £144.9 million or \$287.6 million. Zephyr is an owner of long-term contracted wind generation facilities, located in England, Scotland and Wales. Between 2011 and 2015, the Holding Companies made an additional contribution of \$3.3 million, to Zephyr. In July 2016, the Holding companies acquired an additional 33.3% interest for approximately £75.0 million or \$98.4 million.

As of December 31, 2016, Zephyr was valued at approximately \$208.7 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$15.6 million which is included in net unrealized gain (loss) on infrastructure assets in the accompanying combined statement of operations.

Zephyr is held in the United Kingdom; therefore, due to the change in the exchange rate between the British Pound and the USD, at December 31, 2016, the Holding Companies recorded an unrealized gain (loss) from foreign currency of approximately (\$24.4) million on the investment in Zephyr, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately £9.9 million or \$12.7 million from Zephyr Wind, which is included in dividend income in the accompanying combined statement of operations. The dividend resulted in foreign currency exchange realized gains (losses) of approximately (\$3.3) million on its investment in Zephyr, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### Southern Water Services

In October 2007, the Holding Companies acquired an interest of approximately 28% in SWS, a regulated water supply and wastewater services business, for approximately £360 million or \$735.4 million.

In February 2008, the Holding Companies sold 6.4% of their interest in SWS to an unrelated third party for £24.8 million or \$48.7 million. As a result of the transaction, the Holding Companies' interest in SWS decreased from approximately 28% to approximately 26%.

Between 2011 and 2015 the Holding Companies acquired additional interests in SWS totaling £60.2 million or \$94.3 million. As a result of these transactions, the Holding Companies interest in SWS increased to approximately 31%.

As of December 31, 2016, SWS was valued at approximately \$631.4 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$85.9 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statement of operations.

SWS is held in the United Kingdom; therefore, due to the change in the exchange rate between the British Pound and the USD, at December 31, 2016, the Holding Companies recorded an unrealized gain (loss) from foreign currency of approximately (\$106.7) million on the investment in Southern Water, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately £33.4 million or \$45.0 million from SWS, which is included in dividend income in the accompanying combined statement of operations. The dividend resulted in foreign currency exchange realized gains (losses) of approximately (\$8.8) million on its investment in SWS, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### Electricity North West

In December 2007, the Holding Companies acquired a 50% interest in ENW, a regulated electricity distribution business in northwest England, for approximately £265.0 million or \$535.6 million.

At December 31, 2016, ENW was valued at approximately \$492.9 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), before

currency effect, of approximately \$59.9 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statement of operations.

ENW is held in the United Kingdom; therefore, due to the change in the exchange rate between the British Pound and the USD, at December 31, 2016, the Holding Companies recorded an unrealized gain (loss) from foreign currency of approximately (\$83.8) million on the investment in ENW, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately £35.4 million or \$44.4 million from Electricity North West, which is included in dividend income in the accompanying combined statement of operations. The dividend resulted in foreign currency exchange realized gains (losses) of approximately (\$12.0) million on its investment in ENW, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### Southwest Generation

In July 2008, the Holding Companies acquired an interest of approximately 45% in SWGen, a contracted electricity generation portfolio of seven facilities in four states (Colorado, Nevada, California and New Mexico), for approximately \$171.6 million. Between 2009 and 2015, the Holding Companies made additional investments of \$33.3 million, respectively. In February 2016, the Holding Companies contributed an additional investment of \$33.5 million.

As of December 31, 2016, SWGen was valued at approximately \$104.9 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of (\$8.2) million, which is included in net unrealized gain (loss) on infrastructure assets in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately \$4.5 million from SWGen, which is included in dividend income in the accompanying combined statement of operations.

## Coastal Winds

In December 2008, the Holding Companies entered into a definitive agreement to make a \$260 million equity investment in a portfolio of three wind farms in the United States. The three wind farms are located in the State of New York, Oregon and Texas. An initial investment of approximately \$121.3 million was made in 2008. In January and March 2009, the Holding Companies made two additional investments in Coastal Winds, which totaled approximately \$138.7 million with \$0.1 million of transaction costs.

As of December 31, 2016, Coastal Winds was valued at approximately \$207.8 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately (\$60.8) million, which is included in net unrealized gain (loss) on infrastructure assets in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately \$0.5 million from Coastal Winds, which is included in dividend income in the accompanying combined statement of operations.

## North Queensland Airports

In January 2009, the Holding Companies acquired a 50% interest in NQA for approximately AUD 337.0 million or \$222.8 million.

As of December 31, 2016, NQA was valued at \$449.7 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$54.4 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

NQA is held in Australia; therefore, due to the change in the exchange rate between the Australian Dollar and the USD, at December 31, 2016, the Holding Companies recorded an unrealized gain (loss) from foreign currency of approximately (\$2.8) million on the investment in North Queensland Airports, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately AUD15.2million or \$11.6 million from NQA, which is included in dividend income in the accompanying combined statement of operations and approximately AUD10.7 million or \$7.7 million, which was recorded as a return of capital as it represented an excess of cumulative earnings earned from the underlying investment. The distribution resulted in foreign currency exchange realized gains (losses) of approximately (\$4.2) million on its investment with North Queensland Airports, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

## SouthWest Water Company

In March 2010, the Holding Companies acquired a 90% interest in SW Merger Acquisition Corp ("SW Merger") in connection with the SW Merger's definitive agreement to acquire SWWC, a publicly traded regulated water and wastewater company, subject to shareholder and regulatory approval. On March 16, 2010, SW Merger consummated the purchase of 2.7 million shares of SWWC common stock pursuant to the acquisition agreement for approximately \$36.0 million. Between July 2010 and December 2015, the Holding Companies made additional investments totaling \$303.6 million and became the sole owner of SWWC. In March 2016, the Holding Companies contributed an additional investment of \$31.5 million.

As of December 31, 2016, SWWC was valued at approximately \$488.3 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately \$36.1 million in relation to its interest in SWWC, which is included in net unrealized gain (loss) on infrastructure assets in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately \$28.0 million from SWWC, which is included in dividend income in the accompanying combined statement of operations.

## Noatum Ports

In December 2010, the Holding Companies acquired a 67% interest in Noatum Ports for approximately €247 million or \$327.1 million and deferred payments totaling €55.0 million

over the next three years. On June 16, 2014, holding companies made an additional investment for \$4.5 million in Noatum Ports.

As of December 31, 2016, Noatum Ports was valued at approximately \$468.5 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately (\$4.3) million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

Noatum Ports is held in Spain; therefore, due to the change in the exchange rate between the Euro and the USD, for the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately (\$15.4) million on the investment in Noatum Ports, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately €10.3 million or \$10.8 million from Noatum Ports, which is included in dividend income in the accompanying combined statement of operations. The distribution resulted in foreign currency exchange realized gains (losses) of approximately (\$1.7) million on its investment in Noatum Ports, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### **Sonnedix Power Holdings**

In December 2014, the Holding Companies acquired a 50% interest in Sonnedix Power Holdings for approximately €167.3 million or \$209.1 million and transaction costs of \$3.3 million. In 2015 the Holding Companies made an additional contribution to Sonnedix of €63.0 million or \$69.0 million. In March of 2016, the Holding Companies made three additional contributions to Sonnedix, totaling €56.8 million or \$63.1 million. In June 2016, four additional contributions to Sonnedix, totaling €30.3 million or \$34.5 million were made. In July of 2016, the Holding companies made two additional contributions to Sonnedix totaling €36.0 million or \$39.8 million. In August 2016, the Holding companies made one additional contribution to Sonnedix totaling €9.0 million or \$10.3 million. In August 2016, the Holding companies acquired an additional 44.1% interest for approximately €134.3 million or \$152.2 million. In October

and December 2016, the Holding companies made additional contributions to Sonnedix totaling €69.4 million or \$76.2 million.

As of December 31, 2016, Sonnedix was valued at \$606.1 million. For the year ended December 31, 2016 the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$41.1 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

Sonnedix is held in Euro; therefore, due to the change in the exchange rate between the Euro and the USD, for the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately (\$30.1) million on the investment in Sonnedix, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately €27.3 million or \$30.6 million from Sonnedix, which is included in dividend and interest income in the accompanying combined statement of operations and approximately €0.5 million or \$0.6 million, which was recorded as a return of capital as it represented an excess of cumulative earnings earned from the underlying investment. The distribution resulted in foreign currency exchange realized gains (losses) of approximately (\$0.5) million on its investment in Sonnedix, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### **Corridor Energy**

In October 28, 2014, the Holding Companies acquired a 90% interest in Corridor Energy LLC for approximately \$94.6 million and transaction costs of \$1.8 million. In 2015, the Holding Company made an additional contribution to acquire the remaining 10% interest for \$11.2 million, including transaction cost.

At December 31, 2016, Corridor Energy was valued at \$156.9 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), of approximately \$45.2 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

For the year ended December 31, 2016, the Holding Companies received approximately \$4.2 million from Corridor Energy, LLC, which is included in dividend and interest income in the accompanying combined statement of operations.

### Nieuport Aviation

In January 2015, the Holding Companies acquired a 50% interest in Nieuport Aviation Infrastructure Partners, which owns 100% of Billy Bishop Toronto City Airport for CAD 361.0 million or approximately \$300.7 million, including transaction cost.

In April 2016, the Holding Companies sold approximately 17.4% of its interest in Nieuport Aviation for approximately CAD70.0 million or \$55.1 million including transaction costs. The sale resulted in realized gains (losses) of approximately \$3.4 million and foreign currency exchange realized gains (losses) of approximately \$1.2 million on its investment with Nieuport Aviation, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

At December 31, 2016, Nieuport was valued at \$252.3 million. For the year ended December 31, 2016 the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$32.4 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

Nieuport is held in Canada; therefore, due to the change in the exchange rate between the CAD and the USD, For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately \$10.0 million on the investment in Nieuport, which is included in net unrealized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

For the year ended December 31, 2016, the Holding Companies received approximately CAD18.1 million or \$13.9 million from Nieuport, which is included in dividend income in the accompanying combined statement of operations and approximately CAD 7.0 million or \$5.2 million, which was recorded as a return of capital as it represented an excess of cumulative earnings earned from the underlying investment. The distribution resulted in foreign currency exchange realized gains (losses) of approximately \$1.0 million on its investment

in Nieuport, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### Koole Terminals

In December 2015, the Holding Companies acquired a 70% interest in Koole Terminals for approximately €655.0 million or \$720.3 million including transaction costs.

In January 2016, the Holding Companies sold approximately 10% of its interest in Koole Terminals for approximately €93.5 million or \$100.8 million including transaction costs. The sale resulted in realized gains (losses) of approximately (\$2.1) million and foreign currency exchange realized gains (losses) of approximately (\$1.0) million on its investment with Koole Terminals, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

In June 2016, the Holding Companies sold approximately 16.7% of its interest in Koole Terminals for approximately €97.6 million or \$108.6 million including transaction costs. The sale resulted in realized gains (losses) of approximately \$5.7 million and foreign currency exchange realized gains (losses) of approximately (\$0.2) million on its investment with Koole Terminals, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations. In September 2016, the purchase price was adjusted by €1.6 million or \$1.8 million and this amount was refunded to the buyer.

At December 31, 2016, Koole Terminals was valued at \$507.8 million. For the year ended December 31, 2016 the Holding Companies recorded an unrealized gain (loss), before currency effect, of approximately \$63.5 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations.

Koole Terminals is held in Euro; therefore, due to the change in the exchange rate between the Euro and the USD, for the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss) of approximately (\$14.9) million on the investment in Koole Terminals, which is included in net unrealized gain (loss) on foreign currency exchange.

For the year ended December 31, 2016, the Holding Companies received approximately €17.1 million or \$18.3 million from Koole Terminals, which is included in dividend income in the accompanying combined statement of operations. The dividend resulted in foreign currency exchange realized gains (losses) of approximately (\$1.9) million on its investment in Koole Terminals, which is included in net realized gain (loss) on foreign currency exchange in the accompanying combined statement of operations.

### Novatus Energy

In December 2015, the Holding Companies acquired a 100% interest in Novatus Energy which has 99% interest in Terra Nova Renewal Partners, LLC for approximately \$474.0 million, including transaction costs.

In January and March 2016, the Holding Companies made additional contributions totaling \$76.5 million. In June 2016, the Holding Companies made four additional contributions totaling \$29.3 million.

At December 31, 2016, Novatus Energy was valued at \$633.9 million. For the year ended December 31, 2016, the Holding Companies recorded an unrealized gain (loss), of approximately \$95.7 million, which is included in net unrealized gain (loss) in infrastructure assets in the accompanying combined statements of operations. For the year ended December 31, 2016, the Holding Companies received approximately \$3.8 million from Novatus Energy, which is included in dividend and interest income in the accompanying combined statement of operations and \$33.3 million, which was recorded as a return of capital as it represented an excess of cumulative earnings earned from the underlying investment.

## 4. CREDIT FACILITY

The Holding Companies have opened two revolving line of credit totaling up to \$500.0 million with the Commonwealth Bank of Australia, collateralized by the Funds' underlying assets and undrawn commitments. The revolving lines of credit bear interest at a rate of LIBOR plus 1.20%. During 2016, the Holding Companies repaid the fully drawn amount and as of December 31, 2016 there were no outstanding borrowings under the credit facility. The credit facility contains

covenants under which the Holding Companies must maintain specified levels of net worth. At December 31, 2016, the Holding Companies were in compliance with its financial loan covenants. The stated maturity date for the two loans is November 2, 2017.

## 5. RISKS AND UNCERTAINTIES

### Valuation and liquidity risk

The Fund may invest in infrastructure and related investments for which no liquid market exists. The market prices for such investments may be volatile and may not be readily available. As a result, amounts ultimately realized from the Fund from investments sold may differ from the fair values presented and the differences could be material.

### Concentrations of market, interest rate and credit risk

Concentrations of market, interest rate and credit risk may exist with respect to the Fund's investments and its other assets and liabilities. Market risk is a potential loss the Fund may incur as a result of changes in the fair value of its investments.

Foreign market risk includes the risk arising from investments located outside of the US. Investments denominated in foreign currencies may be subject to greater risk than US investments because of fluctuations in currency exchange rates, changes in foreign governments, and confiscation of assets by government decree. The Fund may also be subject to risk associated with concentrations of investments in geographic regions and industries. Interest rate risk includes the risk associated with changes in prevailing interest rates. In the normal course of its activities, the Fund may employ derivative financial instruments, including interest rate and/or foreign currency forward contracts. These derivatives are predominantly used for managing risk associated with the Fund's portfolio of investments. Credit risk includes the possibility that a loss may occur from the failure of counterparties or issuers to make payments according to the terms of a contract. The Fund's exposure to credit risk at any point in time is generally limited to amounts recorded as assets on the accompanying combined statement of assets and liabilities.

## Concentration risk

The assets of the Fund are concentrated in the infrastructure sector which may expose the investment portfolio to more rapid changes in the value than would be the case if the Fund were to maintain a wide diversification among investments or industry sectors.

As of December 31, 2016, the concentration of the Fund's investments in North America and Europe were 43.7% and 43.5%, respectively. The concentration of the Fund's investments in Regulated Utilities, Transportation and Contracted Power were 37.0%, 29.4% and 33.6%, respectively.

## Currency/foreign exchange risk

The Fund holds investments denominated in currencies other than the USD, the Fund's functional currency. In such instances, there is exposure to currency risk as the value of the investments denominated in other currencies will fluctuate due to changes in exchange rates. To the extent that these investments create risk in respect of movements in foreign exchange rates, the Fund may hedge this risk, in a cost-effective manner, to the extent possible.

## Financing risk

There is no guarantee that the Holding Companies' borrowing arrangements, infrastructure investments' borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Fund. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit. In addition, a decline in fair value of the Holding Companies' assets may have particular adverse consequences in instances where the Holding Companies borrowed money based on the fair value of those assets. A decrease in fair value of those assets may result in the lender requiring the Holding Companies to post additional collateral or otherwise sell assets at a time when it may not be in the Holding Companies' best interest to do so. In the event the Fund is required to liquidate all or a portion of its portfolio quickly, the Fund may realize significantly less than the value at which it previously recorded those investments.

## 6. RELATED PARTY TRANSACTIONS

The Holding Companies enter into infrastructure partnerships with various joint venture partners that provide management and operational oversight services for investments in which the Holding Companies have an ownership interest.

As of December 31, 2016, the Holding Companies have net receivables of approximately \$19.7 million from the FIVs.

## 7. CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS

For the year ended December 31, 2016, the FIVs contributed \$3,044.5 million to the Holding Companies, the majority of which was used to make capital contributions to investments, and the remainder of which was used for the purpose of liquidity among the FIVs and the Holding Companies.

For the year ended December 31, 2016, the FIVs were distributed \$1,256.8 million from the Holding Companies of which \$345.0 million was distributed to investors and the remainder was used for the purpose of liquidity among the FIVs and the Holding Companies.

## 8. FINANCIAL HIGHLIGHTS

The following table presents the Holding Companies' financial highlights for the year ended December 31, 2016 on the basis of US GAAP, under which both organization and acquisition pursuit costs, including for dead deals are expensed as incurred.

| GAAP-Basis - Total Holding Companies               | %    |
|----------------------------------------------------|------|
| Operating Performance:                             |      |
| Total Return <sup>1</sup>                          | 2.51 |
| Ratios/Supplemental data:                          |      |
| Ratios to weighted average net assets <sup>2</sup> |      |
| Holding Companies level operating expenses         | 0.39 |
| Net investment income (loss)                       | 3.57 |

<sup>1</sup> Total return is calculated based on a time-weighted rate of return methodology.

<sup>2</sup> Average net assets is calculated using the weighted average net assets at the end of each calendar quarter.

The following table presents the Holding Companies' financial highlights for the year ended December 31, 2016 on the basis of accounting described in the Fund's Private Placement



Memorandum, which details how the net asset value for the purpose of share purchases or sales will be computed in accordance with generally accepted accounting principles, except that both organization costs and acquisition pursuit costs are capitalized and amortized over 240 months and 120 months, respectively, in order to spread the cost among the initial and subsequent investors (please refer to Note 2B of the Fund Investment Vehicles financial statements).

| Offering Price-Basis - Total Holding Companies     |  | %    |
|----------------------------------------------------|--|------|
| Operating Performance:                             |  |      |
| Total Return <sup>1</sup>                          |  | 2.33 |
| Ratios/Supplemental data:                          |  |      |
| Ratios to weighted average net assets <sup>2</sup> |  |      |
| Holding Companies level operating expenses         |  | 0.64 |
| Net investment income (loss)                       |  | 3.28 |

<sup>1</sup> Total return is calculated based on a time-weighted rate of return methodology.

<sup>2</sup> Average net assets is calculated using the weighted average net assets at the end of each calendar quarter.

## 9. SUBSEQUENTS EVENTS

In February 2017 the Holding Companies acquired 100% of Pio Pico Energy Center, a 318 MW quick-start natural gas fired power plant located south of San Diego, California, for \$342.7 million.

Also in February 2017, the Holding Companies merged its investments in Novatus and Corridor into a single company, which allows for operational, financing and reporting efficiencies.

In March 2017, the Holding Companies acquired an additional 33.3% stake in Zephyr for \$104.5 million, bringing the Fund's total ownership to 100%. Also in March 2017, the Holding Companies acquired 100% of Varmevarden, a Swedish District Heating ("DH") business, for \$288.8 million. Additionally in March 2017, Summit acquired 100% of A.O.G. Corporation, a regulated natural gas distribution company located in Fort Smith, Arkansas, for \$140.0 million. Finally in March 2017, Sonnedix acquired a portfolio of 43 solar PV assets located across Spain for \$264.9 million.

In January 2017 and February 2017, the Holding Companies drew down on the credit facility with Commonwealth Bank of Australia for \$200.0 million and \$300.0 million, respectively. The Holding Companies subsequently added two additional lenders to the syndication, Canadian Imperial Bank of Commerce and Lloyds Bank plc, and increased the overall credit facility from \$500.0 million to \$720.0 million.

The Adviser evaluated subsequent events through, March 31, 2017, the date the financial statements were available for issuance, and determined that except as otherwise disclosed herein there were no additional material subsequent events requiring disclosure.

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