

Qube Holdings Limited (03/07/2020)

We invested 5% of the fund's capital into Qube in March at AUD2.32.

The fund previously held an investment in Qube from May 2010 to February 2011. We have a high regard for management and are attracted to the consistency of vision and really the sheer persistence that they have demonstrated developing their interests in the Moorebank Logistics Park.

The market is well aware that Moorebank is likely an interesting asset. Our investment thesis for Qube is more nuanced; to a degree, our thesis is captured by the following:

"Increasing road congestion around Port Botany caused by continued high growth rates in container volumes is reaching critical levels. The most effective solution is to progressively shift volumes from road to rail through the use of strategically located inland terminals."

"We believe that Moorebank is the pre – eminent site in New South Wales for an inland terminal given its size and location."

Mr. Chris Corrigan 18/12/2007

(Chairman of the KIL funds Advisory Committee, KIL evolved into being Qube Holdings Limited)

We are not attracted to the asset of Moorebank per se, rather we are attracted to the internal culture and the vision that has enabled Qube to not only develop this asset but to also materially expand their interests in both Moorebank and adjacent complimentary assets over the subsequent 13 years. Qube have achieved this while competing against larger, better capitalised, more established property and infrastructure players. They have held onto Moorebank, and expanded their interests in it through the GFC and the subsequent recovery. Moorebank has generated little cash over this time, rather there have been planning costs, development costs, capital improvements and a significant amount of management's time and attention invested into it.

It is unusual to come across a listed company that has the temperament to develop an asset in this manner. When we see something like this, our sense is that it pays to take notice.

We consider that the fund paid a fair price for the asset value of Qube when we invested in it; sure, there are higher quality infrastructure assets out there and Qube carries development risk. This business started life in 2006 as essentially a Listed Investment Fund, a cash box with the objectives of investing "at least 50% of the fund's Gross Asset Value (GAV) in infrastructure and utilities securities that are listed on either the Australian Stock Exchange or New Zealand Stock Exchange" and " up to 50% of the fund's GAV in unlisted infrastructure and utilities investments and listed and unlisted logistics investments." Qube has come a long way from this start (supported by reasonably

significant additional equity issuances). Our inclination is that their asset base will continue to evolve meaningfully, we expect the business will likely be worth materially more in the future than our assessment of their current asset value.

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