

Investment Overview

[Investment Company-Type]



Dated on 2 January 2015

Company	Macquarie Korea Infrastructure Fund (MKIF)	
Asset Manager	Macquarie Korea Asset Management Co., Ltd. (MKAM)	
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Reporting Manager	(Name) Young Ju Ahn	(Title) Compliance Manager
	(Direct Phone number) 82-2-3705-4950	
Type of Security Offered and Offered Number of Shares	Pursuant to the Articles of Incorporation, the number of authorised shares of MKIF is four billion shares. MKIF's shares are common shares in registered form with no par value	
Offering Period	Currently MKIF has no plan to offer new shares	
Date of this Investment Overview	30 September 2014	
Investment Overview is available at:	e-document	Financial Supervisory Services website (http://dart.fss.or.kr)
	e-document	MKIF website (http://www.macquarie.com/mkif)
	e-document	Korea Financial Investment Association website (http://www.kofia.or.kr)
	Hardcopy	Office of Macquarie Korea Asset Management (MKAM)

The Financial Services Commission in Korea neither approves MKIF's stock value nor guarantee the accuracy and propriety of this document. We advise you to be as prudent as possible in making investment decisions as the investment may entail a loss of principal.

DISCLAIMER FOR INVESTORS READING THIS INVESTMENT OVERVIEW REQUIRED UNDER FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT ("FSCMA")

Investors should obtain and review copies of the securities registration statement and the Prospectus of the Macquarie Korea Infrastructure Fund ("MKIF") before deciding to invest in MKIF.

Investors should review the investment risk level and the recommended investor type of the fund and consider their own investment history and investment preferences before deciding to invest in MKIF.

There is no assurance that the investment purposes or target returns of the investment strategies described in the securities registration statement and the Prospectus.

There is no assurance that the past investment results described in this Investment Overview will be realized in the future, and the information about the past investment results should be used for reference purposes only.

MKIF distributes profits resulting from the results of the fund's investment and is not subject to the Depositor Protection Act. Investors purchasing shares of MKIF from a bank or other financial institution subject to the Depositor Protection Act will not be protected under the Depositor Protection Act, unlike bank deposits.

MKIF is listed on the Korea Exchange and the London Stock Exchange. Investors should note that they are exposed to liquidity risk in the trading of MKIF shares as they may not be able to trade MKIF's stock at any time due to various reasons, including a low trading volume.

Brokers and dealers selling MKIF's stock merely perform services relating to the sale of MKIF's stock and do not exercise any influence over the value of MKIF's stock.

DISCLAIMER

Investments in MKIF are not deposits with or other liabilities of Macquarie Korea Asset Management Co., Ltd. ("MKAM"), Macquarie Bank Limited, or any entity in the Macquarie Group, and are subject to investment risk, including possible delays in repayment or loss of income and/or capital invested. Neither MKIF, nor any member of the Macquarie Group, including MKAM, guarantees the performance of MKIF, the repayment of capital or the payment of a particular rate of return on MKIF securities.

This Investment Overview has been prepared by MKIF in compliance with its obligations under the FSCMA. However, this Investment Overview has not been prepared in connection with solicitation for or offering of new shares by MKIF and, accordingly, it is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the particular investment objectives, financial situation or particular needs of the investor.

This Investment Overview is not an offer for sale of the securities of MKIF in the United States or in any jurisdiction where any offer, sale or solicitation in respect of such securities is not permitted. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended, or in any jurisdiction where such offer or sale is not permitted. MKIF does not intend to register any portion of any contemplated offering in the United States or to conduct a public offering of securities in the United States.

This Investment Overview does not provide all information that we consider is necessary for an investor to make an informed investment decision in relation to MKIF securities. It contains an update of certain information contained in the investment overview dated 14 March 2008 provided to the investors, a copy of which was lodged with the Korea Financial Investment Association ("KOFIA"), as required by FSCMA regulations, and does not represent a full and complete update of the Prospectus. Therefore, investors which are to acquire MKIF shares which have been issued and listed on an exchange should review and consider other information relating to investment in MKIF provided by MKIF including information contained in the public disclosures made by MKIF from time to time and/or on a periodic basis together with this Investment Overview.

Furthermore, this Investment Overview is a direct English translation of the Korean version of the document which MKIF is required to prepare and file under Korean FSCMA regulations. This translation has been prepared as accurately and faithfully as is possible to meet the general principle of Korean law that Korean and foreign shareholders should receive equal treatment and have access to equal information. This translation of the Investment Overview does not include any disclosure specifically addressed or prepared for the benefit of holders of MKIF's GDSs that MKIF is not otherwise required to disclose pursuant to FSCMA.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated,

falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Before making an investment in MKIF, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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CHAPTER 1. PURCHASE AND REDEMPTION OF SHARES

1. Company Name

Macquarie Korea Infrastructure Fund (“MKIF” or “Company” or “We”)*

* Fund Code registered at the Korea Financial Investment Association (“KOFIA”): 35801

2. Company Description

- Investment Company
- Infrastructure Fund
- MKIF shares are non-redeemable
- MKIF can raise additional capital by issuing new shares to the public

3. Scheduled Offering Amount

No plan for additional offering in immediate future

4. Offering process

This is not an offering document. This document is required to enable registration of MKIF and its update pursuant to the FSCMA, law effective from 4 February 2009

5. Underwriting

Underwriters may be appointed in the future in the event of an additional offering. In such event, details of such offering will be provided, including the names and addresses of the underwriters, the class and number of underwritten securities, the underwriting method, the consideration for the underwriting, and the underwriters’ opinion.

6. Offering and Listing

MKIF is listed on the Korea Exchange and the London Stock Exchange (for Global Depositary Shares) and its outstanding shares can be publicly traded through securities companies. The price at which you can buy or sell MKIF shares will depend on the prevailing market price at the time of your trade. Investors should note that they are exposed to liquidity risk in the trading of MKIF shares.

CHAPTER 2. Company Overview

1. Company Name

Company Name	Macquarie Korea Infrastructure Fund ("MKIF", the "Company" or "We") KOFIA Fund Code: 35801
Maturity	From the incorporation date until the company is dissolved in accordance with the terms set forth in the Articles of Incorporation ("AOI")
Type	Closed-end (non-redeemable)/ Investment and Financing Company for Infrastructure Facilities under the Act on Public-Private Partnerships in Infrastructure ("PPI Act")

2. History

A summary of recent events in the history of MKIF is set out in the table below. For a full overview of historical events prior to the IPO and listing of MKIF, please refer to the original Prospectus dated 7 March 2006, Part 2, Section 1(l) (5) (Incorporation Date & History). A copy of this Prospectus can be found on the website of the Korea Financial Investment Association ("KOFIA") (<http://www.kofia.or.kr>).

December 2002	Incorporation of Korea Road Infrastructure Fund on 12 December 2002
November 2005	<p>MKAM was licensed by the Financial Services Commission ("FSC") as an infrastructure asset management company under the Indirect Investment Asset Management Business Act ("IIAMBA")</p> <ul style="list-style-type: none"> - Amendments to the AOI were made in order to list MKIF, which requires MKIF to be converted from a private investment company under the Securities Investment Company Act to a public investment company under IIAMBA - Change of the company name from Korea Road Infrastructure Fund to Macquarie Korea Infrastructure Fund
February 2006	Registration of MKIF as an Investment Company under IIAMBA
March 2006	<ul style="list-style-type: none"> - Capital raising of KRW 500 billion through Initial Public Offering in Korea and placement to international institutional investors - Dual listing on the Stock Market Division of the Korea Exchange and Professional Securities Market of the London Stock Exchange
April 2006	Acquisition of senior and subordinated loan commitments to Koda Development Co., Ltd., the concessionaire of the Incheon Grand Bridge project
October 2006	Commitment to provide a subordinated loan of KRW 80 billion to Kyunggi Highway Co., Ltd, the concessionaire of the Seosuwon-Osan-Pyungtaek Expressway project
November 2006	Commitment to invest subordinated loan in Seoul-Chuncheon Expressway Co., Ltd., the project concessionaire
February 2007	Financial close on equity and subordinated loan investment into Gyungso Highway Co., Ltd., the concessionaire of the Yongin-Seoul Expressway Project
April 2007	<ul style="list-style-type: none"> - Received a credit rating of AA- (stable) from Korea Ratings - Refinancing of senior loans provided by third parties in Daegu 4th Beltway East with MKIF-provided loan - Reached financial close on its subordinated loan investment in Kyunggi Highway Co., Ltd, the concessionaire of the Seosuwon-Osan-Pyungtaek Expressway Project
May 2007	Entered into a corporate loan facility (5-year term, limit to KRW 500 billion)
November 2007	Participated in the 3rd KRX IR EXPO organised by Korea Exchange
December 2007	Committed to invest subordinated loan of KRW 193 billion and equity of KRW 66.4 billion in Busan New Port Container Terminal, Ltd., the concessionaire of the Busan New Port Phase 2-3 project

January 2008	Securitised the shareholder loan in Baekyang Tunnel Ltd. by issuing an asset-backed security
March 2008	Divested its entire holding of the convertible bond issued by New Daegu Busan Expressway Co., Ltd.
July 2008	Financial close on purchasing the remaining 51% equity interest in Machang Bridge
March 2009	Divested its KRW 188 billion of senior loan commitment in Incheon Grand Bridge
May 2009	Agreement with an underwriter to securitise MKIF's interest receivable on the subordinate loan provided to Cheonan-Nonsan Expressway Co., Ltd. and issuance of Tranche 1 Bond
January 2010	Divested its subordinate loan commitment to Kyunggi Highway Co., Ltd, the concessionaire of the Seosuwon-Osan-Pyungtaek Expressway project
March 2010	Issuance of Tranche 2 Bond through securitisation of the subordinated loan interest receivable from Cheonan-Nonsan Expressway
November 2010	Divested 30% equity interest in MCB, concessionaire of the Machang Bridge project
March 2011	Issuance of Tranche 3 Bond through securitisation of the subordinated loan interest receivable from Cheonan-Nonsan Expressway
April 2011	Domestic credit rating notched up to AA (stable) from AA- (stable)
May 2011	Issued KRW 250 billion aggregate principal amount of unsecured bonds (KRW 190 billion for 7 years, KRW 60 billion for 5 years)
June 2011	Amendment to the corporate credit facility terms (term extended to June 2016, commitment amount KRW 250 billion)
June 2012	Divested MKIF's entire investment, equity and subordinated loan in form, in Daegu East Circulation Road Co., Ltd., concessionaire of the Daegu 4th Beltway East project
October 2013	Divested MKIF's entire investment, equity and subordinated loan in form, in Seoul Metro Line 9 Co., Ltd., concessionaire of the Seoul Subway Line 9 Section 1 project
October 2013	Additional subordinated loan commitment of KRW 50 billion in the Busan New Port Phase 2-3 project
February 2014	Amendment to the corporate credit facility terms (term extended to February 2019, commitment amount KRW 250 billion)

3. Dissolution of Company

The Company shall dissolve itself in the event of any of the following:

- 1) by a resolution adopted at the general meeting of shareholders;
- 2) mergers;
- 3) insolvency;
- 4) court order or judgment; or
- 5) cancellation of registration by the order of the Financial Services Commission ("FSC").

If any of the above events occur, a receiver or liquidator shall report to the FSC within 30 days of the dissolution.

The maturity of MKIF may differ from an investor's intended period of investment.

4. Asset Management Company

Company Name	Macquarie Korea Asset Management Co., Ltd. ("MKAM")
Contact	9th Floor, Hanwha Building, 109 Sogong-ro, Jung-gu, Seoul 100-755, Korea, +82 2 3705 8636

History

- Incorporated in Korea on 17 October 2002
- Appointed as MKIF's asset manager on 13 December 2002
- Licensed as an infrastructure asset management company in Korea under IIAMBA on 11 November 2005
- Licensed to manage collective investment schemes investing in special assets (limited to infrastructure assets) on 4 February 2009 pursuant to FSCMA
- Licensed to manage collective investment schemes investing in special assets (removal of the limitation to investment in infrastructure assets) in June 2010 pursuant to FSCMA
- In February 2012, an affiliate of Macquarie Group purchased 50% of the common shares in MKAM, bringing Macquarie's shareholding with voting right in MKAM to 100% (changed its name from Macquarie Shinhan Infrastructure Asset Management to current MKAM)
- Expanded its collective investment license to management of real estate funds in November 2013

* Please refer to Chapter 2 Section 4 (Asset Management Company) for more details.

5. Registered Asset Managers

MKAM is licensed under FSCMA to act as manager of special asset funds (not limited to management of infrastructure funds). As part of its licensing requirements, MKAM is required to employ at least two "infrastructure asset management professionals".

Below is a list of MKAM's asset management professionals.

Name (KOFIA Reg. #)	Year of Birth	Position	Management Status*		Career
			No. of other funds under management	Size of other assets under management	
Jason Pak (2114000753)	1970	Division director	N/A	Not applicable	Prior to joining MKAM, 10 years at Citizens Investment Trust, KPMG and Capital Markets Division of Macquarie Securities - Project manager responsible for underwriting IPO and dual-listing (at KRX/LSE) of MKIF in 2006 - COO of MKAM and manager of MKIF since October 2007
Jiroo Eoh (2111000124)	1979	Senior manager	1	KRW 70 billion	Prior to joining MKAM, 5 years at Macquarie Capital (Australia) and Macquarie Securities (Korea) - Previous experience with infrastructure transactions - Responsible for asset management and transactions of MKIF since October 2010

* Please refer to KOFIA website (<http://www.kofia.or.kr>) for more details on other funds and assets under management.

6. Company Structure

The Company is a closed-end (non-redeemable), Investment and Financing Company for Infrastructure Facilities under the PPI Act.

7. Investment Purposes

The Company invests in the shares, bonds and/or loans of entities that develop and/or operate infrastructure businesses under the PPI Act (the "Infrastructure Assets"). As an infrastructure investment company, we are focused on generating profits through dividend and interest income and ultimately distributing the profits from our investment activities to our shareholders.

While we expect the fund's performance to be stable, since it only invests in Infrastructure Assets, we do not guarantee the achievement of our investment purposes or performance objectives.

8. Investments

A. Investment Portfolio

The Company targets to invest in entities that develop and/or operate infrastructure businesses under the PPI Act in Korea.

The asset portfolio of the Company is currently composed only of investments in concessionaires of public-private partnership projects. A public-private partnership project refers to a project proposed by the private sector as prescribed in Article 9 of the PPI Act, or any concession project conducted by the concessionaire in accordance with a master plan for a public-private partnership project as prescribed in Article 10 of the PPI Act (defined in Article 2 Subparagraph 5 of the PPI Act).

Hence, the Company currently invests in shares, bonds and loans to concessionaires that operate infrastructure facilities (facilities defined in the PPI Act, such as toll roads, ports, integrated energy facilities, airports, telecommunication facilities, sewage systems, etc) under concessions from central or municipal governments, and the Company also intends to invest in entities that develop and/or operate infrastructure facilities or other assets permitted under relevant laws.

As of December 2014, the Company has invested, or committed to invest, KRW 1,645.0 billion of investments and we will continue to make investments of similar profile. As of 30 September 2014, the Company invests in 12 Korean Infrastructure Assets, composed of 11 toll road projects, including bridges and tunnels, and a container terminal project.

The table below summarises our investments, or commitments to invest, by asset as of 30 September 2014. Details are found in the annual report, reporting figures as of 31 December 2013, posted on the Company's website (<http://www.macquarie.com/mkif>).

Name	Status	Commitment (KRW bn)				Equity Ownership (%)
		Equity	Sub Debt	Senior Debt	Total	
Incheon International Airport Expressway	Operating	58.2	51.7	-	109.9	24.1
Baekyang Tunnel	Operating	1.2	-	1.4	2.6	100.0
Gwangju 2 nd Beltway Section 3-1	Operating	28.9	-	49.1	78.0	75.0
Gwangju 2 nd Beltway Section 1	Operating	33.1	35.2 ⁽¹⁾	142.0	210.3	100.0
Woomyunsan Tunnel	Operating	10.7	9.6	-	20.3	36.0
Cheonan-Nonsan Expressway	Operating	87.8	182.2	-	270.0	60.0
Soojungsan Tunnel	Operating	47.1	19.3	30.6	97.0	100.0
Machang Bridge	Operating	33.8	79.0	-	112.8	70.0
Seoul-Chuncheon Expressway	Operating	48.6	87.4	-	136.0	15.0
Incheon Grand Bridge	Operating	74.5	89.4	-	163.9	41.0
Yongin-Seoul Expressway	Operating	57.8	77.0	-	134.8	35.0
Busan New Port Phase 2-3	Operating	66.4	243.0 ⁽²⁾	-	309.4	30.0
Total	N/A	548.1	873.8	223.1	1,645.0	-
Percentage (%)	N/A	33.3	53.1	13.6	100.0	-

(1) Includes KRW 3.2 billion of working capital facility

(2) Includes KRW 50 billion of working capital facility

B. Investment Restrictions

Pursuant to Article 43 of the PPI Act, the Company is allowed to invest in following assets:

- 1) Acquisition of stocks, shares and bonds issued by entities that develop and/or operate infrastructure businesses under PPI Act in Korea;
- 2) Loans to and acquisition of loan credits against entities that develop and/or operate infrastructure businesses under PPI Act in Korea;
- 3) Investments in corporation entity (excluding infrastructure funds) with the purpose of investing by the mode of subparagraph 1 or 2 in the entities that develop and/or operate infrastructure businesses under PPI Act in Korea; or
- 4) Other investments approved as necessary for achieving the purpose under subparagraphs 1 through 3 by the FSC.

When deemed necessary for conducting any of the businesses prescribed by the subparagraphs above, the Company may offer its assets as collateral or make guarantees. The PPI Act permits excess cash held by MKIF to be used in following manner:

- 1) Deposit in a financial institution;
- 2) Purchase of national and public bonds; or
- 3) Purchase of bonds and corporate bill with the same credit ratings as national and public bonds.

Article 81, "Restrictions on Operation of Assets", of the FSCMA shall not apply to the Company under Article 44 of the PPI Act.

9. Investment Strategy, Risk Management and Revenue Structure

A. Investment Strategy and Risk Management

Our primary strategic objective is to generate attractive returns to our shareholders through maximisation of shareholders value and cash distribution, achieved by investing in entities that develop and/or operate infrastructure businesses under PPI Act in Korea. We plan to achieve this goal by:

- 1) Investing in entities that develop and/or operate infrastructure businesses under PPI Act in Korea;
- 2) Utilising our Manager's considerable capabilities in identifying and originating promising Infrastructure Assets;
- 3) Focusing on investments in loans, unlisted bonds, equity and equity-linked securities;
- 4) Investing in Infrastructure Assets that are value accretive to our portfolio;
- 5) Investing in Infrastructure Assets that offer opportunities to maximise our financial returns through increased leverage or refinancing;
- 6) Investing in Infrastructure Assets that are expected to offer returns consistent with or greater than the associated risk of the underlying infrastructure asset; and
- 7) Focusing investment in Infrastructure Assets will enable us to exercise significant influence or control over key strategic, commercial and financial functions.

Target assets for infrastructure investment in Korea have historically been concessionaires operating toll roads, bridges, tunnels and subway lines. The Company is also considering investment in entities conducting facilities projects defined under Article 2 Subparagraph 1 of the PPI Act.

B. Revenue Structure

Our primary strategic objective is to invest in entities that develop and/or operate Infrastructure Assets and

to generate attractive returns to our shareholders through capital growth and cash distribution

10. Risk Factors

A. Investment Risks

Below is a summary of risk factors relating to our business and our investments, which should be considered together with other information described in this Investment Overview. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations, management, financial conditions or business results. For more information on risk factors, please see the original Prospectus published and posted on KOFIA's homepage (<http://www.kofia.or.kr>) as of 7 March 2006, the date of the listing.

Risks relating to our business	<ol style="list-style-type: none"> 1) MKIF is a listed investment company. Therefore, your investment may be exposed to gains or losses resulting from changes in the market price of MKIF securities. 2) The PPI Act allows MKIF to borrow up to 30% of its equity capital. The interest rate on this debt and maturity of this debt may influence MKIF performance. 3) Our future performance may be difficult to assess because we invest in a new class of assets in Korea with a limited operating history. 4) Our investments may not achieve our target performance. 5) We cannot assure you that we will be able to successfully fund future investments, as suitable financing may not be available. 6) Our failure to satisfy certain requirements under applicable Korean tax laws may result in an increase in our tax expense which would reduce the amount of distributions we make to you. 7) There are restrictions on our ability to sell our equity interest in some of our investment in Infrastructure Assets, which could delay our ability to liquidate our interest. 8) There are limitations on our ability to merge with, acquire or be acquired by third parties, which could prevent us from realising the synergies of joining with other entities or enhancing the value of our investment portfolio. 9) We are required to assign various key functions to an asset manager, custodian, administrator and sales agents and, therefore, we may be affected by the performance of these parties. 10) Our Manager and our other service providers face potential conflicts of interest which may not be resolved in our favour. 11) We are significantly dependent on the key executives of our Manager.
Risks relating to infrastructure funds	<ol style="list-style-type: none"> 12) We rely on distributions or payments from the Infrastructure Assets in which we hold investments. 13) Toll rates set in respect of the toll roads in which we have invested, may be beyond our control. 14) Reduction of traffic volume or the rate of growth in traffic volume could adversely affect our investments. 15) There can be no assurance that the revenue guarantees supporting our concessionaires will compensate any shortfalls in toll revenue in full, in cash, in a timely manner or at all. 16) If a relevant government body faces fiscal difficulties or political issues, it may refuse to follow the conditions of the concession agreement (eg. suspension of revenue guarantee payment and/or issue administrative orders that are not in accordance with the concession agreement), resulting in negative impact on

the value of the investment asset and its cash flow.

- 17) Most of our concessionaires may not be able to retain the full amount of toll revenues or refinancing gains that they generate.
- 18) The expiration or termination of their concessions would leave our concessionaires without the right to operate and earn revenue from the Infrastructure Assets.
- 19) MKIF may invest in assets under construction and therefore is subject to various completion risks, any of which could give rise to significant delays, additional costs and loss of revenue.
- 20) Unforeseen events may disrupt the use of toll roads, bridges, tunnels and other Infrastructure Assets, and insurance may not be sufficient to cover the resulting losses.
- 21) The operating and/or capital expenditure of our Infrastructure Assets may be higher than forecasted and may result in a lower rate of return on our investments in such Infrastructure Assets and on loans extended to such Infrastructure Assets.
- 22) Some of the Infrastructure Assets in which we have investments have substantial indebtedness, which could inhibit their operating flexibility.
- 23) We may not maintain our investment in senior and subordinated loans made to Infrastructure Assets for the duration of the loans as Infrastructure Assets may prepay outstanding loans prior to their maturity.
- 24) Many of our Infrastructure Assets may be required to make larger interest payments if market interest rates increase.
- 25) All of our investments are, and will be, in companies that operate pursuant to government licences, leases, concessions or contracts which are generally very complex and may result in a dispute over interpretation or enforceability.
- 26) The failure by our Infrastructure Assets to comply with regulations or concession agreements could subject such companies to monetary penalties or result in a revocation of their rights to operate the underlying Infrastructure Assets.
- 27) We face increasing competition for investment opportunities in Infrastructure Assets, which could reduce the returns available from new investments.
- 28) The Infrastructure Assets operated by our concessionaires face increasing competition from alternative Infrastructure Assets.
- 29) Users of the toll roads, bridges and tunnels operated by our concessionaires may react negatively to any adjustments to the applicable toll rates, or public pressure may cause relevant government authorities to challenge the toll rates.
- 30) Our Infrastructure Assets are subject to sovereign risk.

Other risks

- 31) We may replace our Manager, but there can be restrictions on, and significant financial costs associated with, the removal of our Manager.
- 32) Some of our investments are in the form of loans to, or non-majority equity interests in, Infrastructure Assets, and consequently we may not be able to exercise significant influence over the operations of the underlying businesses or their ability to make payments to us on outstanding debt or equity.
- 33) We have investments, and may make future investments, in Infrastructure Assets whose shares or debt are not liquid, and therefore may be unable to be sold for a price that equates to their full value, and any sale of such assets under such circumstances may have an adverse effect on our net asset value.
- 34) There is uncertainty associated with the application of domestic laws in relation

to operation of our businesses.

- 35) Our Manager is also our corporate director and there may be conflicts of interest in carrying out its duties in such capacity.
- 36) Our investments are in Infrastructure Assets which have environmental risks that may impact their value.
- 37) MKIF is a listed investment company, however investors would be exposed to liquidity risk in case of unexpected circumstances such as lack of MKIF trading volume.
- 38) MKIF may be dissolved without investors' consent due to cancellation of its registration by the FSC on the ground that net asset value of MKIF falls below KRW 5 billion continuously for 1 month and a net asset value shortfall continues for 3 months, or on the ground of other reasons.

B. Investor Characteristics

The Company invests in Infrastructure Assets, pursuant to the PPI Act, mostly with medium-to-long operation periods. Infrastructure Assets have a monopolistic feature and, to an extent, insulated from emergence of competing assets while generation of stable cash flow is expected due to their characteristics. Therefore, the Company overall possesses a low level of risk, rated level 4 on a scale of 5.

However, since there are no specific criteria or guidelines published for assessing risk levels based on the below categories, the rating is subjective and should not be recognized as an official rating from any rating agencies and should not be a substitution of your own assessment of the risks associated with an investment in MKIF or MKIF's business.

The five risk categories are:

Level 1	Level 2	Level 3	Level 4	Level 5
Very high	High	Moderate	Low	Very low

Infrastructure businesses, in general, have a monopolistic feature with high barriers to entry and their volumes are expected to increase over time, resulting in continued enhancement of cash flow along and distribution. The Company has strong potential for growth and, considering these aspects, MKIF considers itself suitable to "investors with preference for stable, long-term cash flow".

11. Process of Purchase, Sale and Redemption of Shares

A. Purchase and Redemption Process

MKIF is listed on the Korea Exchange and the London Stock Exchange and its outstanding shares can be publicly traded through securities companies. The price at which you can buy or sell MKIF shares will depend on the prevailing market price at the time.

B. Special Notes on Distribution

Pursuant to FSCMA and in accordance with our Articles of Incorporation, we are permitted to declare and pay distributions to our shareholders in the form of dividends and/or over-distributions of profits. Over-distributions of profits are distributions to our shareholders in excess of accounting profits for the relevant fiscal period.

We intend to declare and distribute to our shareholders higher of taxable income or distributable income in relation to Korean Corporate tax Act, in order to qualify for continued deduction of such distributions from our taxable income, but this may change in future upon the Board's resolution or change in distribution policy. Our distributable income is defined for such purposes as our non-consolidated net income after deduction of income taxes as set forth in our financial statements prepared under Korean GAAP, adjusted

further to include retained earnings, less any deficit and, any reserve pursuant to applicable laws and regulations.

C. Conversion: Not applicable to MKIF.

12. Calculation of Net Asset Value (NAV) and Valuation of Assets

A. Calculation and Disclosure of Net Asset Value (NAV)

The total net asset value of our portfolio is calculated as the sum of the asset value of each asset in the portfolio. As noted above, for all equity and debt investments in Infrastructure Assets, we have adopted a valuation policy where all investments are held at their original cost. The NAV per share is calculated by dividing the total NAV by the number of shares on issue.

Accordingly, our total net asset value and, as a result, the NAV per share does not reflect any revaluation of our assets (with the exception of our investment in Negotiable Certificate Deposit ("NCD")), nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.

As a result, it is not anticipated that our NAV per share will vary greatly from period to period and, as a result, the NAV per share does not accurately reflect changes in the underlying value of our equity and debt investments in Infrastructure Assets.

The table below describes the manner in which our NAV per share is calculated.

Calculation method	NAV = (total assets– total liabilities) / number of outstanding shares
Calculation frequency	Daily
Disclosure frequency	Quarterly (daily disclosure is not obligatory under the PPI Act)
Disclosure method and place	Inclusion in the quarterly Business Report and Asset Management Report

B. Valuation of Assets

1) *Asset Valuation*

Our policy is to record all assets in our portfolio in accordance with the principles set out in FSCMA. The table below summarizes the valuation method adopted for each asset class.

Asset	Valuation method
Unlisted stocks	Historical cost
Loans	Historical cost
Bank deposits	Historical cost

2) *Committee for the asset valuation*

- 1) Members: Representative Director (Chairperson), Chief Operating Officer, Acquisition manager, Manager responsible for asset management, Finance manager, Compliance manager and other persons appointed by the Chairperson
- 2) Responsibilities: Asset valuation described in Asset Valuation Standards required by the FSCMA Article 238-3

13. Fees and Expenses

A. Fees and Expenses Paid by the Shareholders

There are no fees payable on transactions in MKIF shares, other than standard brokerage fees charged by

securities companies when a trade is executed.

Fees and Expenses	Payment Rate (Annual, %)	Payment Based on
Upfront/deferred purchase fee	N/A	N/A
Redemption fee	N/A	N/A

B. Fees and Expenses Paid by the Company

MKIF is required by the FSCMA to engage certain service providers and related fees and expenses are as set out in table below.

Fees and Expenses	Payment Rate (Annual, %)	Payment Date
Asset management fee	Management fees and performance fees ⁽¹⁾	Within 15 trading days after the end of the previous quarter
Sales agent fee	0.00%	-
Custodian fee	0.02%	Within 1 trading day after the end of the previous quarter
Administrator fee	0.0125%	Within 1 trading day after the end of the previous quarter
Other expenses ⁽²⁾	0.0801%	Based on amounts paid during 2013
Total Expense Ratio ⁽³⁾	Refer to (3) below	

- (1) Under the terms of the management agreement, we will compensate MKAM for managing our investments through base management fees and performance fees. These fees will be payable for each quarter ending on 31 March, 30 June, 30 September and 31 December of each year. The amount payable as at each payment date varies based on an agreed calculation methodology set out in the Management Agreement. Full details about remuneration and fees that are payable by us to the Asset Manager can be found in Chapter 2 Section 13B (Fees and expenses paid by the Company).
- (2) This represents the proportion of expenses incurred by MKIF for the year ended 31 December 2013 that were paid to third party service providers other than the service providers listed in the table (e.g. fees paid to legal and accounting advisers for professional services provided), as a proportion of total net asset value of MKIF as at 31 December 2013.
- (3) The total expense ratio will also vary on an annual basis as the amount of asset management fees payable by us to the Asset Manager varies.

Example: Total fees and expenses for a shareholder with an investment of KRW 10 million

We are unable to provide a meaningful estimate of the total amount of fees that would be born by a shareholder who invests KRW 10 million in MKIF over periods of 1, 3, 5 and 10 years, as the fees payable by MKIF to third party service providers vary according to factors such as MKIF's market capitalisation, investment commitments or its net asset value. Accordingly, any estimate would be imprecise, particularly over longer periods of time (such as 5 or 10 years).

(Unit: KRW)				
Period	Year 1	Year 3	Year 5	Year 10
Total fees and expenses	N/A	N/A	N/A	N/A

3) *Management fee*

The management fee is payable quarterly in arrears and is calculated as follows:

If the net investment value plus the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other than cash or cash equivalents, is less than or equal to KRW 1.5 trillion:

$$[R \times (NIV+C) \times 1.15\% + (1-R) \times (NIV+C) \times 1.25\%] \times (N/365); \text{ and}$$

If the net investment value plus the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other

than cash or cash equivalents, is greater than KRW 1.5 trillion:

$$[R \times T \times 1.15\% + R \times (NIV+C-T) \times 1.05\% + (1-R) \times T \times 1.25\% + (1-R) \times (NIV+C-T) \times 1.10\%] \times (N/365)$$

Where:

R = the ratio (expressed as a percentage) determined as follows:

$$R = C/(NIV+C)$$

NIV = the net investment value for the relevant quarter

C = the aggregate of the amounts which we and our wholly-owned companies, trusts or other entities have firmly committed for future investment in investments, other than cash or cash equivalents, at the end of the quarter

T= KRW 1.5 trillion

N = the number of days in the quarter

The net investment value for any quarter equals (i.e. a+b-c):

- a) our market value being:
 - (1) in respect of a quarter, the aggregate of the market value of our shares calculated on the basis of the average closing number of our shares issued and outstanding during each trading day of the quarter multiplied by the volume weighted average trading price per share traded on the Korea Exchange over those trading days; and
 - (2) in the event our shares are de-listed, the aggregate of the market value of our shares calculated on the basis of the average closing number of our shares issued and outstanding during each trading day of the quarter in which the de-listing occurs and ending on the date of the de-listing of our shares, multiplied by the volume weighted average trading price per share traded on the Korea Exchange over those trading days; plus
- b) the total amount of any external borrowings by us, our wholly-owned companies, trusts or other entities (but not including any borrowings held by any operating or project company, trust or other entity controlled by us or held specifically for the benefit of such an entity) at the end of the quarter; less
- c) the aggregate amount invested by us, our wholly-owned companies, trusts or other entities in cash or cash equivalents (but not including cash or cash equivalents held by any operating or project company, trust or other entity controlled by us or held specifically for the benefit of such an entity) at the end of the quarter.

The management fee for a quarter is due as at the last day of each quarter and is to be calculated by the Manager as at the last day of each quarter and is payable in cash by us to the Manager within 15 business days thereafter. The Manager may apply all or a portion of the management fee payable to it in respect of any quarter to purchase our shares, to the extent permitted under the relevant law. The number of our shares to be issued to the Manager is to be equal to the amount of the management fee which the Manager elects to apply to purchase our shares divided by the volume weighted average trading price per share traded on the Korea Exchange during the last 15 trading days of the relevant quarter for which the management fee is payable.

4) *Performance fee*

The Manager is entitled to be paid a performance fee, calculated and payable quarterly in arrears, if the return on our shares for a quarter (including reinvestment of all distributions) is greater than zero and exceeds the benchmark return. If the return on our shares for a quarter is less than the benchmark

return, the deficit will be carried forward and offset against any future out-performance. No performance fee is payable until the cumulative deficit has been offset by a cumulative surplus, which will occur where the return on our shares is greater than the benchmark return for one or more quarters since a performance fee has become payable.

The performance fee is equal to 20 per cent. of the amount (if any) by which the return of a quarter, or, in the case of the first quarter, the first quarter return, together with any surplus, exceeds the benchmark return for the quarter or, in the case of the first quarter, the first quarter benchmark return, and any deficit carried forward.

The performance fee for each quarter is calculated as follows:

Performance fee = 20% × (return + surplus - benchmark return - deficit), where:

“return” equals A1 + A2, where:

$$A1 = S1 \times \left(\frac{B1 - C1}{C1} \right)$$

Where:

A1 = the return for the relevant quarter applicable to all of our shares (other than additional shares issued in the last 15 trading days of the previous quarter and additional shares issued in the quarter).

S1 = in respect of the quarter, the average number of our shares on issue during the last 15 trading days in the previous quarter excluding any additional shares issued during the last 15 trading days in the previous quarter, multiplied by the volume weighted average trading price per share traded on the Korea Exchange during that 15 trading day period.

B1 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the quarter as calculated or reported by Standard & Poor's Corp. or such other entity selected by us and our Manager to calculate or report this index (the “Reporting Agency”).

C1 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the previous quarter as calculated or reported by the Reporting Agency.

And where:

$$A2 = S2 \times \left(\frac{B2 - C2}{C2} \right)$$

Where:

A2 = the return applicable solely to the additional shares issued during the quarter, excluding additional shares issued in the last 15 trading days of the quarter and including additional shares issued in the last 15 trading days of the previous quarter. (A2 is to be calculated separately for each allotment of additional shares.)

S2 = the number of additional shares issued during the quarter excluding the number of additional shares issued during the last 15 trading days of the quarter and including the number of additional shares issued during the last 15 trading days of the previous quarter multiplied by the issue price per share for those additional shares.

B2 = the average of the daily closing accumulation index for our shares over the last 15 trading days of the quarter as calculated or reported by the Reporting Agency.

C2 = the initial accumulation index value for the additional shares, which is to be calculated as the accumulation index value for our shares based on the issue price of the additional shares issued in the relevant additional offering as at the date of issue of the additional shares.

“additional offering” means any offering of shares, other than through the global offering or the exercise of any over-allotment option in connection with the global offering, in any quarter in which a performance fee is being calculated.

“additional shares” means the total number of our shares issued, for any quarter in which a performance fee is being calculated, in any offering of shares other than through the global offering or the exercise of any over-allotment option in connection with the global offering.

“benchmark return” equals $BR1 + BR2$, where:

$$BR1 = S1 \times (1.08^{N/365} - 1)$$

Where:

BR1 = the benchmark return for the quarter applicable to all our shares (other than additional shares issued during the last 15 trading days of the previous quarter and additional shares issued in the quarter).

S1 = the same as item “S1” in the definition of return.

N = the number of days in the quarter.

And where:

$$BR2 = S2 \times (1.08^{N/365} - 1)$$

Where:

BR2 = the benchmark return applicable solely to the additional shares issued during the quarter, excluding additional shares issued in the last 15 trading days of the quarter and including additional shares issued during the last 15 trading days of the previous quarter (BR2 is to be calculated separately for each allotment of additional shares).

S2 = the same as item “S2” in the definition of return.

N = the number of days from the date of listing of the additional shares to the end of the quarter inclusive.

“deficit” for a period equals the aggregate amounts in respect of each quarter since a performance fee has become due and payable (or, if a performance fee has not been paid, since listing), not including the quarter in respect of which a calculation is being made, by which the benchmark return for each such quarter, or in the case of the first quarter, the first quarter benchmark return, exceeds the return for that quarter, or in the case of the first quarter, the first quarter return (if any).

“surplus” for a period equals the aggregate amounts in respect of each quarter since a performance fee has become due and payable (or, if a performance fee has not been paid, since our listing), not including the quarter in respect of which a calculation is being made, by which the return for each such quarter, or in the case of the first quarter, the first quarter return, exceeds the benchmark return for that quarter, or in the case of the first quarter, the first quarter benchmark return (if any).

The performance fee for a quarter is due as at the last day of each quarter and is to be calculated by the Manager as at the last day of each quarter and is payable in cash by us to the Manager within 15 business days thereafter. The Manager may apply all or a portion of the performance fee payable to it in respect of any quarter to the purchase of our shares, to the extent permitted under the relevant law.

The number of our shares to be issued to the Manager is to be equal to the amount of the performance fee which the Manager elects to apply to purchase our shares divided by the volume weighted average trading price per share traded on the Korea Exchange during the last 15 trading days of the relevant quarter for which the performance fee is payable.

14. Distribution and Taxation

A. Distribution

We have paid interim and final distributions for each financial year and expect to pay our distribution on a semi-annual basis. The following table sets forth our distribution for each six-month period starting from the period ended 31 December, 2002 to 30 June 2014, as an aggregate amount for each period and on a per share basis.

Distribution for the six-month period ended	Aggregate distribution paid (Unit: KRW million)	Per share distribution paid (Unit: KRW)
31 December, 2002	0	0
30 June, 2003	1,700.0	185.7
31 December, 2003	3,221.8	85.5
30 June, 2004	13,887.6	212.7
31 December, 2004	18,879.3	127.1
30 June, 2005	49,241.2	271.4
31 December, 2005	53,550.0	223.1
30 June, 2006	64,698.0	200
31 December, 2006	71,167.8	220
30 June, 2007	71,167.8	220
31 December, 2007	71,167.8	220
30 June, 2008	74,402.7	230
31 December 2008	Cash distribution	74,413.5
	Stock distribution*	39,455.2
	Total	113,868.7
30 June, 2009	76,235.7	230
31 December, 2009	53,033.5	160
30 June, 2010	53,033.5	160
31 December, 2010	60,988.5	184
30 June, 2011	54,690.8	165
31 December, 2011	54,690.8	165
30 June, 2012	72,921.1	220
31 December, 2012	86,179.4	260
30 June, 2013	69,606.5	210
31 December, 2013	100,432.2	303
30 June, 2014	63,971.7	193

* Paid newly issued share distribution of 0.02464 per 1 common share owned as of 31 December 2008

Pursuant to FSCMA and in accordance with our Articles of Incorporation, we are permitted to declare and pay distributions to our shareholders in the form of dividends and/or over-distributions of profits. Over-distributions of profits are distributions to our shareholders in excess of accounting profits for the relevant fiscal period. Such over-distributions of profits may include, at our discretion, but would not be

limited to, distributions of cash held on reserve or cash received from our investments, such as principal payments on our loans and proceeds from refinancing, which are not otherwise reflected in our non-consolidated income statements.

We intend to declare and distribute to our shareholders higher of taxable income or distributable income in relation to Korean Corporate tax Act, in order to qualify for continued deduction of such distributions from our taxable income, but this may change in future upon the Board's resolution or change in distribution policy. Our distributable income is defined for such purposes as our non-consolidated net income after deduction of income taxes as set forth in our financial statements prepared under Korean GAAP, adjusted further to include retained earnings and less any deficit and any reserve pursuant to applicable laws and regulations.

In the event that there is an expense item which results in a decrease in our distributable income for any given fiscal period, we may, at our discretion, make an over-distribution of profits to shareholders to neutralise the impact of such item on cash distributions received by our shareholders. Non-recurring and one-off items such as loan establishment fees and performance fees payable to our Manager are considered examples of such expense items.

Conversely, in the event that an income item increases our distributable income for any given fiscal period, we may, at our discretion, choose not to distribute some of the distributable income but we do not expect distribution less than 90% of the distributable income for any fiscal period.

Our dividend and distribution policy will also be based on maintaining prudent reserves to ensure we remain solvent and that, among other things, we adequately provide for working capital costs. From time to time, we may retain distributions or proceeds from the realisation of investments to fund future investments. The declaration and payment of any future distribution will, in any case, be subject to the limitation that over-distribution of profits does not exceed the balance of our net asset value less a minimum net asset value, on a non-consolidated basis, of KRW 5.0 billion pursuant to FSCMA.

The foregoing are statements of our present intentions which may be subject to modification (including the reduction or non-declaration of any distributions) in the sole and absolute discretion of our board of directors. The declaration of any future distributions will be subject to the decision of our board of directors. The form, frequency and amount of future distributions (if any) on our shares will depend on our earnings, financial position, results of operations, contractual restrictions, provisions of applicable law and other factors which our board of directors may deem relevant.

We will pay our distributions in Won.

We may implement a stock distribution scheme. If we decide to proceed with the implementation of a stock distribution scheme, the proposal for the adoption of such scheme will be subject to approval from our Board of Directors. Such scheme, if adopted, will provide an opportunity for our shareholders to receive distributions in the form of new shares instead of in cash, and will enable our shareholders to acquire additional shares without having to incur transaction costs such as brokerage costs or stamp duty (if applicable). It is expected that any new shares issued pursuant to such scheme will be issued at the then prevailing prices at which our shares are traded on the Korea Exchange, although we may issue such shares at a discount to prevailing prices subject to the approval of our board of directors.

B. Taxation

The following summary is based upon the tax laws of the Republic of Korea as in effect on the date hereof, and is subject to any change in Korean tax law that may come into effect after such date. Investors are advised to consult their own tax advisers as to tax consequences of the purchase, ownership and disposition of shares, including, in particular, the effect of any national, state or local tax laws.

1) *Taxation of Company Income*

Under applicable Korean tax laws, as an investment company registered under FSCMA, we are entitled to deduct from our taxable income for any fiscal year (up to an amount equal to our taxable income), for

Korean corporate income tax purposes, the amount of distributions we declare in respect of such year as long as such amount is equal to 90 per cent. or more of our distributable income for such year.

2) *Taxation of Shareholder Income*

a) *Taxation of Individual Residents*

Individual residents pay a withholding tax on dividends at 15.4%, inclusive of local income tax. If an individual resident's total interest and dividend income exceeds KRW 20 million for any year, the resident is obliged to file for the consolidated income tax.

A resident individual is not obliged to pay capital gains tax on listed shares. However, when a major shareholder (who holds together, with his/her relatives and related parties, more than 2% of the outstanding shares or more than KRW 5 billion of the market capitalisation) transfers his/her shares in any market or a shareholder transfers his/her shares in the over-the-counter market, capital gains tax is charged on capital gain. Shares acquired within one year in companies that are not categorised as medium-sized are subject to 33% tax (inclusive of local income tax), shares in medium-sized companies are subject to 11% tax (inclusive of local income tax), and other shares are subject to 22% tax (inclusive of local income tax).

If you transfer shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15% and special tax for agricultural and fishing villages at the rate of 0.15% on the price at which the shares are sold. If your transfer of the shares is not made on the Korea Exchange, subject to certain exceptions, you are subject to securities transaction tax at the rate of 0.5% on the price at which the shares are sold but not subject to any special tax for agricultural and fishing villages.

b) *Taxation of Korean Corporate Shareholders*

- Korean corporations are exempt from withholding tax on distributions.
- Distributions on shares and capital gains from transfer of shares are not excluded from taxable income for tax purposes and are subject to corporate income tax.
- Securities transaction tax in relation to transfer of shares is the same as that of individual residents.

c) *Taxation of Non-Residents and Foreign Corporate Shareholders*

Distributions (whether in cash or in shares) paid to non-residents or foreign shareholders who do not have a permanent establishment in Korea are deducted by withholding tax at a rate of 22% (inclusive of local income tax). If you are a resident or corporation located in a country that has entered into an applicable tax treaty with Korea for the considered year, you may qualify for Korean withholding tax at a reduced rate. In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, a non-resident or foreign corporation must submit to all withholding agents, including us, prior to the distribution payment date an "Application for Entitlement to Reduced Tax Rate on Domestic Source Income", pursuant to Korean income or Corporate tax Act, and proof of their residence in the country of their tax residence in order to establish their entitlement to the benefits of the applicable tax treaty.

As a general rule, capital gains earned by non-residents or foreign corporations upon transfer of shares are subject to Korean capital gains tax at the lower of (1) 11% (inclusive of local income tax) on the gross proceeds realised or (2) 22% (to the extent the acquisition and divestment prices of the shares are established) inclusive of local income tax) on the net realised gain, provided that satisfactory evidence on the acquisition and divestment prices of the shares are submitted for calculation of net realised gain. Depending on the applicable tax treaty for the considered year between Korea and the country of tax residence of a non-resident or a foreign corporation, capital gains tax may be exempted. A non-resident or corporation intending to be exempted from capital gains tax under such a treaty must submit an "Application for Tax exemption", pursuant to Korean income or Corporate Tax Act, and proof of their residence in the country of their tax residence to the income

payer and the payer must submit the documents to the competent tax office by the 9th day of the month following the month of the considered income.

You will not be subject to Korean income taxation on capital gains realized upon the transfer of shares through the Korea Exchange if you (1) have no permanent establishment in Korea and (2) sell the shares through a securities exchange in Korea and did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25% or more of the total issued and outstanding shares, which may include the shares represented by the GDSs, at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Securities transaction tax in relation to transfer of shares is the same as that of individual residents

* Tax rates mentioned above are subject to change in future depending on change in policy of the Korean government and relevant laws and regulations.

15. Promoter and supervisory directors

A. Promoter

Company Name	Address	Number of shares	Paid amount	Eligibility
Macquarie UK Holdings Limited (MUKHL)	Ropemaker Place, 28 Ropemaker St., London EC2Y 9HD, United Kingdom	2 million shares	KRW 10 billion	N/A

※ Name of the Promoter changed from Macquarie Internationale Holdings Limited to MUKHL. Above number of shares held by MUKHL is as of December 2002 at the time of MKIF's establishment. MUKHL holds 12,464,257 shares of MKIF as of 30 June 2014 (source: KEB Investor Services Co., Ltd., Administrator of MKIF)

B. Supervisory Director

a) *Dae Yun Cho*

Dae Yun Cho was appointed as one of our original supervisory directors on 12 December, 2002, and was reappointed on 22 March 2013. Mr. Cho has practised law at the law offices of Kim & Chang in Seoul since 1979, covering broad areas of finance and securities, international trade, dispute settlements (including trade disputes and international arbitration), and mergers, acquisitions and divestitures (including insolvency practice). He is currently senior partner in charge of finance and trade matters generally and in particular private finance initiatives.

Mr. Cho has acted as a consultant for various Korean government ministries, including the Ministry of Strategy and Finance (formerly, Ministry of Finance and Economy) and the Ministry of Trade, Industry and Energy. In such capacity, he has participated in many legislative initiatives, including the PPI Act and the Foreign Trade Act and served as President of International Association of Korean Lawyers. Currently, Mr. Cho is a senior adviser to the Korea International Trade Law Association, the arbitrator on the Korean Commercial Arbitration Board and the arbitrator on the WTO's Subsidies and Countervailing Duties Committee.

b) *Kyung Soon Song*

Kyung Soon Song was elected by shareholders to our board of directors as an independent supervisory director on 31 March 2005 and was reappointed on 17 March 2014. Dr. Song has substantial experience in financial and economic matters. Dr. Song is an expert in finance and economics and has built substantial experience in this area of expertise. He previously held positions as an adviser to the vice president of the World Bank in Washington, D.C., assistant director of the Economic Planning Board (now merged into the Ministry of Strategy and Finance and the Fair Trade Commission) and as executive vice-president and chief operating officer of Nomura Project Finance

International Limited. Dr. Song served as chairman of the international finance subcommittee of the Financial Development Review Committee, chairman of the investment subcommittee of Korea Investment Corporation's steering committee, and a committee member of the International Economic Cooperation Committee, and is serving as chairman of the Global Strategy AdvisoryCenter, a consultant at Korea International Cooperation Agency, a consultant at Korea Economic Development Cooperation Fund and a founding representative director of Korea Expert Consulting Group (KECG). Dr. Song holds a bachelor degree from Seoul National University, an MBA from the Wharton School of the University of Pennsylvania, and a doctoral degree from the George Washington University.

c) *Dae-Hee Yoon*

Dae-Hee Yoon was elected by shareholders to our board of directors as an independent supervisory director on 25 March 2011 and was reappointed on 17 March 2014. Mr. Yoon served as Minister for Government Policy Coordination and Senior Presidential Secretary for Economic Policy at Cheong Wa Dae (Office of the President). He was also the head of Korean delegation for the Knowledge Sharing Program, a Korean government's Official Development Assistance project for economic development of developing countries. He also played an integral role in the establishment and development of the Korean PPP projects, in particular the Build-Transfer-Lease (BTL) projects, while he worked as Deputy Minister for Planning and Management at the Ministry of Strategy and Finance. Mr. Yoon is also a senior consultant at Yulchon LLC, advising on commercial litigation, and an emeritus professor at Gacheon University.

Within the past five years, no director of the Company has been convicted for any financial fraud, served as a director or officer of a company that was declared insolvent, or subject to any administrative sanction.

C. Remuneration of Directors and Executive Officers

Remuneration paid to supervisory directors in 2013 was KRW 144 million. The annual remuneration of each supervisory director is maximum KRW 8 million per month. Supervisory directors receive salaries but do not receive retirement or severance benefits.

CHAPTER 3. COMPANY FINANCIALS AND INVESTMENT PERFORMANCE

1. Financial Information

Set out below are summaries of the Balance Sheet and Income Statement of MKIF as of December 31, 2012, 2013 and September 30 2014. The financial statements as of December 31, 2012 and 2013 are audited by external auditors (Samil Pricewaterhouse Coopers), receiving unqualified opinions, respectively. However, the financial statements as of September 30 2014 are unaudited.

A. Selected Summary Financials

	(Unit: KRW thousand)		
	2014.09.30	2013.12.31	2012.12.31
Operating assets	1,679,551,142	1,637,919,214	1,691,107,961
Other assets	430,918,345	404,245,935	364,175,433
Total assets	2,110,469,487	2,042,165,149	2,055,283,394
Total liabilities	465,447,343	327,068,258	343,090,279
Share capital	1,670,985,755	1,670,985,755	1,670,985,755
Retained Earning (Accumulated deficit)	(25,963,611)	44,111,136	41,207,360
Total Shareholders' equity	1,645,022,144	1,715,096,891	1,712,193,115
Total liabilities and shareholders' equity	2,110,469,487	2,042,165,149	2,055,283,394
Income Statements			
	2014.1.1~2014.9.30	2013.1.1~2013.12.31	2012.1.1~2012.12.31
Revenue	135,721,988	212,907,479	205,749,061
Expense	41,392,902	54,217,812	51,625,779
Net Income	94,329,086	158,689,667	154,123,282
Turnover Ratio	NA	NA	NA

B. Balance Sheet Summary

	(Unit: KRW thousand)		
	2014.09.30	2013.12.31	2012.12.31
Invested assets:	1,679,551,142	1,637,919,214	1,691,107,961
Cash and deposits	34,941,616	14,751,335	20,815,264
Loans receivable	1,091,506,133	1,090,064,436	1,096,041,506
Equity securities	553,103,393	533,103,443	574,251,191
Other assets:	430,918,345	404,245,935	364,175,433
Interest receivable	422,836,571	394,913,155	351,646,013
Other receivables	2,358,153	2,946,564	4,457,863
Deferred costs, net	5,723,621	6,386,216	8,071,557
Total assets	2,110,469,487	2,042,165,149	2,055,283,394
Liabilities			
Accounts payable	832	250,851	941
Management fee payable	7,995,832	7,399,988	7,454,573
Other liabilities	1,555,231	1,503,144	1,534,266
Corporate Bond	249,465,824	249,333,305	249,156,128

Long-term debts	206,429,624	68,580,970	84,944,371
Total liabilities	465,447,343	327,068,258	343,090,279
Share capital	1,670,985,755	1,670,985,755	1,670,985,755
Retained earnings (Accumulated deficit)	(25,963,611)	44,111,136	41,207,360
Total Shareholders' equity	1,645,022,144	1,715,096,891	1,712,193,115
Total liabilities and shareholders' equity	2,110,469,487	2,042,165,149	2,055,283,394

C. Income Statement Summary

(Unit: KRW thousand)

	2014.1.1~2014.9.30	2013.1.1~2013.12.31	2012.1.1~2012.12.31
Revenue	135,721,988	212,907,479	205,749,061
Interest income	132,325,820	173,642,440	171,911,689
Dividend income	3,385,984	11,245,560	-
Gain on sale of investment	-	28,019,479	33,151,148
Other income	10,184	-	686,224
Expense	41,392,902	54,217,812	51,625,779
Management fees	22,525,853	30,809,865	27,786,179
Custodian fees	248,073	335,008	337,315
Administrator fees	155,046	209,380	210,822
Interest expense	14,347,587	19,746,449	19,827,559
Other expenses	4,116,343	3,117,110	3,463,904
Net income	94,329,086	158,689,667	154,123,282

2. Fund Sale and Redemption Record

(Unit: share, KRW billion)

Period	The Beginning of fiscal year		Over Fiscal year				The end of fiscal year	
			New issued		Reduced capital amount			
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
2006	240,076,919	1,258.7	83,413,285	563.6	-	64.7	323,490,204	1,757.6
2007	323,490,204	1,757.6	-	-	-	104.6	323,490,204	1,653.0
2008	323,490,204	1,653.0	-	-	-	21.5	323,490,204	1,631.5
2009	323,490,204	1,631.5	7,969,137	39.5	-	-	331,459,341	1,671.0
2010	331,459,341	1,671.0	-	-	-	-	331,459,341	1,671.0
2011	331,459,341	1,671.0	-	-	-	-	331,459,341	1,671.0
2012	331,459,341	1,671.0	-	-	-	-	331,459,341	1,671.0
2013	331,459,341	1,671.0	-	-	-	-	331,459,341	1,671.0
2014.09	331,459,341	1,671.0	-	-	-	-	331,459,341	1,671.0

3. Capital of Company

A. Total shares

Authorised to issue	Issued and outstanding	Remaining shares to be issued
4,000,000,000 shares	331,459,341 shares	3,668,540,659 shares

B. Shares Information

Shares	Type	Outstanding shares	Paid capital amount	Remarks
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Investment Company Shares	Registered form with no par value	331,459,341 shares	KRW 1,670,985,754,511
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4. Investment Performance

A. Performance over Periods (pre-tax)

	Recent 1 Year (2013.1.1 ~ 2013.12.31)	Recent 2 Years (2012.1.1 ~ 2013.12.31)	Recent 3 Years (2011.1.1 ~ 2013.12.31)	Recent 5 Years (2009.1.1 ~ 2013.12.31)	Since establishment (2002.12.12 ~ 2013.12.31)
Average Annual Rate of Return*	8.40%	7.70%	7.34%	7.41%	8.08%
Comparison index†	-	-	-	-	-

* Yields prior to listing is calculated by dividing the sum of distribution payments by the average investment for the year and post-listing yields are calculated by dividing the sum of distribution payments for the year by the year-end market price

* Average annual rate of return is calculated on a pre-tax basis

* Returns on actual investments may differ depending on the time of investments and they need to be individually calculated

† Comparison index: no index available for comparison since MKIF is the only listed infrastructure fund in Korea

B. Performance over Annual Average (pre-tax)

	Year 1 (2013.1.1 ~ 2013.12.31)	Year 2 (2012.1.1 ~ 2012.12.31)	Year 3 (2011.1.1 ~ 2011.12.31)	Year 4 (2010.1.1 ~ 2010.12.31)	Year 5 (2009.1.1 ~ 2009.12.31)
Average Annual Rate of Return*	8.40%	7.02%	6.60%	7.09%	7.96%
Comparison index†	-	-	-	-	-

* Post-listing yields are calculated by dividing the sum of distribution payments for the year by the year-end market price

* Average annual rate of return is calculated on a pre-tax basis

* Returns on actual investments may differ depending on the time of investments and they need to be individually calculated

† Comparison index: no index available for comparison since MKIF is the only listed infrastructure fund in Korea

C. Asset Portfolio

As of 30 September 2014, MKIF's investment portfolio consists of equity, debt and other investments in entities that develop and/or operate Infrastructure Assets (described in the table below as investment securities), other investment securities (in the form of short term certificates of deposit), cash and deposits and other assets.

(Unit: KRW billion, %)												
Currency	Investment Securities				Derivatives		Real Estate	Special Assets		Short-term Facilities & deposit	Other Assets	Total Assets
	Equity	Loan	Investment Notes	Fund of Fund	Market	OTC		Indirect Investment Securities	Others			
KRW	553 (26.2%)	1,092 (51.7%)	()	()	()	()	()	()	()	35 (1.7%)	431 (20.4%)	2,111 (100%)
Foreign	()	()	()	()	()	()	()	()	()	()	()	()
Total	553 (26.2%)	1,092 (51.7%)	()	()	()	()	()	()	()	35 (1.7%)	431 (20.4%)	2,111 (100%)

* % in the bracket implying the composition ratio over the total assets

CHAPTER 4. ASSET MANAGEMENT COMPANY AND SERVICE PROVIDERS

1. Asset Management Company

A. Company Overview

Company Name	Macquarie Korea Asset Management Co., Ltd. (MKAM)
Contact	9th Floor, Hanwha Building, 109 Sogong-ro, Jung-gu, Seoul 100-755, Korea, +82 2 3705 8636
History	<ul style="list-style-type: none"> - Incorporated in Korea on 17 October, 2002 - Appointed as MKIF's asset manager on 13 December, 2002 - Licensed as an infrastructure asset management company in Korea under IIAMBA on 11 November, 2005 - Licensed to manage collective investment schemes investing in special assets (limited to infrastructure assets) on 4 February 2009 pursuant to FSCMA - Licensed to manage collective investment schemes investing in special assets (removal of the limitation to investment in infrastructure assets) in June 2010 pursuant to FSCMA - In February 2012, an affiliate of Macquarie Group purchased 50% of the common shares in MKAM, bringing Macquarie's shareholding with voting right in MKAM to 100% (changed its name from Macquarie Shinhan Infrastructure Asset Management to current MKAM) - Expanded its collective investment license to manage real estate funds in November 2013

B. Primary Functions and Duties

1) *Entrusted Business*

Under the management agreement, our Manager has agreed to provide us with management, investment and administrative services and agreed further to perform all representative functions for us, in accordance with our AOI, the management agreement and applicable laws and regulations including FSCMA, Securities Exchange Act and Korean Commercial Code.

As part of its investment management functions, our Manager has agreed, to take the overall responsibility to make investment and divestment decisions for us and, unless otherwise authorised by us, notify our board of directors with respect to any investment and divestment of our assets, provided that all final investment or divestment decisions are made in accordance with our AOI, investment policy, investment guidelines and all applicable laws and regulations.

2) *Summary of the Management Agreement*

a) Term of Agreement:

The term of the management agreement will be from the effective date until the termination date which is the earlier of (i) its termination in accordance with the terms set out in the management agreement or (ii) the liquidation and termination of the Company.

b) Management Fee and Performance Fee

Refer to Chapter 2 Section 13 (Fees and Expenses) for more information.

c) Our Manager's Authority

Subject to the restrictions set out in the management agreement, the applicable laws and regulations, our AOI and any further written instructions from us, our Manager has full authority at all times with respect to the management of our assets, including, but not limited to the authority to:

- (1) give written or oral instructions to any of our agents, brokers, dealers or consultants;
- (2) obligate us to contracts, arrangements or transactions, which are to be entered into by our Manager on our behalf (whether or not with or through agents);
- (3) direct or cause the sale or other disposition of any securities or investments; and
- (4) do and take all actions which the Manager considers necessary or advisable in connection with the management of our assets or considered desirable by the Manager with respect thereto.

3) *Expenses of the Company*

In addition to any other right of indemnity which it may have under the Management Agreement or at law, the Manager and its employees, officers, delegates, agents and contractors will be indemnified and entitled to be reimbursed for, or have paid by us on demand, all reasonable and documented costs incurred in relation to the proper performance of its powers and duties under this Agreement (whether by the Manager or any employee, officer, delegate, agent or contractor of the Manager). This includes but is not limited to reasonable costs as incurred in connection with:

- (1) expenses relating to the acquisition, disposition, insurance, custody and transaction of our assets including trading fees/transaction fees of the investment securities;
- (2) expenses incurred in connection with the borrowings by us, the expenses for the guarantee and fees payable to the financial institutions including hedging expenses and interest on borrowings;
- (3) expenses relating to the issuance and offering of our shares (including deposit of share certificates), and the expenses in connection with listing (including various fees payable under the relevant agreement(s) in connection with issuance of new shares, etc.);
- (4) costs and expenses for listing on the stock exchange or the official quotation of our shares and costs for compliance with the regulation of such stock exchange;
- (5) expenses in connection with the claim, dispute or litigation against us;
- (6) costs for compliance with the request or requirements under the laws or of the regulatory authorities;
- (7) expenses for deposit and settlement of the investment securities;
- (8) expenses for obtaining price information of investment securities;
- (9) expenses related to convening general meeting of shareholders, expenses incurred in connection with shareholders' resolution and communication with the shareholders;
- (10) expenses related to notice to shareholders in accordance with the PPI Act, the AOI and prospectus;
- (11) fees and expenses relating to the appointment of agents, contractors and advisors (including legal and financial advisors); and
- (12) other expenses incurred for the management of our fund and our assets.

Our Manager may cause the above costs to be deducted from our Company Assets. Our Manager also will allocate expenses incurred in connection with an Investment acquired or to be

acquired on our behalf and other clients between us and those clients proportionately to their respective interests in the Investment.

Subject to applicable laws and regulations, we will indemnify the Manager and its employees, officers, delegates, agents and contractors against any direct and indirect costs (including consequential legal expenses and damages on a full indemnity basis) reasonably incurred by or in connection with its activities carried on our behalf in the performance of its duties and obligations under the management agreement, except insofar as any cost is caused by the gross negligence, fraud or wilful misconduct of or the material breach of the management agreement by the Manager or its employees, officers, delegates, agents or contractors.

Our Manager is not indemnified for and is not entitled to be reimbursed for, or to be paid by us, any in-house administration costs of our Manager in the nature of rent for our Manager's premises, computer charges, salaries, research costs, overheads and general operating expenses and our Manager is not entitled to recover costs from us to the extent that such costs are paid by any of the companies or entities in which we invest.

4) *Manager's Duties and Responsibilities*

(1) Our Manager's Duties

Our Manager has agreed further that, where appropriate given the level of influence we have over our underlying investments, it will:

- (i) identify, assess and implement investment and divestment opportunities on our behalf;
- (ii) keep our assets under review and develop and manage our assets, including the insurance aspects;
- (iii) recommend and procure the appointment of directors of the investee companies on our behalf;
- (iv) exercise voting rights to which we are entitled in respect of our investments to the extent permitted under the relevant laws and regulations;
- (v) supervise the implementation of business and financial plans, and the development and maintenance of assets, of the investee companies;
- (vi) attend to our day-to-day management, company secretarial, accounting and reporting obligations to ensure that we comply with all laws and requirements, including the engagement of professional and technical advisers on our behalf;
- (vii) ensure we comply with the requirements of applicable laws and contractual obligations;
- (viii) carry out or cause to be carried out valuations of our assets, including our investments, in accordance with our AOI and all applicable laws;
- (ix) cause to be prepared audited annual and unaudited semi-annual accounts as required under applicable laws and requirements;
- (x) ensure the calculation and payment of taxes and duties applicable to us, if any, in accordance with applicable laws and requirements;
- (xi) manage our relationship and communications with shareholders, including causing to be prepared reports to shareholders in respect of our assets (including our investments) and operations;

- (xii) recommend, provide or procure all necessary technical, business management or other resources for investee companies;
- (xiii) make recommendations to us in relation to borrowings required to provide the funding requirements for any activity entered into by us, make recommendations on the timing of capital and raising of capital, use reasonable efforts to procure the raising of funds, whether by way of debt or equity and, in connection therewith, prepare, review, distribute and promote any prospectus, offering memorandum or other disclosure document and any related document;
- (xiv) make recommendations to us in relation to capital raisings and capital reductions;
- (xv) attend to opening, closing, operation and management of all our bank accounts and our accounts held with other financial institutions, including making deposits and withdrawals necessary for the management of our day-to-day operations;
- (xvi) make recommendations to us as to our distribution policy;
- (xvii) monitor the services provided by the Administrator, the Custodian and the Sales Agents; and
- (xviii) do all things as may be reasonably requested by us and as may be deemed by our Manager to be necessary or desirable in relation to our business including all things required under applicable laws and regulations in connection with our Manager's functions and duties under the management agreement.

Our Manager may delegate some or all of its functions to third parties subject to the management agreement, our AOI and applicable laws and regulations. If some of the above functions or duties are required, pursuant to applicable laws and regulations, to be performed by our Administrator, then our Manager may rely on the services of the Administrator, or co-ordinate with the Administrator company in the performance of such functions or duties.

Our Manager has agreed to provide us with reports with respect to its activities and the status of our investments, our assets and our liabilities as prescribed in the relevant laws and regulations and our AOI.

In addition, our Manager may distribute our shares at our request and to the extent permitted under FSCMA and the Presidential Decree of FSCMA.

(2) Our Manager's Responsibilities

- (i) To protect our investors and enhance our specialty, our Manager has to procure asset management experts under FSCMA.
- (ii) Our Manager shall provide shareholders with asset management reports (the content of which has been confirmed by our Custodian) at least on a quarterly basis. The Company as listed investment vehicle is not required to provide asset management reports by letter or e-mail if the Manager make disclosures quarterly basis by the case that is prescribed by the Regulation on Financial Investment Business. We do not provide an asset management report if a shareholder refuses to receive one or if the total appraised value of a shareholder's investment is KRW 100,000 or below.
- (iii) In the event that the Manager causes damage to investors by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of the AOI and the investment overview, and by neglecting its business, the Manager shall be held liable to indemnify for such damage.
- (iv) In the event that the Manager takes liability to indemnify for the damage in accordance with paragraph (iii), if any director or any auditor (including any member of the audit and inspection committee) is responsible for causing such damage, the

Manager as well as the director and auditor shall be held liable to jointly indemnify for the damage

- (v) If our Manager, Custodian, Sales Agent, and Administrator are deemed liable for loss incurred to shareholders and are to indemnify the shareholders by the relating laws, Manager, Custodian, Sales Agent and Administrator shall be held liable to jointly indemnify for the damage.

(3) *Public announcement of NAV*

- (i) We are an investment company under PPI Act thereby we are not obliged to announce or notice standard price every day.
- (ii) We shall submit the business report on our invested assets within two months from end of each calendar quarter to FSC, KOFIA and to the Minister of Strategy and Finance.

5) *Termination of Management Agreement*

Unless otherwise provided by law, we may terminate the management agreement and our Manager's appointment at any time with 90 days' written notice to the Manager, following a resolution passed by holders representing a majority of the Company's issued shares.

The management agreement provides that our Manager may terminate the management agreement at any time by notice in writing to us if we become insolvent or are terminated, if a receiver or administrative receiver or administrator or similar officer is appointed with respect to any of our assets or if we commit any material breach of our obligations under the management agreement and (if such breach is capable of remedy) we fail to make good such breach within 30 days of receipt of notice served by our Manager to us requiring us to do so.

The management agreement permits our Manager to resign and terminate the management agreement at any time with 90 days' written notice to us, and this right is not contingent upon our finding a replacement manager. If our Manager resigns, it is under no obligation to find a replacement before resigning. However, if our Manager resigns, until the date on which the resignation becomes effective, the Manager will, upon our request, use reasonable efforts to assist us to find a replacement manager.

If the appointment of the Manager is terminated by us for reasons other than wilful misconduct, gross negligence or underperformance in at least 14 out of 16 consecutive quarters (determined pursuant to the terms of the management agreement, as described below) or if the Manager resigns from its appointment and terminates the management agreement following failure of the Manager to be re-appointed as our corporate director, then we are required to pay to the Manager an amount equal to an amount of all management fees paid to the Manager over the past four quarters preceding the date on which the management agreement is terminated.

"underperformance" shall occur where, in any quarter (including the first quarter), the performance return is less than the performance benchmark return.

"performance return" means the amount calculated as follows:

$$PR1 = \left[\frac{B1 - IP1}{IP1} \right]$$

Where:

PR1 = the performance return for the period from the listing date to the current quarter end date.

B1 = the average of the daily closing accumulation index over the last 15 trading days of the quarter or in the case of the first quarter, the lesser of the last 15 trading days of the first quarter or the number of trading days from the listing date to the end of the first quarter inclusive, as calculated or reported by the Reporting Agency.

IP1 = means the same as item 'IP1' in the definition of first quarter return.

"performance benchmark return" means the amount calculated as follows:

$$PBR1 = (1+X)^{(N1/365)} - 1$$

Where:

PBR1 = the performance benchmark return for the period from the listing date to the current quarter end date.

X = the lower of 3.0% and the annualised rate of inflation for the relevant period representing N1 (calculated as the compound annual rate of inflation based on the change in the CPI last published before the end date of N1 from the one published closest to the start date of N1).

N1 = the number of days from the listing date to the current quarter end date inclusive.

Under the terms of the management agreement, if the Manager's term as our corporate director expires and the Manager is not re-elected as our corporate director by our shareholders in accordance with our AOI, the Manager will continue to act as our Manager until such time as a new asset manager is appointed and elected as our corporate director as required under our AOI.

Notwithstanding the paragraph above, if the Manager is not re-elected as our corporate director, we shall use our best endeavours to secure the re-election of the Manager as corporate director for so long as the management agreement remains in effect.

Upon termination of the management agreement, we will, within 30 days of the date of termination, cease to use any Macquarie brand entirely.

The management agreement will terminate on our liquidation and termination.

C. Selected Financial Information of the Manager of the Two Recent Financial Years

Set out below are summaries of the Balance Sheet and Income Statement of the Manager for its last two financial years. The Manager's financial year ends on 31 March. The information below is based on the audited financial statements of the Manager which are reported periodically to the FSC and KOFIA.

1) Balance Sheet Summary

	(In KRW billion)	
	As of 31 March 2014	As of 31 March 2013
Cash and Deposits	28.6	20.8
Other assets	9.6	9.5
Intangible assets	0.4	0.4
Property and equipment, net	0.2	0.0
Deferred income and tax assets	2.0	1.9
Total assets	40.8	32.6
Other liabilities	11.8	9.9
Provisions	0.1	0.1

Current tax liabilities	2.8	2.8
Total liabilities	14.7	12.8
Capital stock	3.8	3.8
Capital surplus	0.2	0.1
Retained earnings	22.1	15.9
Total shareholders' equity	26.1	19.8
Total liabilities and shareholders' equity	40.8	32.6

2) Income Statement Summary

	(In KRW billion)	
	1 April 2013 ~ 31 March 2014	1 April 2012 ~ 31 March 2013
Operating revenue	34.8	31.4
Operating expense	13.9	13.5
Operating income	20.9	17.9
Non-operating income	0.0	0.0
Non-operating expenses	0.1	0.0
Income before income tax	20.8	17.9
Income tax expenses	4.6	3.6
Net income	16.2	14.3

D. Assets under Management

As of 30 September 2014, our assets under management, calculated by multiplying the NAV per shares by the number of shares issued and outstanding as at that date, were KRW 1,645,022 million. As noted earlier in Chapter 2 Section 12 (Calculation of Net Asset Value), the NAV per share does not accurately reflect the underlying value of MKIF's equity and debt investments in Infrastructure Assets, nor does it reflect the value of future income from these assets, as may be judged by the market or an independent purchaser.

2. Entrusted Asset Management Business: Not Applicable

3. Custodian

A. Overview

Company Name	Korea Securities Finance Corporation ("KSFC")
Contact	10, Gookjegeumyoongro-8-gil, Yeoungdeungpo-gu, Seoul, 150-884, KOREA +82 2 3770 8800
History (Refer to the website)	http://www.ksfc.co.kr/

B. Main Duties

1) Summary of Custodian Agreement

a) Term of Agreement

The term of the custodian agreement will be from the effective date (31 March 2006) until the termination date of any liquidation if we are wound up under the related laws and regulations or our AOI.

b) *Custody Fee*

The custody fee payable to Custodian is equal to the amount of the average net asset value of the Deposited Assets (the sum of the net asset values of the Deposited Assets as of each day from the first day of the Fee Calculation Period until the Fee Withdrawal Date, divided by the number of days included in the relevant Fee Calculation Period), multiplied by 0.02/100 per annum.

c) *Fee Payment Date*

The custody fees will be paid to Custodian on the business day immediately following any of the dates below in accordance with our instructions and the measures of our service providers:

- (i) Expiration of the Fee Calculation Period;
- (ii) Winding-up of MKIF under the AOI; or
- (iii) Termination of the Agreement.

2) *Primary Roles and Responsibilities*

As our Custodian, KSFC is responsible for the custody and maintenance of our assets and matters provided in our AOI and under applicable laws and regulations. In connection with this function, KSFC is, among other things, to:

- (1) Open an asset custody account in the name of MKIF and purchase such Investment Assets as determined by the Manager in accordance with instructions from the Manager and will keep such Investment Assets in the asset custody account.
- (2) Keep and manage the Deposited Assets separate from the Custodian's own assets and the assets entrusted by other third parties.
- (3) To the extent required by law, deposit securities forming a part of the Deposited Assets with KSD.
- (4) Open a deposit account in the name of MKIF (the "Deposit Account") and manage payments for new shares and any fees and expenses payable by the Company (including fees payable to the Service Providers) as instructed by the Company (through the Asset Manager) out of the Deposit Account, the deposit/withdrawal of settlement proceeds according to the sale/purchase of Investment Assets, the deposit/withdrawal of fees, the deposit/withdrawal of non-operating expenses, the deposit of money borrowed from a third party by MKIF and the withdrawal of principal and its interest thereof, the deposit/withdrawal of interest and dividends, and all the cash received or paid in accordance with any instructions from the relevant Service Provider.
- (5) Prepare and provide every month to the Administrator a report on the details of the Deposited Assets Custodian holds on behalf of MKIF. Custodian should request the Administrator to provide a confirmation of whether the report provided by Custodian conforms to the information the Administrator has with respect to the details of MKIF's assets.
- (6) Collect distributions from the Investment Assets (including but not limited to dividend, distribution, sale proceeds, principal and its interest of bond, principal and its interest of loan, interest on deposits) and deposit such distributions into the account of MKIF.
- (7) Receive and deliver Certificates of Title and take necessary measures in relation to Certificates of Title:
- (8) In the event that Custodian doesn't receive Certificates of Title from a broker or the issuer due to any reason attributable to the broker or issuer, Custodian shall not be responsible to MKIF for any legal action, provisional attachment or any request filed

against MKIF or any fees or expenses incurred by MKIF and shall obtain Certificates of Title from the broker or issuer at the expense of MKIF.

- (9) Give prompt notice to secure Investment Assets or rights to or interests in the Investment Assets to the Manager and shall take all necessary measures to protect MKIF's rights in Investment Assets until the Asset Manager deals with such notice.
- (10) Endorse and collect the payments on a check, note to receive the cash payments in connection therewith.
- (11) In the event any Infrastructure Asset does not repay the principal or interest amount on the loan provided by MKIF on the due date, Custodian shall dispatch a notice of demand for repayment of principal or interest to the Infrastructure Asset and request the Manager to provide an instruction to collect such principal/interest amount by a certain date. In the event that Custodian does not receive the instruction from the Manager by the requested date, notwithstanding any provision to the contrary provided in this Agreement, Custodian shall not be responsible for the loss of MKIF's rights to the loan.
- (12) With respect to MKIF's cash which has not been invested, Custodian shall deposit such cash into a nominated deposit account, unless it receives any other instruction from MKIF or the relevant Service Provider, or unless it would violate the Relevant Laws and Regulations.
- (13) In the event that Custodian receives instructions for obtaining collaterals from the Manager in relation to an acquisition of Investment Assets under Subparagraph (i) above, Custodian shall obtain such collateral and manage the collateral in accordance with the customary financial practice.
- (14) Perform the matters described as the obligation of the custodian in the Relevant Laws and Regulations.
- (15) Custodian may not delegate its business which the Custodian has registered for or is licensed to do under the FSCMA to a third party, unless it is in accordance with the FSCMA.

3) *Responsibility and Liability*

- (1) Custodian shall sincerely perform its business with the care of a good manager for collective investors in accordance with the relevant laws and regulations, the AOI of the investment company, the investment overview, the trust contract or the asset custody entrustment contract.
- (2) Custodian shall be prohibited from being involved in transactions between the entrusted collective investment property and its own property or other entrusted collective investment property: This prohibition shall not apply to cases prescribed by the Presidential Decree as being necessary to operate the collective investment property efficiently.
- (3) Custodian shall be prohibited from using information on the operation of the entrusted assets of the collective investment fund for the purpose of operating its own property and the sales of collective investment securities in which it is involved
- (4) Custodian shall manage the collective investment property separately from its own property, other collective investment property and the property, the custody of which is entrusted by a third party.
- (5) Custodian shall confirm whether operational instructions given by the Manager are in violation of the related laws and subordinate statutes, the terms and conditions of the investment overview under the conditions as prescribed by the Presidential Decree and if

any violation is confirmed, ask the Manager to withdraw, change or correct such operational instructions.

- (6) Custodian shall confirm whether the operational acts of the asset management company are in violation of the related laws and subordinate statutes, the AOI of the investment company or the investment overview under the conditions as prescribed by the Presidential Decree and if any violation is confirmed, report such violation to the supervisory directors of the Company.
- (7) In the event that the Custodian causes damage to collective investors by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of the AOI of the Company and the investment overview, and by neglecting its business, the Custodian shall be held liable to indemnify for such damage.

4. Administrator

A. Overview

Company Name	KEB Investor Services Co., Ltd.
Contact	Han Oe Building 6th Floor, 43 Dadong-gil, Jung-gu, Seoul, 100-180, KOREA + 82 2 729 8402
History (Refer to the website)	http://www.kebis.co.kr

B. Main Duties

1) *Summary of the Administration Agreement*

a) *Term of Agreement*

The term of the administration agreement shall be from the effective date until the termination date of any liquidation if MKIF is wound up under the Related Laws and Regulations or its AOI.

b) *Administration Fee*

The general administrative business fee payable to our Administrator is equal to the amount of our average net asset value, calculated as the sum of our net asset value as at each day from and including the first day of the relevant calendar quarter to and including the last day of the relevant calendar quarter, divided by the number of days in the relevant calendar quarter, multiplied by 0.0125/100 per annum.

c) *Fee Payment Date*

The first business day following the last day of each calendar quarter (31 March, 30 June, 30 September, and 31 December).

2) *Main Roles and Responsibilities*

The primary functions of the Administrator are to:

- (1) convene and administer board meeting and shareholders' meeting;
- (2) maintain our share registry;
- (3) act as transfer agent for transfers of our shares;

- (4) communicate notices to our shareholders;
- (5) deposit shares into the relevant shareholder's transaction account, upon request of the Sales Agents;
- (6) issue and deliver physical share certificates to shareholders as necessary, to the extent permitted by applicable law;
- (7) maintain records of share transactions;
- (8) co-ordinate filings, communication with the public and regulatory authorities and other related actions;
- (9) pay and record our expenses, general costs and remuneration to our Manager, Custodian and Sales Agents;
- (10) calculate the net asset value of our assets and the price of newly issued shares;
- (11) calculate our Manager's fees and/or commissions;
- (12) prepare and file tax returns;
- (13) notify and confirm the types and details of our assets with the Custodian on a monthly basis;
- (14) assist in the preparation and/or submission of financial statements, annual reports and other reports;
- (15) assist in maintenance of our corporate status; and
- (16) conduct any other business incidental to the above.

3) *Administrator's Agreement with Korea Securities Depository*

Our Administrator has entered into an entrustment agreement with the Korea Securities Depository ("KSD"), to delegate its share registrar services and transfer agent services as permitted under FSCMA. Under the entrustment agreement, the KSD receives fees from our Administrator for acting as our share registrar and transfer agent.

4) *Re-entrustment of Entrusted Business*

The Administrator may entrust its duty to a third party if such duty is not related to any one of our essential tasks or such duty does not entail any potential conflicts of interest to the collective investors. The Administrator may entrust its business to 3rd party, except in the circumstances below as provided under the FSCMA.

- (1) Affairs relating to the management of the investment company (not including simple tasks such as notification of the General meeting of shareholders).
- (2) Calculating the value of collective invested properties.

If any loss is incurred by us or other service provider arising out of, among others, any negligence on the part of Administrator in its performance of the entrusted business or violation of the administration agreement on the part of the Administrator and the Administrator is deemed liable for such loss, the Administrator shall be liable to indemnify us or the other service provides against such loss severally or jointly with any of our directors or other service providers who are liable for such loss.

5) *Responsibility and Liability*

- 1) The Administrator shall sincerely perform its business with the care of a good manager for investors.
- 2) In the event that the Administrator causes damage to us, the Manager, the Custodian or any Sales Agent, by performing any act in contravention of Acts and subordinate statutes, the terms and conditions of the AOI and the investment overview, and by neglecting its business, the Administrator shall be held liable to indemnify for such damage.
- 3) In the event that the Administrator, the Custodian, the Manager, the Sales Agent and the Bond Valuation Company become liable to indemnify for damage caused to investors, the Administrator as well as the Custodian, the Manager, the Sales Agents or the Bond Valuation Company shall be held liable to jointly indemnify for the damage.

5. Fund Valuation Companies: Not Applicable

6. Bond Valuation Companies

A. Overview

Company Name	Nice Pricing Services, Inc.	Korea Asset Pricing
Contact	19, Gukhoe-daero 70-gil, Yeongdeungpo-gu, Seoul, Korea +82 2 398 3900	4th Floor Samhwan Building, 88, Yulgok-ro, Jongro-Gu, Seoul, Korea + 82 2 399 3350
History (Refer to websites)	http://www.npricing.co.kr/	http://www.koreabp.com/

B. Primary Functions and Duties

Bond valuation companies appraise invested assets such as bonds and financial derivatives and provide the information to the investment institutions.

CHAPTER 5. SHAREHOLDERS' RIGHTS

1. Shareholders' Rights

A. General Meeting of Shareholders, Board of Directors and Voting Rights

1) *General Meeting and Voting Rights*

a) General Meeting of Shareholders

We hold an annual general meeting of shareholders within three months after the end of each fiscal year when we have an agenda to be approved by shareholders meeting. The shareholders registered on the shareholders' register as at 31 December of a fiscal year shall be deemed shareholders who may cast votes at the ordinary general meeting of shareholders for the fiscal year. The shareholders' register shall be closed from 1 January of each year for a certain period of time that is notified to KSD in accordance with our AOI. Under FSCMA, if our Custodian or any shareholder holding five percent. or more of our issued and outstanding shares requests that our board of directors convene a general meeting of shareholders by giving written notice specifying the purpose of and reason for convening such meeting, the board of directors is required to convene a general meeting of shareholders within one month of such request. If the board of directors takes no action to convene such general meeting of shareholders without justifiable reason within one month, the custodian or the shareholder holding five percent. or more of our issued and outstanding shares may convene a general meeting of shareholders with the approval of FSC.

The Korean Commercial Code provides that a shareholder who holds at least three percent of the total number of the issued and outstanding shares may request the board of the company to convene a shareholders' meeting. It is, however, unclear whether the relevant provision under the Korean Commercial Code should be applicable to our shareholders, as it is possible that the relevant provision under FSCMA set forth above may be deemed to override the provision under the Korean Commercial Code and there is no case precedent available on this point.

In addition, a shareholder who has held three percent or more (or 1.5 per cent. or more in case of a corporation whose capital is more than KRW 100 billion) of the total number of the issued and outstanding shares for six months in accordance with the relevant laws and regulations may exercise his/her right to convene the shareholders' meeting under the FSCMA.

We are required to give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks prior to the general meeting of shareholders. This notice may be made with computer telecommunication. The agenda of the general meeting of shareholders is determined at the meeting of the board of directors or may be proposed by a shareholder meeting the shareholding requirements as follows. A shareholder who has held one percent or more (or 0.5 per cent. or more in case of a corporation whose capital is more than KRW100 billion) of the total number of the issued and outstanding shares for six months in accordance with the relevant laws and regulations shall have the right to propose an agenda item for the shareholders' meeting under the FSCMA. Such proposal by a shareholder should be made in writing either by letter or e-mail at least six weeks prior to the meeting. A director must report the proposal to the board of directors, and the board must adopt the proposal as an objective of the general meeting of shareholders unless it violates the relevant laws and regulations, or our AOI. Upon request, the shareholder must be given an opportunity to explain the declined proposal at the general meeting of shareholders. Shareholders not registered on the shareholders' register on the record date cannot receive invitation to the meeting or exercise any voting rights.

Our shareholders' meetings shall be held at our head office or at any other place determined by the board.

b) Postponement of General Meeting of Shareholders

Unless otherwise specified in the Company's AOI or the relevant laws and regulations, the resolutions shall be adopted with the approval of a majority of the votes of attending shareholders and 1/4 or more of the total number of shares issued. If the resolution in accordance with this fails to be made, the corporate director shall convene the postponed meeting of shareholders (the "Postponed Shareholders' Meeting") within 2 weeks therefrom. A notice to reconvene the general meeting of the shareholders is to be sent to shareholders at least one week prior to the date of the rescheduled meeting.

At the Postponed Shareholder's Meeting, the resolutions shall be adopted with the approval of a majority of the votes of attending shareholders and 1/8 or more of the total number of shares issued. For the matters that would otherwise require at least the 2/3 of the shares present at the meeting and the majority of the total number of shares issued and outstanding, such matters may be approved by the affirmative votes of at least 2/3 of the shares present at the Postponed Shareholders' Meeting.

c) Voting Rights

Holders of our shares are entitled to one vote for each share. Cumulative voting for appointment of directors is not permitted.

Under FSCMA and the AOI, unless specified by other laws, for ordinary resolutions to be adopted at the general meeting of shareholders approval from the majority of voting rights present is required that in total must represent a quarter or more of the shares issued and outstanding. For matters to be approved with special resolutions under Article 434 of the Korean Commercial Code, they shall be resolved with the approval of the holders of at least two-thirds of the shares present at the meeting and at least one-third of the total number of the shares issued and outstanding.

The general meeting of shareholders shall decide the following matters, unless otherwise regulated by the AOI or FSCMA:

- (1) appointment of directors;
- (2) change of the asset management company that is our corporate director and the custodian (for the purposes of this paragraph, "change" shall mean the appointment of a new asset management company (or a new custodian) or dismissal of the existing asset management company (or the existing custodian) but shall not mean the re-appointment of the existing asset management company (or the existing custodian));
- (3) our dissolution;
- (4) amendment of the AOI with respect to an increase of remuneration or other commissions payable to the asset management company or the custodian, a change in our period of existence or the reasons for our dissolution, or a change in our company type according to Article 229 of the Enforcement Decree ("ED") of FSCMA;
- (5) Change in principle investment assets.
- (6) Change of open-ended investment company into closed-end investment company; and
- (7) Other matters designated by relevant laws and regulations.

Amendment of the AOI with respect to an increase of remuneration or other commissions payable to the asset management company or the custodian, a change in the asset management company or the custodian, a change in our duration, or a change in our company type according to Article 229 of ED of FSCMA needs at least two-thirds of the shares present at the meeting and at least one-half of the total number of the shares issued and outstanding.

Change of the asset management company and change of the company's duration shall need at least a majority of affirmative votes out of total number of issued stocks.

Shareholders may exercise their voting rights by proxy. Under our AOI, the proxy does not have to be a shareholder. The holder of a proxy must submit an instrument evidencing the relevant power of attorney prior to commencement of a general meeting of shareholders in order to exercise voting rights.

Shareholders may exercise their voting rights in writing. The shareholder must state the details of his intentions on the form which the company have sent and submit the document within 2 business days from the general meeting. The number of votes exercised in writing shall be added to the number of votes present at the general meeting.

Provided, that, in relation to the shareholders who does not exercise his/her voting right, if below conditions are all met, then it will be deemed to exercise his/her voting right which does not affect the result of the voting exercised by the attending shareholders (the "Shadow Voting"):

- (1) no voting right has been exercised by the shareholder notwithstanding the given notice of the shareholders meeting which contains the methods of exercising voting rights including the Shadow Voting by way of written notice, telephone, telex, fax, email or any other similar electronic communication;
- (2) the total number of shareholders who exercised their voting right on shareholders' meeting is equal to or more than 1/10 of the total number of shares issued; and
- (3) satisfaction of the conditions of Shadow Voting and the result of the meeting of shareholders should be immediately delivered to the shareholders and disclosed on the website of MKIF.

d) *Rights of Dissenting Shareholders*

Under FSCMA and our AOI, in some limited circumstances, including our merger or consolidation with another company, or the passing of a resolution of a general meeting of shareholders to amend certain articles of the AOI, dissenting shareholders have the right to require us to purchase their shares.

- (1) To exercise this right, a shareholder must submit to us a written notice of its intention to dissent before the applicable general meeting of shareholders. Within 20 days after the relevant resolution is passed, the dissenting shareholder must request the purchase of the shares it holds by filing a letter to us describing the number of the shares it holds and seeks to sell.
- (2) We may not charge the shareholder any fee for the purchase of the shares or other expenses related to such purchase.
- (3) We shall, upon request for purchase of the shares as set forth above, purchase such shares in accordance with the terms outlined in the paragraph below, provided, however, that if we cannot comply with such request for purchase due to insufficient funds, such purchase of the shares may be deferred with the approval of the FSC.
- (4) The purchase price for the shares of dissenting shareholders shall be determined at the net asset value per share calculated on the day immediately before the date of the shareholders' resolution (when the shares are not listed), or the weighted average (by actual trading volume) of the daily closing market prices on the stock exchange published for the period of 15 trading days starting from 15 trading days prior to the date of the shareholders' resolution until the day before the date of the shareholders' resolution when the shares are listed. We shall pay for the shares in cash to dissenting shareholders within 35 days from the date of the shareholders' resolution.

B. Distribution of Remaining Assets

1) *Payment request in event of settlement or liquidation*

- a) Shareholders may request for distribution of remaining assets in the event of liquidation or settlement.
- b) After our Manager has handed over settlement dividend or liquidating dividend to Sales Agents, the Sales Agents are deemed to be responsible for the payment to shareholders.

2) *Negative prescription*

If shareholders do not request the payment for five years from the starting date of settlement dividend or liquidating dividend payment, he shall lose the rights and the rights will revert to our company.

C. Inspection Rights

Under Article 91 of FSCMA and Article 95 of its Presidential Decree, upon written request from a shareholder, we are required to permit such shareholder to inspect our books and records relating to our assets during normal working hours, or deliver copies or extracts to shareholders, unless:

- 1) there is a concern that the shareholder could use such information in any transaction or business or provide such information to others;
- 2) there is a clear possibility that permitting such inspection is likely to result in a loss to other shareholders; or
- 3) it is impossible to comply with such inspection request due to expiry of the preservation period stipulated by applicable laws and regulations due to our liquidation.

The books and documents that the investors may request for the purview or the issuance of the certified or original copies are:

- 1) statements of the collective investment property;
- 2) books of the NAV per unit (share) of the collective investment securities;
- 3) financial statements and attachments thereof; and
- 4) statements of asset sales transactions.

An asset management company, an investment company or a sales company which refuses the request of the investors due to reasons under each of the items of the above shall give notice thereof to the investors in writing.

D. Indemnification Responsibilities

If any loss is suffered by us as a result of any negligence on the part of our Manager, Sales Agent, Administrator, or Custodian ("service providers" hereinafter) arising out of the performance of its duties, the service provider is deemed liable for such loss. In cases where more than one service provider is to reimburse us or a third party, the service provider shall jointly indemnify with any director, auditor, and other service providers who may be deemed liable for the loss.

The service providers shall jointly indemnify if the service providers are deemed to have caused loss to the investors under FSCMA.

E. Jurisdiction

- 1) The Manager, the Custodian, the Administrator or the Sales agent shall institute litigation relating to their agreements with us only through the court that has jurisdiction over our business district.

- 2) Shareholders may institute litigation through either the court that has jurisdiction over the shareholders' residential district or the court that has jurisdiction over the Manager's or Sales Agent's business district. If the shareholder is a non-resident under item 13, Article 3 of Foreign Currency Trade Act, the shareholder shall institute litigation only through the court that has jurisdiction over the Manager or the Sales Agent's business district.

F. Other matters regarding protection of shareholders' rights

1) *Shareholders' Rights for Representative Action*

Any shareholders who has held more than one hundredth or more of shares of a company in accordance with the Commercial code or who has held 1/10,000 or more of the shares of a company for six months in accordance with the relevant laws and regulations may demand that the company file an action against a director in connection the director's liability. In such case, if the company fails to file such action within 30 days from the date when such demand is received, the shareholder may immediately file such action on behalf of the company, provided that if the company may suffer irreparable damage with the lapse of the 30 days, the shareholder may immediately file such action without waiting for 30 days.

2) *Deposit and Issue of the Shares*

- a) We shall issue our shares without any delay from our company's foundation date or new shares' payment date in the title of KSD by the method provided under paragraph 5, Article 309 of FSCMA.
- b) The Sales Agent shall prepare and keep the customers account book in which the following matters are stated:
 - (1) Names and addresses of customers;
 - (2) Types and number of deposited securities, and names of issuers; and
 - (3) Shares in the customers account book and the depositors account book are considered to be deposited in KSD under paragraph 4, Article 310 of FSCMA.
 - (4) Shareholders who are stated in the customers account book and the depositors account book shall be considered to hold the respective securities under paragraph 1, Article 311 of FSCMA.

3) *Delivery of deposited shares*

- a) Beneficial shareholders may request a Sales Agent to deliver deposited shares anytime. The promoter may request the company for the shares which were taken over at the time of company's foundation.
- b) If there is a request for deposited shares as referenced in paragraph (a), we shall issue and deliver share certificates in thirteen denominations, such denominations being 1 unit, 5 units, 10 units, 50 units, 100 units, 500 units, 1,000 units, 10,000 units, 100,000 units, 1,000,000 units, 10,000,000 units, 100,000,000 units and 1,000,000,000 units. We may charge actual costs for the preparation and delivery of the share certificates to the shareholder.
- c) The shareholder shall, when requesting the delivery of the share certificates, make such request in such manner to minimize the number of certificates delivered.

4) *Redelivery of Certificates*

- a) If a shareholder loses or otherwise destroys share certificates due to the loss or theft or a similar

reason, the shareholder may request re-delivery of the share certificates from our Company through any distributor or Transfer Agent (as defined herein) in accordance with the procedures specified by our Company, and accompanied by an original or certified copy of a nullification judgment obtained from a court after public notice.

- b) If share certificates are stained or damaged, a holder may request the re-delivery of such share certificates from our Company in accordance with the procedures determined by our Company, and accompanied by such share certificates; provided that when the stain and/or damage are/is so extreme that the beneficial certificates are not legible, Paragraph 1 above shall apply *mutatis mutandis*.
- c) If we re-deliver a share certificate pursuant to paragraphs a) and b) above, we may request reimbursement of its actual costs from the shareholder who has requested such re-delivery.

5) Transfer of Shares

- a) In transferring shares, a shareholder shall deliver¹⁾ the relevant share certificates to transferee.
- b) If a transfer or pledge is registered in the Customers Account Book for Investment Company maintained by the distributor, the share certificates shall be deemed to have been delivered to the transferee or the pledgee.
- c) In connection with a transfer of shares made by delivery of the relevant share certificates outside Korea Exchange the person who has physical possession of the share certificates shall be presumed to be a holder in due course. However, the transferee may not assert its rights against our Company, unless his/her name and address are registered in the registry of shareholders.

6) Transfer Agent

- a) We shall delegate the transfer agency business to the administrator (the “Administrator”) whose name is in the Administration Agreement made between the Company and the Administrator. KEB Investor Services Company, the Administrator, re-delegated the transfer agency business to KSD.
- b) The Administrator as a transfer agent (the “Transfer Agent”) shall maintain the shareholders’ registry of the Company or the counterpart thereof at its place of business and shall perform the transfer of shares, registration or cancellation of the pledge, registration or cancellation of collective investment property, issuance of share certificates, receipt of the report and other businesses relating to the shares.
- c) Any shareholder who holds share certificates of our Company, any registered pledgee and/or its respective legal agent shall report its name, address and seal or signature to the Transfer Agent.
- d) Any shareholder or registered pledgee in a foreign country shall designate and report its respective legal agent to receive the notice in Korea.
- e) Any legal agent referenced in paragraphs (c) and (d) above shall submit written documents evidencing its right to act as the legal agent.
- f) In the event of any change to any of the matters reported under paragraphs (c) and (e) above, the shareholder, pledgee or legal agent (as the case may be) shall submit an update report to the Transfer Agent following the same procedure as set out in paragraphs (c) and (e).

¹⁾ The delivery may be made in any of the methods enumerated under Articles 188, 189, 190 of the Korean Civil Code, including physical delivery.

- 7) You may request the Manager or the Sales Agent for our AOI or any additional information.
- 8) You may request information on performance features such as change in standard price, to our Manager or Sales agent.
- 9) You may read or photocopy this investment overview and the change in standard price at KOFIA or on the KOFIA's website. (<http://www.kofia.or.kr>)

2. Dissolution of Company

The Company shall dissolve itself in any of the following events:

- 1) by a resolution adopted by the general meeting of shareholders;
- 2) mergers;
- 3) insolvency;
- 4) court order or judgment; or
- 5) cancellation of registration by the order of the FSC.

If any of the above events occur, a receiver or liquidator shall report the fact of dissolution to the FSC within 30 days of the dissolution.

3. Disclosure

A. Regular Disclosure and Reports

1) *Asset Management Report*

- a) Our Manager shall prepare an asset management report every calendar quarter or at the point of expiration of our fund, and disclose the asset management report to shareholders, under supervision of the Custodian.
- b) We do not provide the asset management report to shareholders who express their intention not to receive the asset management report or to shareholders who hold shares with an actual or estimated aggregate value of KRW 100,000 or less, or where the asset management report is disclosed in line with the FSC' Regulations on Financial Investment Business as a listed investment company.
- c) The asset management report is available on our website (<http://www.macquarie.com/mkif>).

2) *Asset Custody Report*

- a) Our Custodian shall prepare an asset custody report within two months after the end of the fiscal year of the investment company and distribute the report to the shareholders of the investment company by letter unless shareholders express their intention to receive the asset custody report via e-mail; Provided, That the same shall not apply to a case where the Company is listed investment vehicle and the Custodian make disclosures by the case that is prescribed by FSCMA.
- b) Our Custodian shall prepare an asset custody report within two months after the end of each fiscal year and shall report to the FSC and KOFIA.

3) *Business Report*

An infrastructure fund shall submit a business report to the Ministry of Strategy and Finance (former the Ministry of Planning and Budget), KOFIA and the FSC on a quarterly basis.

FSC and KOFIA shall open the submitted report to the public.

4) *Audit Report*

- a) The Company shall undergo an accounting audit of the collective investment property within two months from the last day of the accounting period, the date of expiration or termination of the contract term of the investment, or the date of dissolution.
- b) After auditing the Company's assets, the auditor shall submit an audit report to the Manager immediately, containing balance sheet, income statement, NAV calculations and transaction details between parties interested.
- c) After the Manager has received the audit report, the Manager shall submit the audit report immediately to the FSC, the KOFIA, the Sales agent, and the Custodian.

B. Continuous Disclosure

1) *Amendment to the AOI*

- a) If we amend our AOI in any of the ways described below, we shall disclose such amendments by a notification to all shareholders.
 - (1) Change in calculation method which leads to an increase in fees or other commissions payable to the Asset Manager or the Custodian;
 - (2) Change in the Asset Manager that is the corporate director of our Company, or the Custodian;
 - (3) Change in the period of existence of our Company; or
 - (4) Changes in other matters, including the type of the company, related to shareholders' interests according to the provisions of Article 195 (1)-4 of FSCMA.
- b) Amendments other than those set out under a) shall be disclosed on our website (<http://www.macquarie.com/mkif>).
- c) Notwithstanding a) and b) above, in case of rewording or minor change in the AOI or changes by the relevant laws and regulations or by the order of the Governor of the Financial Supervisory Service, we shall post the contents of the amendment at the business places of our Manager and our distributor for at least one month.

2) *Exercise of the Voting Rights*

- a) Our Manager is not bound by Article 87 of FSCMA and may freely exercise the voting rights without disclosure in accordance with the PPI Act.
- b) Directions of exercising the Voting Rights

Our Manager must exercise the voting rights in relation to agenda at shareholders' meetings in order to improve the Company's economic value and protect the rights of shareholders by considering following:

- (1) Improved profitability through operations
- (2) Increased intrinsic value of the Company

- (3) Improved corporate governance and financial structure of the Company

c) Method of Exercising the Voting Rights

- (1) Our Manager may exercise its voting rights itself or delegate a proxy who is the issuer of the shares. Our Manager shall submit an instrument evidencing its representing power. The instrument shall contain our Manager's pro et contra.
- (2) In other cases, our Manager may exercise its voting right in writing under the AOI of the Infrastructure Asset.

3) *Continuous disclosure items*

a) We shall disclose without delay the matters falling under any of the followings headings:

- (1) Change of registered key fund managers.
- (2) Decision on delaying or resuming redemption and reasons thereof.
- (3) In case where such bad assets as described by the relevant laws and regulations, the details thereof and a write-off ratio thereof.
- (4) Details of resolutions adopted by a general meeting of shareholders.
- (5) Material amendment of the AOI or the prospectus. However, such disclosure is exempted if the amendment to the AOI is not significant and is triggered as a result of changes in governing laws.
- (6) The merger or spin-off of the asset management company, or the assignment or acquisition of a business.
- (7) if the asset management company corrects the miscalculation of the NAV per unit (share), the details thereof provided by the Administrator.
- (8) Information disclosed on the LSE, as permitted under Korean laws and regulations.
- (9) Distributions.
- (10) Decision on investment or divestment of infrastructure projects.
- (11) Cash drawdown for investment or repayment of principal and interest (for single drawdown of KRW 50 billion and above).
- (12) Material changes of concession agreements.
- (13) If MKIF borrows or issues bonds above KRW 10 billion.
- (14) Quarterly calculation of the NAV per share (refer to quarterly asset management reports).
- (15) Bankruptcy of a company under investment or equivalent matters.
- (16) Administrative sanction from Financial Supervisory Authority in the UK.

b) We shall:

- (1) post the contents on the website of the Manager, the Sales agents, and KOFIA;
- (2) provide the business information via e-mail distributed by Sales agents;
- (3) prepare the relevant books and documents in the head office and branch offices of the

Manager and the Sales Agents; and

- (4) release a market disclosure through Korea Exchange and London Stock Exchange news release system

KOFIA http://www.kofia.or.kr	143, Uisadang-daero, Yeongdeungpo-gu, Seoul 150-974, Korea	Tel: 82-2-2003-9000
MKIF http://www.macquarie.com/mkif	9h Floor, Hanwha Building, 109 Sogong-ro, Jung-gu, Seoul 100-755, Korea	Tel: 82-2-3705-8565

4. Related Party Transactions

Under the FSCMA, our Manager is required to report to the FSC transactions with related parties that relate the investment and management activities of MKIF. During the financial year ended 31 December 2013, no related party transaction has incurred.

(Unit: KRW million)

Related Party		Type of trade	Type of asset	Amount
Name	Party Affiliate			
N/A				