

ASX Announcement

Australian Infrastructure Fund (AIX)

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Letter updating securityholders on proposal from Future Fund

The attached correspondence regarding the progress of the proposal from the Future Fund to acquire all of the assets of AIX will be sent to AIX securityholders in due course.

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26 September 2012

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Dear AIX Securityholder,

Update on Proposal from the Future Fund

We are writing to update you about progress with the proposal from the Future Fund to acquire all of the assets of the Australian Infrastructure Fund (**AIX**). This proposal was announced on 24 August 2012, and a copy of that announcement can be found at www.hfm.com.au/asxlisted/funds/aif/.

Under the proposal, Future Fund wishes to acquire the underlying assets of AIX, which means that the proposed transaction is, as expected, more complex and protracted than would otherwise be the case for the acquisition of the securities in AIX. In supporting the proposal, in the absence of a superior offer, the independent directors had careful regard to the complexity and timescale involved.

The proposed transaction is conditional on, among other things, confirmatory due diligence and final approval by the Future Fund. It is also conditional upon approval by AIX securityholders. We plan to seek this approval at a meeting presently scheduled for 13 December 2012. The Australian Securities and Investments Commission has allowed us to delay the AIX annual general meeting (AGM) so that the AGM and the meeting to consider this proposal can be held together.

We expect to send you the notice of meeting, Explanatory Memorandum and other relevant documents in November. These documents will contain additional information in relation to the proposed transaction, including an estimation of net proceeds to AIX securityholders from the transaction.

The effect of the proposed transaction will be to replace the existing investments of AIX with cash. The proposed \$2 billion sale price equates to about \$3.22 per stapled security. AIX intends to distribute the net proceeds in cash to securityholders and proceed to wind up or arrange for the sale of the residual entities of AIX. Current planning is for the substantial majority of the cash distribution to be made in the period between April-June 2013. The precise amount to be distributed to securityholders will depend on a range of factors that have yet to be fully assessed. Any remaining cash available for distribution following wind up or sale of the residual structure would be distributed, together with any franking credits then available, as soon as possible thereafter, probably prior to 31 December 2013.

AIX expects to derive a net capital gain on the sale of its assets. The distribution of the sale proceeds will involve tax implications for each securityholder. The substantial majority of the AIX capital gain is expected to be derived by the Australian Infrastructure Fund Trust (**AIFT**). The proceeds representing that capital gain will be distributed by AIFT to securityholders and will be taken into account in determining their taxable income. Australian Infrastructure Fund Limited (**AIFL**) will be taxed on the capital gain it derives and the net proceeds will be returned to securityholders as a payment of a franked dividend and return of share capital. At this stage it is estimated that the capital gain derived by AIFT will be approximately \$1.98 per security and the estimated capital gain derived by AIFL will be approximately \$0.10 per security, although this is subject to, among other things, the allocation of the sale proceeds between the AIFT and AIFL assets.

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Following the distribution by AIFT of its capital gain to securityholders, it is proposed that the units in AIFT will be cancelled and that securityholders will receive a payment equal to the then net value of their units (currently estimated to be approximately \$0.89 per AIFT unit). Upon cancellation of these units, AIFT will become wholly owned by AIFL. This will facilitate an orderly and efficient winding up of AIFT and will avoid the administrative costs associated with AIFT being a listed, widely held entity. The cancellation of units in AIFT will be subject to securityholder approval. If approved, the cancellation will result in a CGT event happening. A securityholder will realise a capital loss on the cancellation of their units if the reduced cost base of their AIFT units exceeds the amount received on cancellation. Conversely, a securityholder will realise a capital gain on the cancellation of their units if the amount received on cancellation exceeds the cost base of their AIFT units.

As the tax implications of individual securityholders will differ depending on their own individual tax circumstances, we will encourage you to seek your own tax advice in due course. A description of the tax consequences of the transaction will be included in the Explanatory Memorandum which will be sent to securityholders.

AIX has sought co-investor consent to the disclosure of confidential information on its assets to enable Future Fund to undertake its confirmatory due diligence. Once Future Fund is provided with due diligence materials, it will have a period of 4 weeks to complete its due diligence and sign a binding implementation agreement with AIX. Once the proposal has been approved by securityholders and binding sale agreements agreed with Future Fund, the co-investors in certain of AIX's assets must be offered an opportunity, in accordance with the relevant shareholders' agreements in each case, to seek to match Future Fund's offer price. This process is expected to take some time following the December AGM.

The current indicative timetable for the process is as follows:

End-October	Future Fund completes due diligence and executes a binding implementation agreement with AIX
Mid-November	Documents to be dispatched to securityholders
Mid-December	AGM and meeting for securityholders to vote on the proposal and, if approved, execution of conditional sale and purchase agreements by Future Fund and AIX
End-February	Pre-emption rights period expires; assets are sold shortly thereafter
Mid-April	Audit and due diligence for return of funds are completed
End-April	Pay major distributions to securityholders

We continue to support the proposed sale of AIX's assets to the Future Fund, in the absence of a superior proposal. But the asset sales and the subsequent return of proceeds to you are complex. There are also a large number of parties involved, including the co-investors in each of AIX's assets, and this may cause delays or changes to the proposal. Any developments that may be relevant to the value of AIX securities will be notified to the ASX and published on www.hfm.com.au/asxlisted/funds/aif/.

In the event the proposed transaction with the Future Fund does not proceed, we intend to seek the approval of AIX securityholders to continue with the internalisation of AIX's management, which was announced on 29 June 2012, prior to the approach from the Future Fund.

Please note, **you do not need to take action in relation to your AIX securities regarding the proposal at this time**. We will keep you informed of all material developments, either directly or via ASX announcements. If you have any questions you can call the information line on 1800 606 449 (toll-free within Australia) or +61 2 8256 3382 (outside Australia).

Yours sincerely



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