



Macquarie NexGen Global Infrastructure Corporation (MNF.CN)

Update August 30,
2007



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Summary



- The Macquarie NexGen Global Infrastructure Corporation (“MNF” or “the Fund”) commenced investing on March 23, 2007.
- The Fund is geographically diversified, with investments in the securities of 39 infrastructure companies listed in 13 countries (at June 30, 2007).
- The Fund is invested in the securities of infrastructure companies which own/operate a range of infrastructure assets, including pipelines, electricity generation, transmission and distribution assets, airports, water utilities, ports and toll roads.
- Total Asset Value of the Fund as of June 30, 2007 was approximately C\$95.6m.
- From inception to August 23, 2007, total NAV return was -8.9% (after removing agent’s fees and start-up expenses). The Fund has been negatively impacted by unfavourable currency movements and fears over higher corporate borrowing costs caused by US sub prime issues. Over the same period, the Benchmark⁽¹⁾ index return was -7.8%.
- From June 30, 2007 to August 23, 2007 the fund total return NAV was -8.8% and the share price performance -16.8% (ex two distributions paid). This compares to the global equities index MSCI world (CAD) performance of -4.7% and Benchmark ⁽¹⁾ index return of -3.9%.
- Underperformance quarter to date has been due to the knock-on effect of US subprime issues and this has impacted particularly the US and Australian portfolio holdings.

(1) The Macquarie Global Infrastructure Index Total Return (adjusted for CAD), based on stocks with an infrastructure/utilities bias, has been chosen by MAIL as a comparable to the Fund because it measures the accumulated returns of infrastructure securities worldwide.



Performance Since Inception – March 22, 2007 to August 23, 2007



	3/22/07 (Inception)	8/23/07	Return (CAD)	Return ⁽¹⁾ (%)
NAV	\$9.35	\$8.26	-1.09	-11.7%
Distributions Paid		\$0.26	+0.26	+2.8%
Total Return		\$8.52	-0.83	-8.9%
Represented by:				
Local Return			-0.23	-2.5%
Foreign Exchange			-0.60	-6.4%
Total Return			-0.83	-8.9%
Market Price	\$10.00	\$7.90	-\$2.10	-21.0%
(Closing) MGII (CAD\$)				-7.8%

(1) MAIL estimates
Source: State Street and MAIL



Performance Since Inception –

23 March 2007 to 23 August 2007



- Since inception, the Fund has been negatively impacted by the strengthening in the Canadian dollar.



Source: Bloomberg and MAIL



Portfolio Commentary – since June 30, 2007



- Since June 30, 2007 the total return NAV to August 23 has been -8.8%.
- The weakest segments of the portfolio have been the USA and Australian holdings.
- In the USA, our investments in the US MLPs (mostly gas and oil pipeline businesses) have been weak. The fund positions have moved broadly in line with the Alerian MLP index which has declined by 8.3% (to August 23). The MLP investments have been weak due to concerns over increased borrowing costs for their planned capex programs.
- The Australian investments declined due to broad Australian stock market weakness and concerns around the sophisticated financial structures used by Australian infrastructure companies. Additionally, the Australian dollar was very weak against the Canadian dollar falling 4.6% to August 23.
- The manager uses a ‘benchmark unaware’ strategy that mostly avoids investments in the large, competitive utilities that dominate the MGII. Hence, the observed short term variance to the MGII benchmark.



Recent Market Volatility



- The current market sell-off has been caused by difficulties in US sub-prime mortgages leading to raised concerns that higher corporate borrowing costs and a tighter credit environment will slow takeover activity, spur debt defaults and reduce corporate earnings.
- Market volatility has largely unaffected the fundamentals of the businesses in which the fund is invested. Infrastructure entities are typically of investment grade credit quality and have long-dated debt programs, both of which minimise the potential impact of widening credit margins.
- The strong growth prospects for the sector continue to be driven by the ongoing requirements for infrastructure investment.
- The Fund's investment strategy remains unchanged. The recent price weakness has provided us with selective opportunities to access quality stocks at what we believe to be attractive pricing levels.
- Over time, the fund is expected to exhibit lower volatility due to the low beta, defensive characteristics of the companies in which it invests.



Financial Structures in Portfolio



- Analysis that we have conducted as part of our due diligence before making the investments and also post the US subprime issues shows us that the companies that we are invested in are financially robust.
- Recent portfolio statistics which support this:
 - Leverage not excessive. eg. Net debt to Enterprise Value (EV) <40%.
 - Long term debt in place. eg. Average duration of outstanding debt approximately 7 years.
 - Short term refinancing risk minimal. eg. Average debt to be refinanced over next 3 years is approximately 15%.
 - Refinancings that our companies have undertaken recently have been on similar terms to pre the subprime crisis.



Key Themes

Inception to August 23, 2007



- Recent key events and themes in the global infrastructure securities sector include:
 - **Renewed Credit Market Concerns** – Global equity and bond markets have been volatile recently due to renewed concerns over flow on effects from deterioration in the US subprime market.
 - **Corporate Activity/ Takeovers** – Have been a feature over the last 6 months. Iberdrola SA announced a takeover offer for Energy East Corporation, a regulated publicly-owned utility in the United States. Iberdrola is a leading Spanish electric utility. Macquarie Airports shares rallied after the announced sale of its stake in Rome Airport to Gemina S.p.A. Macquarie Airports is an Australian listed entity which invests in airports around the world. Auckland International Airport shares rallied strongly after the company notified the market of approaches made by the Canada Pension Plan Investment Board and subsequently Dubai Aerospace to acquire the company.



Key Themes (continued)

Inception to August 23, 2007



- **Privatisations** – shares in Electricite De France, a French integrated electric utility, rallied strongly on investor expectations for additional sales of government-owned concessions to private enterprise. The stock also has been supported by positive market views on nuclear power plant lifespan and a more favorable outlook for electricity tariffs.
- **Initial Public Offerings** – there continued to be a number of initial public offerings in the global infrastructure sector during the period, including:
 - **Transfield Services Infrastructure Fund** - commenced trading on the Australian Stock Exchange in June at an 8% premium to the offering price. The Fund initially comprises ownership interests in five power generation assets and two water filtration assets in Australia. This was not offered to Canadian investors.
 - **Spectra Energy Partners LP (SE)** commenced trading on the New York Stock Exchange at a 25% premium to the offering price in late June. This master limited partnership owns and operates natural gas transportation and storage facilities. This offering was only available to US investors.

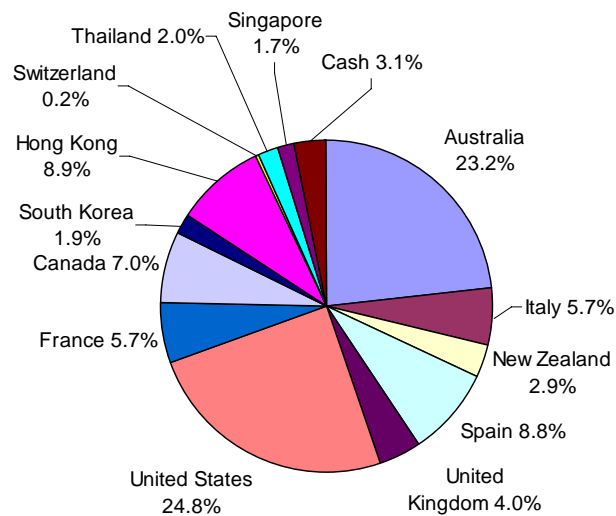


Portfolio – By Country and Industry

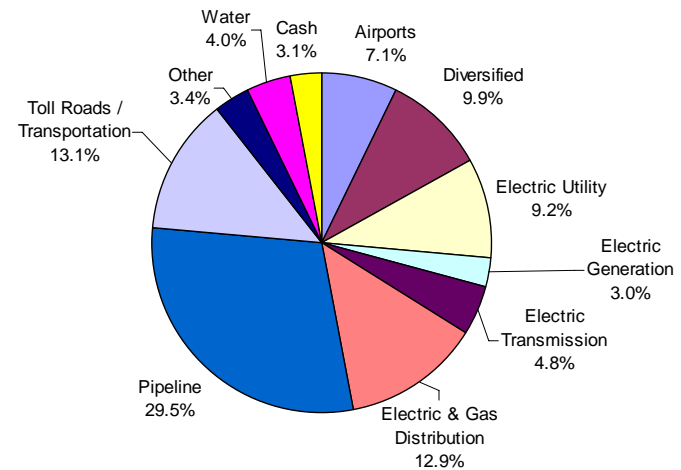


- As of June 30, 2007 the portfolio had exposure to 13 countries. Positions in the U.S. and Australia combined to make up nearly half of the portfolio. MNF had exposure to 10 different industries. Combined, Pipelines and Electric & Gas Distribution represented roughly 42% of the portfolio.

June 30, 2007



June 30, 2007



Source: State Street and MAIL



Portfolio – Top Ten Holdings*

As of June 30, 2007



- U.S. MLPs represent five of the Fund's top ten holdings. MAIL believes that these MLPs provide the Fund with attractive distribution growth that is supported by solid industry fundamentals (firm energy prices and robust organic growth projects coming on-line over the near term).

Rank	Stock	% Portfolio as of 6/30/07	Industry	Country
1	Kinder Morgan Energy Partners L.P.	5.1%	Pipeline	USA
2	Spark Infrastructure	4.4%	Electric & Gas Distribution	Australia
3	Energy Transfer Partners L.P.	4.4%	Pipeline	USA
4	Enterprise Products Partners L.P.	4.3%	Pipeline	USA
5	Enbridge Energy Partners L.P.	4.2%	Pipeline	USA
6	SP AusNet	4.0%	Electric & Gas Distribution	Australia
7	Magellan Midstream Partners L.P.	3.8%	Pipeline	USA
8	Electricite de France	3.7%	Electric Utility	France
9	DUET	3.4%	Electric & Gas Distribution	Australia
10	Transurban Group	3.3%	Toll Roads / Transportation	Australia

* See Appendix 1 for all of MNF's holdings as of June 30, 2007.



Outlook



- Key themes that may impact sentiment towards the infrastructure sector include:
 - Renewed Credit Market Concerns – Global equity and bond markets have been volatile recently due to renewed concerns over flow on effects from deterioration in the US subprime market.
 - Investment Funds – There are significant amounts of money currently held in various listed and unlisted funds that are targeting infrastructure investments.
 - Privatisations and Corporate Activity – The Manager believes that privatisations and corporate activity in the Infrastructure sector will continue to provide opportunities for the Fund.