



Macquarie NexGen Global Infrastructure Corporation (MNF.CN)

Update – September 30, 2007



Disclaimer



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Summary



- The Macquarie NexGen Global Infrastructure Corporation (“MNF” or “the Fund”) commenced investing on March 23, 2007.
- As of September 30, 2007, approximately 98% of the Fund’s Total Asset Value was invested in the securities of 46 infrastructure companies.
- The Fund is geographically diversified, with investments in the securities of infrastructure companies listed in 17 countries.
- 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.
- Since inception, NAV decreased 12.1% from \$9.35 (March 23, 2007) to \$8.22 (September 30, 2007). Including distributions, total NAV return for the period was -8.7%. The Fund continued to be negatively impacted by unfavourable currency movements, with the Canadian dollar appreciating approximately 16.9% against the USD for example. Over the same period, the Benchmark⁽¹⁾ index decreased 7.2%.
- During the quarter, NAV decreased 10.4% from \$9.17 (June 30, 2007) to \$8.22. Including distributions, total NAV return for the quarter was -8.7%, while the Benchmark decreased 3.3% over the same period.
- Total Net Asset Value (“NAV”) of the Fund as of September 30, 2007 was approximately C\$86.8m.
- Underperformance during the quarter can be largely attributed to the knock-on effect of US sub-prime issues. This has impacted, in particular, the Fund’s US and Australian positions.

(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.



Quarterly Performance – June 30, 2007 to September 30, 2007



	6/30/07	9/30/07	Return (CAD)	Return (%)
NAV	\$9.17	\$8.22	-0.95	-10.4%
Distribution Paid		\$0.15	+0.15	+1.6%
Total Return		\$8.37	-0.80	-8.7%
Represented by:				
Local Return ¹			-0.37	-4.0%
Foreign Exchange ¹			-0.43	-4.7%
Total Return			-0.80	-8.7%
Market Price	\$9.50	\$8.10	-1.40	-14.7%

(closing)

(1) MAIL estimates
Source: State Street and MAIL



Performance Since Inception – March 23, 2007 to September 30, 2007



	3/22/07 (Inception)	9/30/07	Return (CAD)	Return (%)
NAV	\$9.35	\$8.22	-1.13	-12.1%
Distributions Paid		\$0.31	+0.31	3.4%
Total Return		\$8.53	-0.82	-8.7%
Represented by:				
Local Return ¹			-0.04	-0.4%
Foreign Exchange ¹			-0.78	-8.3%
Total Return			-0.82	-8.7%
Market Price	\$10.00	\$8.10	-1.90	-19.0%

(closing)

(1) MAIL estimates
Source: State Street and MAIL



Quarterly Performance

June 30, 2007 to September 30, 2007



- Total NAV return decreased 8.7% during the quarter. This was the result of negative currency movements (down 4.7%) in conjunction with declines in share prices in local currencies (down 4.0%).
- During the quarter, the weakest segments of the portfolio have been the US and Australian holdings.
- In the US, 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 declined by 10.8% during the quarter. The MLP investments have been weak due to perceptions that increased borrowing costs may impact 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 has been weak against the Canadian dollar, falling 7.9% during the three month period.



Recent Market Volatility



- **Sub-prime impact:** The market sell-off was 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.
- **Effect on fundamentals:** 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.
- **Sector growth:** The strong growth prospects for the sector continue to be driven by the ongoing requirements for infrastructure investment.
- **Response:** The Fund's investment strategy remains unchanged. The recent price weakness has provided the Fund with selective opportunities to access quality stocks at what MAIL believes 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



- Divergence between market reaction and fundamentals.
- Underlying fundamentals remain robust.
- Recent portfolio statistics support this:
 - Leverage not excessive e.g. Average Net Debt/Enterprise Value (EV) < 40%.
 - Long term debt in place e.g. Average duration of outstanding debt approximately 7 years.
 - Short term refinancing risk minimal e.g. Average debt to be refinanced over next three years approx. 15%.
 - Refinancings that our companies have undertaken recently have been on similar terms to pre sub-prime crisis.
 - Existing capex finance programs largely pre-committed.



Key Themes

June 30, 2007 to September 30, 2007



- Key events and themes in the global infrastructure securities sector over the quarter to September 30, 2007 included:
 - **Volatile Markets** - global equity and bond markets were volatile, impacted by credit market concerns.
 - **Corporate Activity/ Takeovers**
 - **Babcock & Brown Infrastructure / SP Ausnet** – Babcock & Brown Infrastructure and Singapore Power were part of a consortium that acquired Alinta Ltd, an energy infrastructure company. SP Ausnet has since announced that it has agreed, subject to independent shareholder approval, to purchase the assets that its parent Singapore Power acquired in this transaction.
 - **Privatisations** – a number of policy announcements were made during the quarter in relation to future infrastructure privatisations. These announcements included the European Commission in relation to the “unbundling” of electricity transmission and distribution assets, the Owen enquiry in Australia which looked at the privatisation of parts of the NSW electricity industry, the Turkish government privatising tollroads and electricity assets, and the Governor of Pennsylvania calling for expressions of interest for the Pennsylvania Turnpike.



Performance – Currency

June 30, 2007 to September 30, 2007



- Since inception, the Fund has continued to be negatively impacted by the strengthening in the Canadian dollar. As of October 12, 2007, the Canadian dollar was trading above par to the US dollar – the first time since 1976.



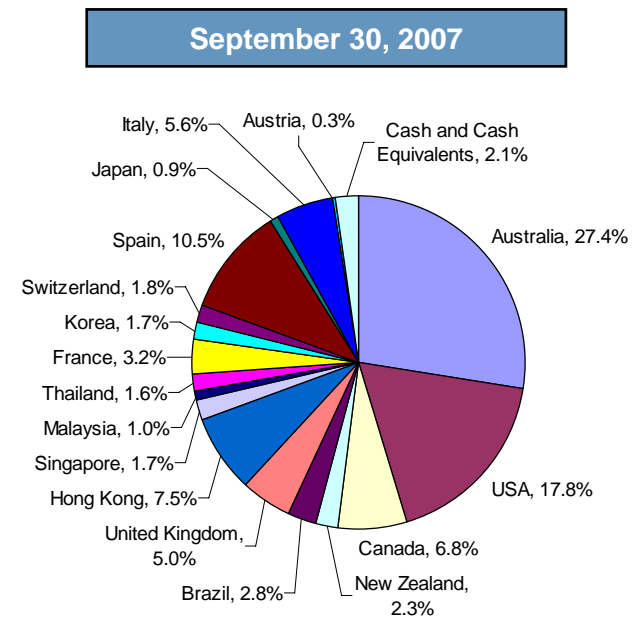
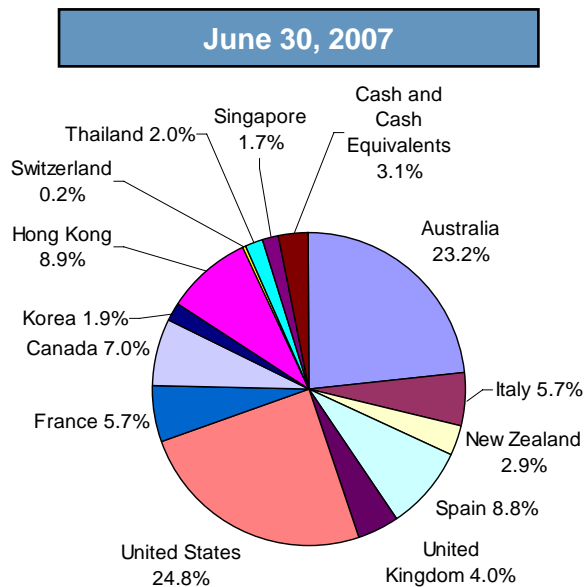
Source: Bloomberg and MAIL



Portfolio – By Country



- As of September 30, 2007, the portfolio had exposure to 17 countries through investments in 46 equity securities. Positions in the U.S. and Australia combined to make up almost half of the portfolio.
- During the quarter, the Fund established new positions in Austria, Brazil, Japan and Malaysia.



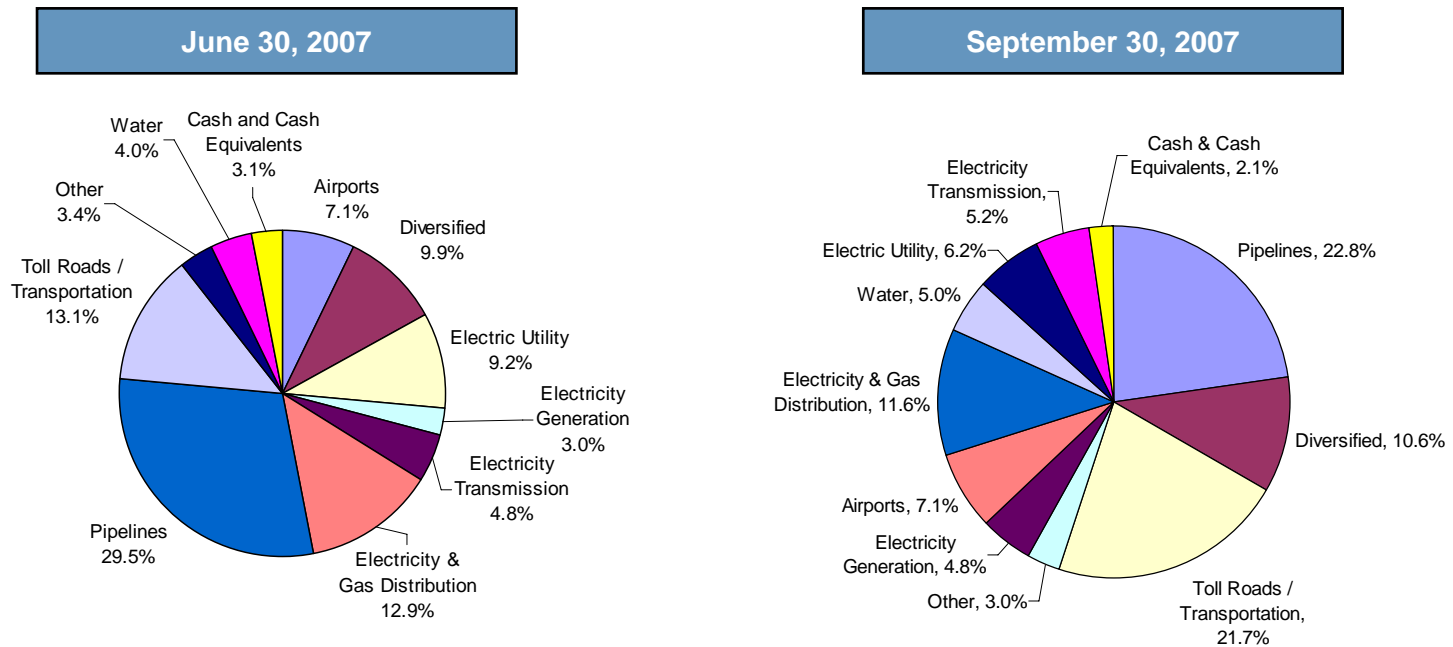
(1) Sum of totals may not be exactly 100% due to rounding
 Source: State Street and MAIL



Portfolio – By Industry



- As of September 30, 2007, MNF had exposure to 10 different industries through 46 equity securities. Combined, Pipelines and Toll Roads / Transportation represented roughly 45% of the portfolio.
- During the quarter, the Fund materially increased its exposure to the Toll Roads / Transportation sector.



(1) Sum of totals may not be exactly 100% due to rounding
 Source: State Street and MAIL



Portfolio – Top Ten Holdings

As of September 30, 2007



- Australian companies represented six of the Fund's top ten holdings, while the Toll Roads / Transportation and Electric & Gas Distribution industries made up six of the top ten.

Rank	Stock	% Portfolio as of 9/30/07	Industry	Country
1	Babcock & Brown Infrastructure Group	4.1%	Diversified	Australia
2	Cintra	4.1%	Toll Roads / Transportation	Spain
3	Transurban Group	4.0%	Toll Roads / Transportation	Australia
4	Spark Infrastructure Group	3.7%	Electricity & Gas Distribution	Australia
5	SP AusNet	3.6%	Electricity & Gas Distribution	Australia
6	Macquarie Infrastructure Group	3.6%	Toll Roads / Transportation	Australia
7	Enterprise Products Partners L.P.	3.4%	Pipelines	USA
8	Red Electrica de Espana	3.3%	Electricity Transmission	Spain
9	DUET Group	3.3%	Electricity & Gas Distribution	Australia
10	Energy Transfer Partners L.P.	3.2%	Pipelines	USA



Outlook



- Looking forward, key themes include:
 - **Market Volatility** – Difficulties in the US sub-prime mortgage markets have raised concerns regarding higher corporate borrowing costs and a tighter credit environment. Such concerns have prompted the movement of capital from equities into assets perceived to be of lower risk. Performance of the Fund may be negatively impacted by further broader market uncertainties and interest rate concerns.
 - **Investment Funds** – There are significant funds currently held in various listed and unlisted funds that are targeting infrastructure investments. MAIL believes that such funds are attracted to typical features of infrastructure such as long-life assets, defined revenue profiles often with inflation linkages, high barriers to entry, strong strategic positions, and predictable cashflows. For example, Canada Pension Plan Investment Board announced they intend to submit a proposal to acquire a significant minority stake in Auckland Airport.
 - **Privatisations and Corporate Activity** – MAIL believes that privatisations will continue to provide opportunities for the Fund. The privatization of infrastructure assets should continue as a result of the inability of governments to fund required infrastructure projects and as governments seek to raise revenue to reduce debt levels. An example is the US toll road market, which may provide opportunities for the Fund in the future. Another example is in Australia, with the NSW Government recently releasing the Owen Inquiry report into NSW electricity supply. This report recommended the sale of the three state-owned retail businesses and the sale or long-term lease of the three state-owned electricity generation businesses.