The Australian Social Infrastructure Fund

Financial Results for the Half-Year Ended 31 December 2011

asif

Austock Property

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Contents

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Overview

About ASIF

The Australian Social Infrastructure Fund ("ASIF or Fund") aims to provide unitholders with a secure, growing income stream and long-term capital growth through investing in direct property and property securities predominantly in the social infrastructure sector. Best practice management and industry expertise, particularly in child care, enable portfolio and risk management policies to maximise returns and operating efficiencies.

Highlights for the half year

- Distributable income of $1.9m, a $0.2 million or 8% increase on the previous corresponding period (pcp)
- Distribution for half year of 7.0 cpu, an increase of 1.0 cpu on the pcp
- NTA per unit of $2.32
- Debt maturity extended to December 2015 (assuming option exercised) following proactive refinancing of the Fund's debt facility
- Overall gearing reduced to 35.6% and LVR reduced to 42%
- Direct property portfolio has 100% occupancy
- Weighted average lease expiry maintained at 8.4 years

Financial Results Overview

Table 1: Financial Highlights

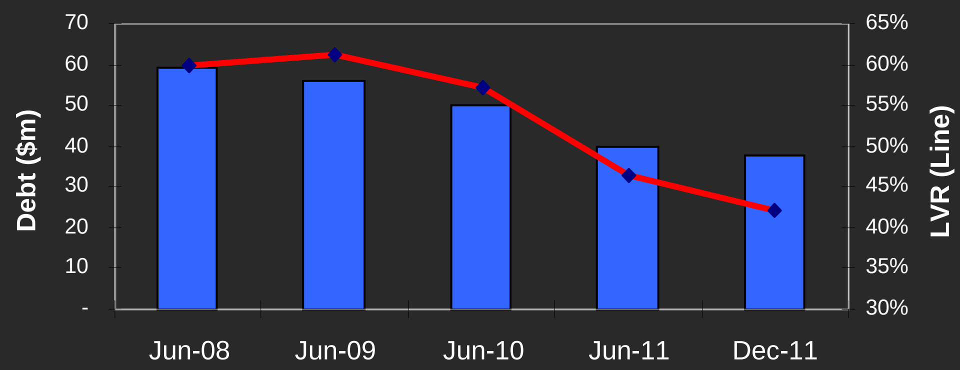
For the half year ended	December 2011	Change from Dec 2010
Operating Revenue	$5.2m	(2%)
Distributable Income	$1.9m	⬆ 8%
Distribution (cpu)	7.0	⬆ 17%
Net profit for the half year	$2.2m	(29%)
As at	**December 2011**	**Change from June 11**
Total Assets	$105.8m	(1%)
Debt	$37.7m	⬇ (6%)
NTA per unit	$2.32	2%
Unit price	$1.49	⬆ 6%
Gearing (Borrowings/Total Assets)	35.6%	(2%)
Bank Calculated LVR	42.0%	(4%)

Capital Management - Debt

In December 2011, ASIF entered into a new debt facility with ANZ:

Facility Limit	$37.65 million (fully drawn)
Facility Term	3 years from December 2011 with an option for 1 further year at ASIF's election
Maximum Loan to Value Ratio Covenant (LVR)	52.5% (based on 100% of secured property values and 50% of the value of AEU units). On this basis, the current LVR is 42%.
Interest Cover Ratio (ICR)	Not to be less than 1.6x (EBITDA). ICR for the 12 months ending 31 December 2011 is 2.2x
Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%
Hedging	Flexible interest rate hedging requirements

Figure 2: Debt History



Capital Management – Borrowing Costs

Current borrowing costs

- Current all in cost of debt is 7.9% pa based on existing swap arrangement, bank margin and amortisation of establishment fees
- Bank margins are comparable with previous facility, albeit a longer term facility
- Borrowing costs in 1H included $0.2 million of costs written off in relation to old facility

Future borrowing costs

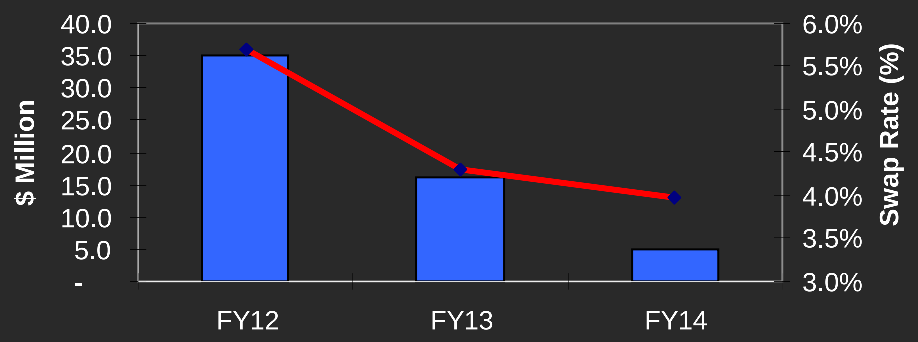
- Potential for significant decrease in effective borrowing costs following the $35m swap expiring in Sept 12
- With the forward starting hedges and an assumed forecast market interest rate of 4.5%, borrowing costs from the Sept 12 would reduce to 6.6% pa, a saving of $0.4 million for the remainder of FY13, equivalent to an increase in distributions per unit of 1.3 cents
- Management expects to progressively increase the amount hedged subsequent to September 2012

Interest rate hedging

Current swaps are as follows:

$35m @ 5.7% pa	maturing Sept 12
$5m @ 3.72% pa	commencing Sept 12 maturing June 13
$5m @ 3.97% pa	commencing Sept 12 maturing June 14

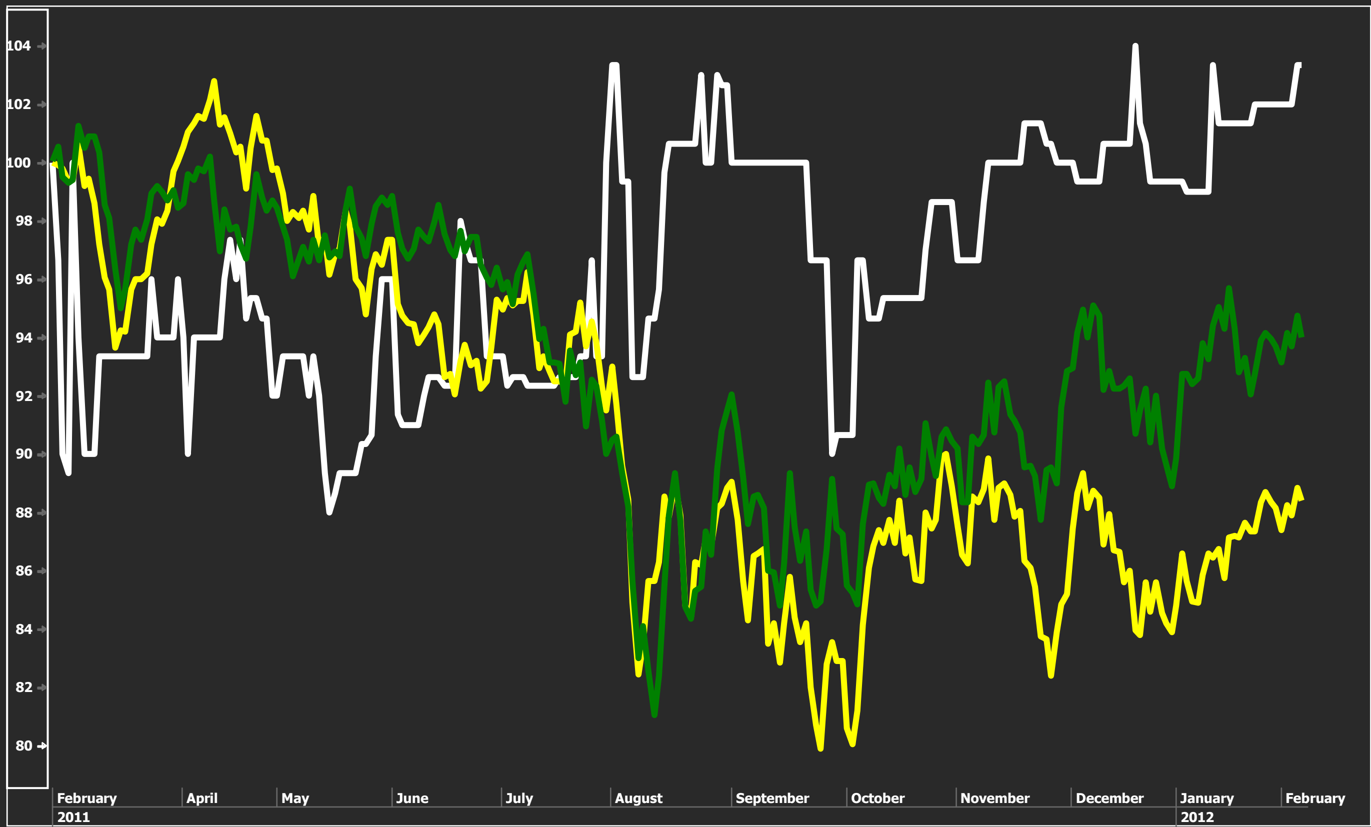
Figure 3: Hedge Maturity Profile



Market Performance

Figure 1: ASIF Unit Price v S&P/ASX 200 and A-REIT Index

Since listing on 25 February 2011 to 7 February 2012, the unit price has increased by 3%, an outperformance of 9% over the A-REIT Index 200.



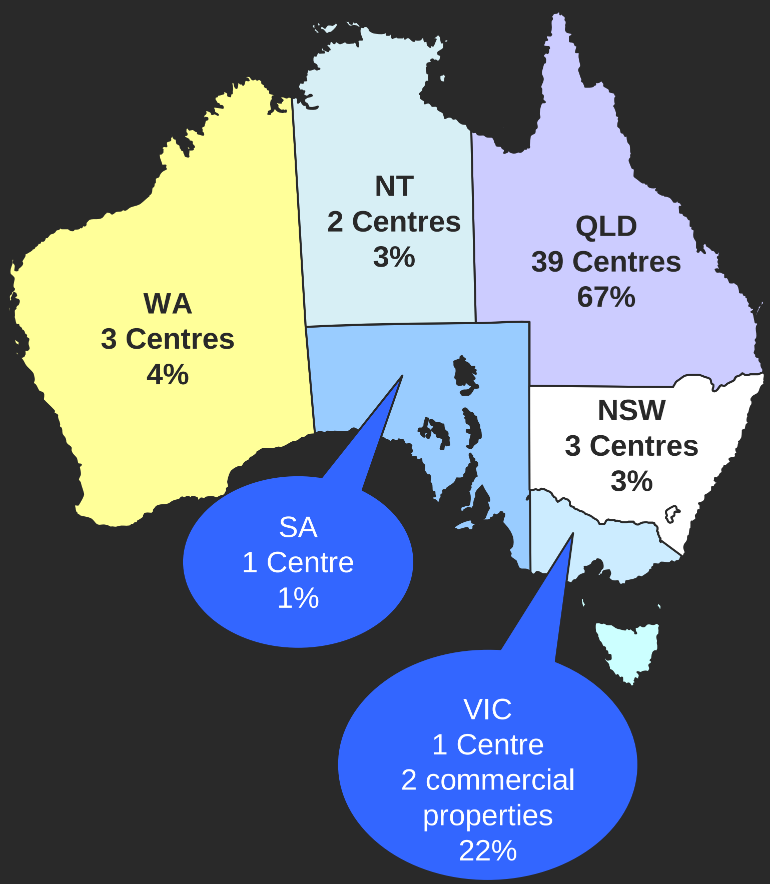
Source: IRESS – closing price from 25-2-11 to 7-2-12

ASIF A-REIT Index 200 S&P ASX 200

Property Portfolio – Key Metrics

- Property portfolio comprises $86.1 million or 83% of total investments
- 51 properties, comprising:
  - 49 early learning centres
  - 1 medical centre
  - 1 self storage facility
- Centre at Hilton, WA sold In Dec 11 with proceeds applied to debt reduction
- Average valuation of early learning centres is $1.4 million
- Independent valuations performed on a rolling three year basis, with average last valuation date of November 2010
- Average portfolio yield of 9.4% based on passing rent and most recent valuations:
  - Early learning centres – 9.6%
  - Commercial properties – 8.9%

Figure 4: Portfolio Geographic Distribution



% of entire property portfolio (by rental income)

Property Portfolio – Centres Rebuilt

Centres at Indooroopilly and Jindalee rebuilt and operational following Queensland floods in early 2011

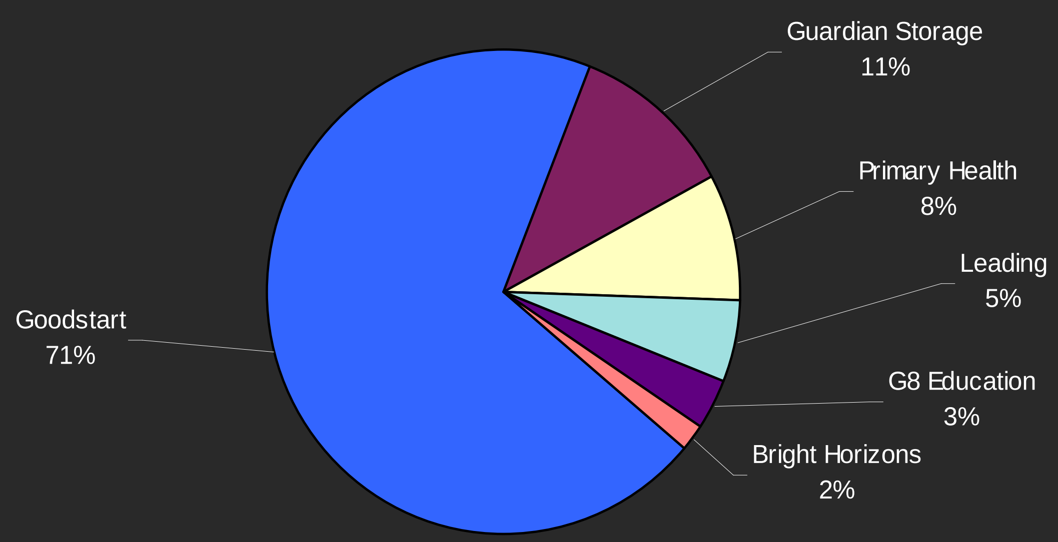
26 Witton Road, Indooroopilly, Qld

100 Burrendah Road, Jindalee, Qld

Property Portfolio – Tenant Profile

- Goodstart is the tenant of 42 of ASIF's early learning centres. Key information extracted from Goodstart's 30 June 2011 Annual Report indicated:
  - Goodstart repaid $21.0 million of bank debt (only $6.0 million of this debt repayment was required by the lenders - an additional $15.0 million was repaid)
  - Achieved positive operating cash flows of $58.1 million and EBITDA of $40.4 million
- Goodstart has reinvested into the properties with four full playground upgrades and five partial playground upgrades in the ASIF portfolio during the half year
- Other early learning centre tenants are Leading Childcare, G8 Education and Bright Horizons
- ASIF's commercial properties are leased to Primary Health Care Limited and Guardian Storage Pty Ltd
- Strong lease covenants, with typical bank guarantees for 6 months gross rent (total value held is $4.5 million)

Figure 5: Rental Income by Tenant

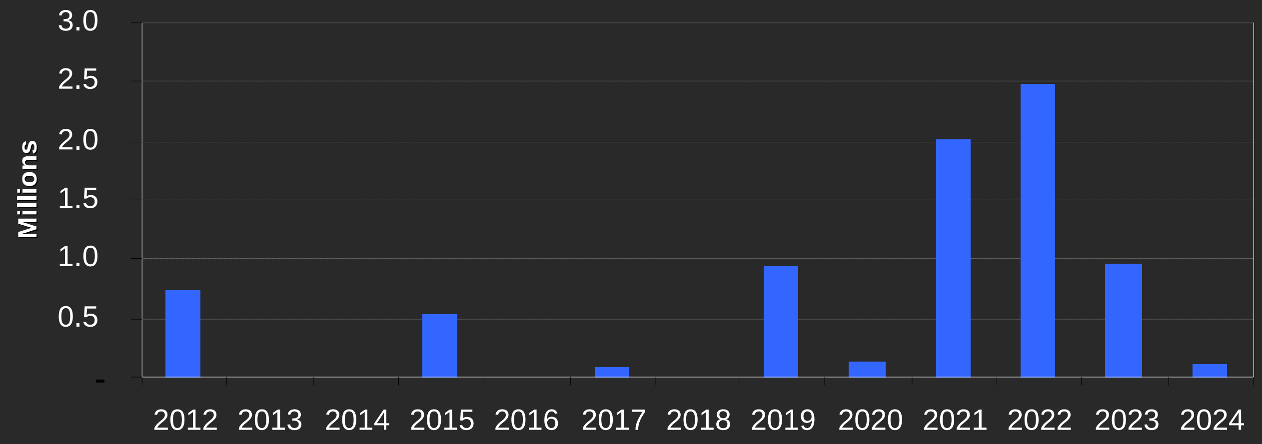


Property Portfolio – Lease Profile

- 8.4 year weighted average lease expiry (by rental income)
- Triple net leases (both ELC and commercial properties)
- ELC lease rental growth indexed annually to CPI (with collar) – average increase of 3.1% across portfolio
- Annual rent reviews with rental growth at 3% for Primary Health Care and CPI (with cap and collar) for Guardian Storage
- Typical early learning centre lease has initial 10 year term plus a 10 year option (exercisable by landlord or tenant). These options now exercised for 80% of the ELC leases, which includes the 4 leases to Leading renewed in 2011

- 100% occupancy
- Four Goodstart leases provide the tenant a right to terminate those leases on six month's notice until 31 May 2012; subject to paying compensation for losses incurred up to an amount of two years rent
- No significant expiry until 2019

Figure 6: Expiry Profile by Annual Rent



Childcare Industry Overview

- Demand is driven by rates of childbirth, immigration and labour force participation of women with young children
- Government expenditure on childcare and early childhood education forecast by DEEWR in 2010 to be $16.1 billion over the following 4 years[1]
- DEEWR estimates that a family earning $75k would have used 23.7% of their income without the subsidies compared with just 7.5% after the child care benefit and child care rebate subsidies[2]
- Every $1 spent returns $8.11 of economic benefits[3]
- Every $1 spent on childcare returns $1.86 in taxes[3]

Source:

[1] Department of Education, Employment and Workplace Relations (DEEWR) Report titled "State of Child Care in Australia" dated April 2010

[2] DEEWR Report titled "Child Care Update" dated January 2012

[3] Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) - Social Policy Report 2004 / Organisation for Economic Co-operation and Development (OECD) – 2005 / Department of Education, Employment and Workplace Relations (DEEWR)

[4] DEEWR Child Care Vacancies Qtrly March 2010 & March 2011

Table 2: Long Day Care Statistics

Australia	March 2011[2]	March 2010[2]	Sep 2005[1]
Total No. Long Day Care (LDC) Centres	6,086	5,886	4,751
No. Children Attending LDC as a % of Total Children Attending Child Care Services	62.4%	62.0%	57.4%
No. Children Attending LDC	593,240	545,190	461,626
Average No. Hours Attending LDC (per week)	26.0	25.7	19.0
National Average LDC Occupancy Level (reported percent of places used) [4]	74%	72%	NA
No. Families Using Childcare (LDC)	473,610	436,740	380,300
Childcare Rebate (max $ pa)	$7,500	$7,500	$4,354

National Quality Framework - Legislation Changes

- Minimum staff to child ratios increased (some from 1 January 2012)
- New staff qualifications to come in to effect by 1 January 2014
- Services will be assessed under the National Quality Standard (NQS) and receive ratings for seven quality areas along with an overall rating ranging from unsatisfactory to excellent

(Further information can be sourced from the Australian Children's Education & Care Quality Authority at www.acecqa.gov.au)

Securities Portfolio

- The securities portfolio comprises $18.2 million or 17% of ASIF's total investments
- The Australian Education Trust and the CIB Fund , which invest in social infrastructure property assets have been long term holdings
- ASIF is seeking to divest its investments in APGF and SDRT1 securities in the medium term if a suitable liquidity event occurs
- A periodic major capital works program for the CIB Fund is being funded through an expected reinvestment of the distributions for most of FY12, and will likely to see some reduction to distributions for FY13. All other securities presently paying distributions

Table 3: Securities Metrics

	No of units (m)	Carrying Value $m's	% of Total Investments
Listed Securities			
Australian Education Trust (ASX code: AEU)	7.7	7.0	6.7%
Australian Property Growth Fund (NSX code: APF)	3.9	2.5	2.4%
		9.5	9.1%
Unlisted Securities			
Stockland Direct (SDRT1)	3.0	1.8	1.7%
CIB Fund	3.7	6.9	6.6%
		8.7	8.3%
		18.2	**17.4%**

Outlook

Tenants:

- Childcare sector sustainable with continued government funding and support and improving demand
- Major tenant, Goodstart, showing improving childcare occupancy numbers and financial performance
- Bank guarantees totaling $4.5 million secure rental income for 6 months across the portfolio

Property portfolio:

- No vacancies or lease expiries for balance of FY12 and no significant lease expiries until 2019 (future of 4 Goodstart early termination centres to be addressed in next half year)
- 100% of rental income for FY12 has CPI or fixed rent escalation

Securities portfolio:

- Investments in the AEU and CIB property trusts remain core holdings. Monitoring SDRT1 and APGF investments for suitable liquidity or divestment opportunities, though not expected in the short term

Debt funding:

- Debt maturity extended by up to 4 years to December 2015 (if option exercised)
- Funding costs to reduce from September 2012 following debt renewal, maturity of current fixed interest rate swap and new interest rate swaps commencing

Distributions

- Management reaffirms the FY12 distribution guidance of 14 – 15 cpu provided in August 2011
- The annual rental income escalations' and future reduction in borrowing costs are expected to be key drivers for an improvement in distribution for FY13

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Responsible Entity: Austock Funds Management Limited (AFML)

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Victor Cottren - Chairman & Non-Executive Independent Director
Michael Johnston - Non-Executive Independent Director
Warner Bastian - Non-Executive Independent Director

Company Secretary:

Adrian Hill - Joint Company Secretary
Amanda Gawne – Joint Company Secretary

Senior Management:

Mark Stewien - Fund Manager
Travis Butcher - Chief Financial Officer
Nicholas Anagnostou - COO & CEO, Austock Property Funds Management Pty Ltd

Further Information and Disclaimer

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