



3rd September 2018

Dear Investor

ACIF Priority Fund – Infrastructure Performance Unit Class

Investment Manager's Report

Welcome to our first Manager's Report for the Infrastructure Performance unit class of the ACIF Priority Fund (Fund).

Australia China Investment Fund Pty Ltd is the Investment Manager of the Fund and has prepared this Investment Manager's Report to accompany the financial accounts prepared for the unit class by the trustee Vasco Investment Managers Limited for the year to 30th June 2018.

Investment objectives

Since the inception of the unit class, it has been the objective of the Investment Manager to provide our investors with investments that gave investors:

- entry level access to infrastructure projects; and
- the potential for above average returns over the medium to long term.

This report summarises the progress of the principal investment made by the Fund, and provides a brief update on the Australian economy and property market.



Principal activities

The principal investment activity of the Fund during the year to the 30th June 2018 was the subscription for units in the ICAM Duxton Port Infrastructure Trust, an investment that meets the specific investment objectives of the Fund.

Inheritance Capital Asset Management (ICAM)

ICAM is a South Australian fund manager founded around the former investment team of a South Australian Government Insurance Fund, with prominent directors and a strategic investment stake by global agribusiness fund manager Duxton Asset Management. In 2017 it formed the ICAM Duxton Port Infrastructure Trust for the purpose of acquiring the Lucky Bay Ferry Port and developing it into a grain export port for the Eyre Peninsular in South Australia.

Lucky Bay Port

During the year the ICAM Duxton Port Infrastructure Trust completed the acquisition of the Lucky Bay Ferry Port and commenced construction of the storage facilities at the Lucky Bay site and at Lock where up county storage facilities are being built.

In May 2018 the Transshipment Vessel (TSV) which is a key part of the port operation was launched and commenced sea trials. Upon completion of sea trials, the TSV will be transferred to Shanghai where the material handling systems will be installed.

Post investment monitoring

Since the investments were made we have had regular briefings from the senior executives of ICAM and undertaken a number of inspections of the Lucky Bay site and our directors also witnessed the launch of the TSV.



The Australian Economy

The Australian economy is continuing to grow and has been growing consistently for over 20 years, with the current year on year Gross Domestic Product (GDP) growth being at a rate of 3.1%. This GDP growth rate is still within the guidelines set by the Reserve Bank in order to ensure that the economy continues to grow without excessive inflation.

Interest rates are at an all-time low for the Australian economy, whilst still above the rates prevailing in similar developed economies which are now starting to show an upward bias.

The Australian property market

The Australian property market is continuing to experience growth in property values with the national year on year growth to July 2018 being 5.1% notwithstanding declines in the Sydney, Darwin and Perth markets.

Commentators have continued to express some concern about the level of apartments coming onto the market in the central business districts of Melbourne and Brisbane. However, your Fund has not invested in any projects in this segment of the market.

Should you have any queries please do not hesitate to contact the writer at imortley@acifund.com.au.

Yours faithfully

Ian Mortley

Director