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Macquarie Power & Infrastructure Income Fund

Investor eNewsletter

December 2009

Macquarie Power & Infrastructure Income Fund's bi-monthly investor newsletter brings you updates about MPT's assets and activities as well as our views on news and market developments. To subscribe, email us at mpt@macquarie.com.

Quick Facts

Ticker Symbols

MPT.UN and MPT.DB

Trust Units Outstanding

49,912,167*

Recent Trading Price

\$5.92 (as of 12/15/09)

52-week High/Low

\$6.95 - \$4.05

Average Monthly Volume

~2 million units

Number of Unitholders

~19,500

* Including 3,249,390 Class B Exchangeable Units

Feedback

We encourage readers to share their feedback and ideas for future eNewsletters or our investor relations website. Let us know what you think by emailing us at mpt@macquarie.com.

Website

Visit MPT's website at <http://www.macquarie.com/mpt> to read more about our portfolio of assets and to access investor relations information.

Disclaimer

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MPT successfully completes financing

On December 22, 2009, MPT closed its previously announced \$50 million offering of 6.50% convertible unsecured subordinated debentures due December 31, 2016 (the 2016 Debentures).

MPT intends to use the proceeds from this offering to redeem its currently outstanding 6.75% convertible unsecured subordinated debentures due December 31, 2010 (the 2010 Debentures), totalling \$38.9 million, and for general purposes of the Fund. The date fixed for redemption of the 2010 Debentures is January 11, 2010.

Interest on the 2016 Debentures will be paid semi-annually in arrears on June 30 and December 31 in each year, commencing on June 30, 2010. Holders can convert the 2016 Debentures into units of MPT at a conversion price of \$7 per unit at any time prior to the earlier of December 31, 2016 and the date fixed by the Fund for redemption. The 2016 Debentures are listed on the Toronto Stock Exchange under the symbol MPT.DB.A. More information is available on the Fund's website.

“With this initiative, MPT has eliminated its refinancing requirements for 2010, thereby further strengthening the Fund's financial footing,” said Michael Bernstein, President and Chief Executive Officer. “In addition, this transaction enhances our cash position, thereby helping to support our flexibility for growth. The strong market response to this offering reflects the confidence of the investment community in the quality of MPT's portfolio and stability of our cash flow as well as our ability to create additional value for investors through the growth and diversification of our portfolio.”

Did you know?

MPT has no refinancing requirements in 2010 and limited refinancing risk for 2011 when approximately \$40 million of Erie Shores' project-level debt will mature. Debt at Erie Shores is non-recourse to MPT, MPT's unitholders and MPT's other assets.



The risk-return profile of P3s

P3s are an innovative way for governments to deliver on their commitment to maintaining and expanding public infrastructure while representing a unique opportunity for investors, according to Jim Cahill, Vice President of Project Finance at Infrastructure Ontario.

At MPT's recent annual Investor Day, Mr. Cahill discussed the structure and merits of public-private partnerships, or P3s, based on his experience at Infrastructure Ontario, which is an arm's length crown corporation that is dedicated to the renewal of Ontario's hospitals, courthouses, roads, bridges, water systems and other public assets.

A P3 is a long-term, fixed-price and performance-based contract between government and the private sector for the provision of assets and the delivery of services. A P3 contract allocates responsibilities and business risks among the various partners. While the government retains ownership of the asset, the private sector bears responsibility for the P3's commercial functions, such as project design, construction, finance, and operation in accordance with defined standards and performance requirements.

A key element of any P3, Mr. Cahill pointed out, is the transfer of risk from the public to the private sector. This means that the private sector, rather than the government, takes on the risks that it is better equipped than the public sector to manage, such as construction risk. With this transfer of risk, the private sector is highly incentivized to manage the project effectively. The objective of a P3 is to combine the strengths of the public and private sectors for the benefit of taxpayers and users of the asset or service.

For taxpayers, Mr. Cahill explained, the oversight of a P3 by equity investors, lenders and consultants usually means that a project has a high probability of being built on time and on budget. The private sector also offers innovation, flexibility and experience in service delivery, which typically results in a higher quality product and better, more cost-effective service, resulting in value for money for taxpayers.

Mr. Cahill noted that for investors, P3s represent a new class of investment opportunities, whether equity or investment-grade senior debt or bond investment opportunities.

"P3 investments offer attractive risk-return parameters," Mr. Cahill said. "Equity returns are in the 12% range for equity investors on availability-based projects. The bond pricing that we're currently seeing on our projects is in the 300 basis-point range over the Government of Canada bond yield for debt investors. These are often A rated or A- rated bond financings. So both are very good returns given the government off-take payments to service the debt and pay the equity returns."



To listen to Mr. Cahill's presentation, visit the [Investor Day](#) webcast on MPT's website.

For MPT, P3s represent a potentially attractive investment opportunity due to the strong contractual framework, government counterparties and predictable cash flow, which typically results in a low risk profile. MPT is managed by a subsidiary of the Macquarie group, which is highly experienced in P3s internationally, including in Canada with interests in the Sea-to-Sky Highway Improvement Project in British Columbia, the Southeast Anthony Henday Drive in Alberta, and the Autoroute A-25 in Quebec.

Did you know?

There are currently about \$35 billion worth of public-private partnerships underway in Canada, including roads, bridges, hospitals, schools and courthouses.



Canada's power generation landscape

The private sector is being courted for investment in energy infrastructure in almost every province of Canada, according to Paul Bradley, Managing Director, Infrastructure and Utilities for Macquarie Capital Advisors, a division of Macquarie Capital Markets Canada Ltd., a guest speaker at MPT's recent Investor Day.

While the power industry in Canada is still largely controlled by the provincial governments and their agencies, Mr. Bradley noted that there is an "enormous push" to institute more renewable energy. Across Canada, from British Columbia to the Maritimes, there are currently numerous Requests for Proposal (RFPs).

Ontario's *Green Energy Act*, for example, features a feed-in tariff, which is a standard contract with a fixed price that allows developers of a renewable energy project the certainty of a 20-year contract with the creditworthy Ontario Power Authority, the right to connect to the grid and access to a streamlined procurement and approval process.

Mr. Bradley also noted that the independent power industry "continues to provide opportunities for project acquisitions and developments. It has not slowed down much because of the recession and the push to green energy has kept this sector alive...and thriving." Mr. Bradley pointed to development capital as offering good partnering opportunities for independent power producers as well as the prospect of mergers and acquisitions as the middle tier of the power generation market continues to consolidate.

To listen to Mr. Bradley's presentation, please visit the [Investor Day](#) webcast on MPT's website.

MPT expects to continue to be active in the renewable power space, where the *Green Energy Act* in Ontario and similar programs in other provinces are leading to improved certainty and returns for investors.

"While the market landscape is evolving in a favourable direction, we are being selective in what opportunities we look at and choose to pursue," said Michael Bernstein, MPT's President and Chief Executive Officer. "Whether greenfield, brownfield or an asset that is already operating, we typically look for a strong regulatory or contractual framework, which creates utility-like characteristics and helps to ensure long term value for our unitholders."

Did you know?

Globally, renewable energy is a core competency of the Macquarie group's power infrastructure team, with more than 3,800 megawatts in wind, solar, biomass and hydro facilities, both operating and under development, in 12 countries.