



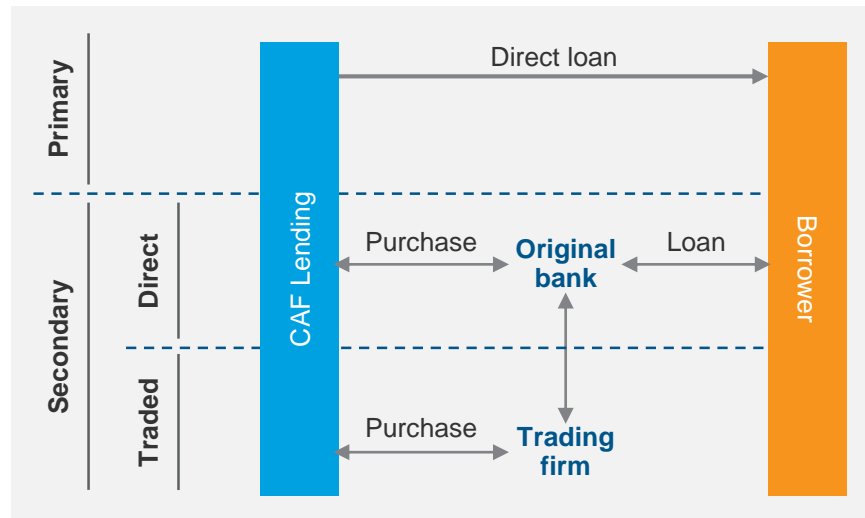
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# 04

CAF Lending  
Ben Brazil, Group Co-Head

# Business description

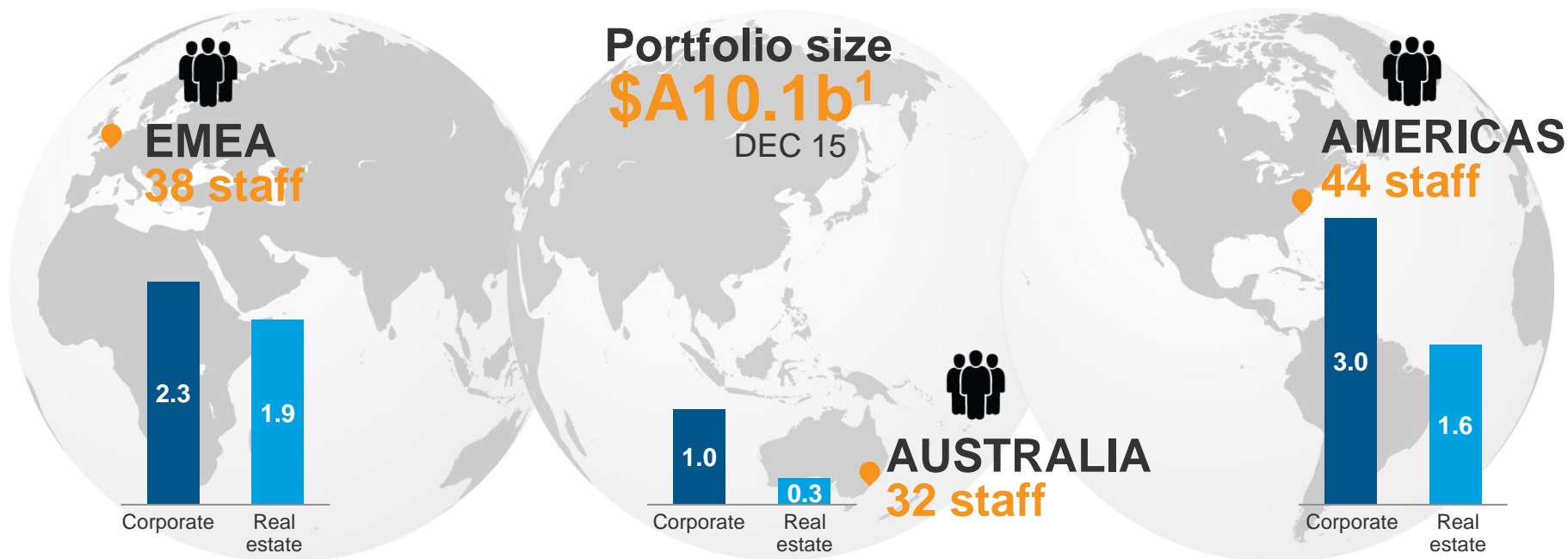
- Deployment of capital and funding, primarily into the credit space
- For 'direct' return for risk purposes with a hold to maturity horizon
- Flexible/diverse in relation to:
  - Origination source – primary/secondary, direct/intermediated, bespoke/flow
  - Geography (predominately Western Europe, North America, and Australasia)
  - Instrument – loans/bonds/mezzanine/other
  - Corporate/Real estate
  - Return level (required returns adjust for risk, subject to a minimum)
- Weighted towards bespoke situations underpinned/secured by high quality businesses and collateral



# Business positioning – geography



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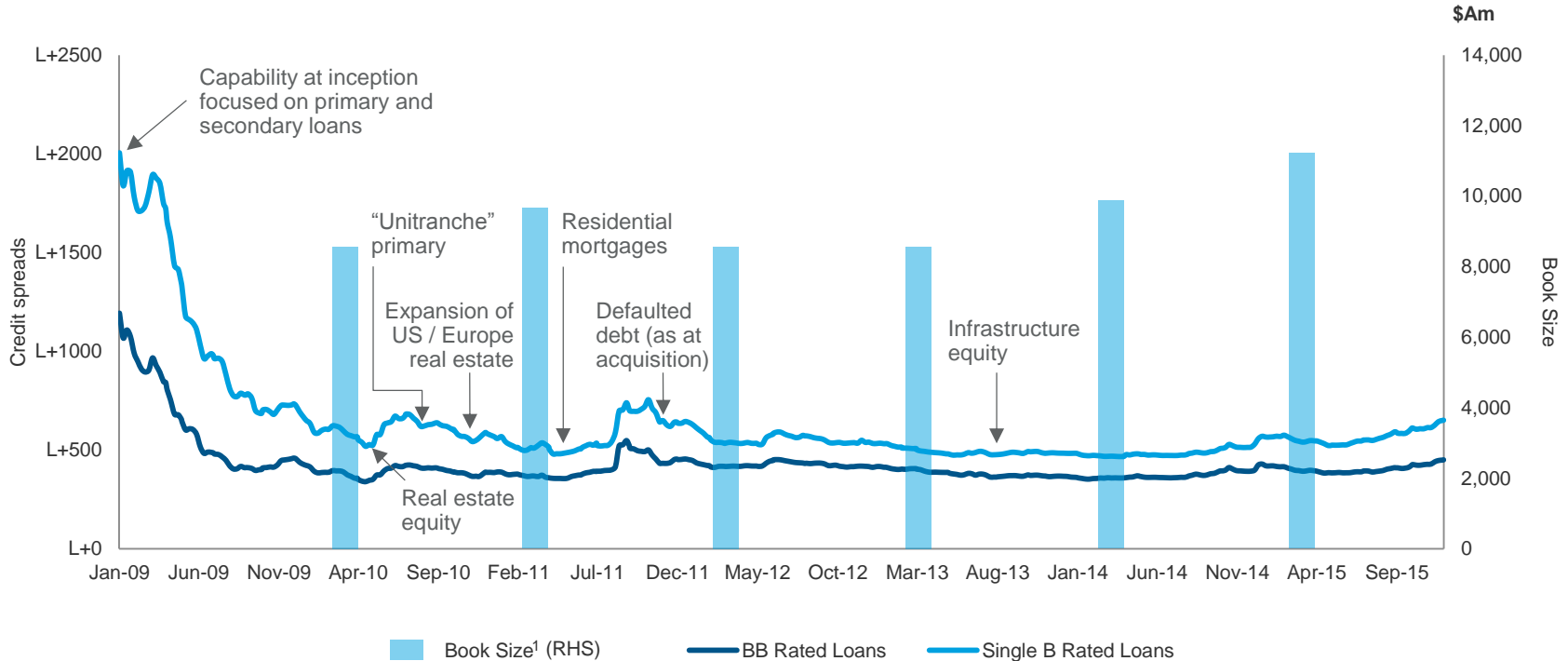


1. Funded loan portfolio shown which excludes current committed but unfunded balances, and includes Real Estate Structured Finance legacy run-off portfolio. Total committed (funded and unfunded) capital \$A11.1b.

# Evolution of business



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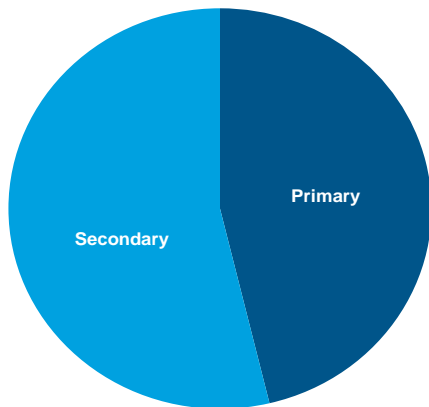
1. Book size is total committed (funded and unfunded) capital as at financial year end.



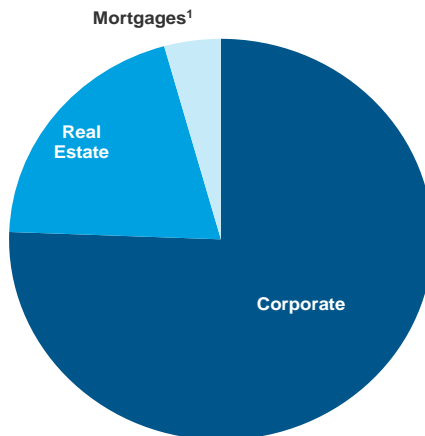
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# Portfolio composition since inception

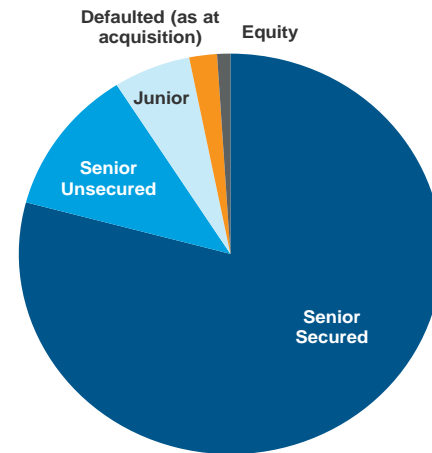
## Origination Channel



## Sector

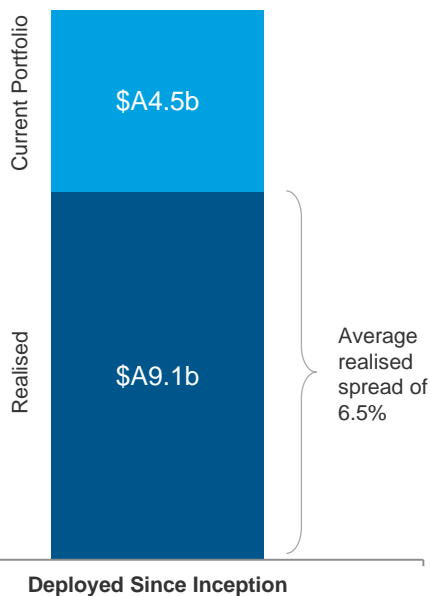


## Facility type



1. Includes residential mortgages and student loans. Comprising 558 individual exposures since Jan 09. Portfolio composition based on total committed capital (funded and unfunded) since inception.

# Primary senior



## Example Borrowers



Education



Airport Services



Hotels



Software



THE SCIENCE of POSSIBILITY

Healthcare



Cable Infrastructure



Healthcare



Chemicals Manufacturing



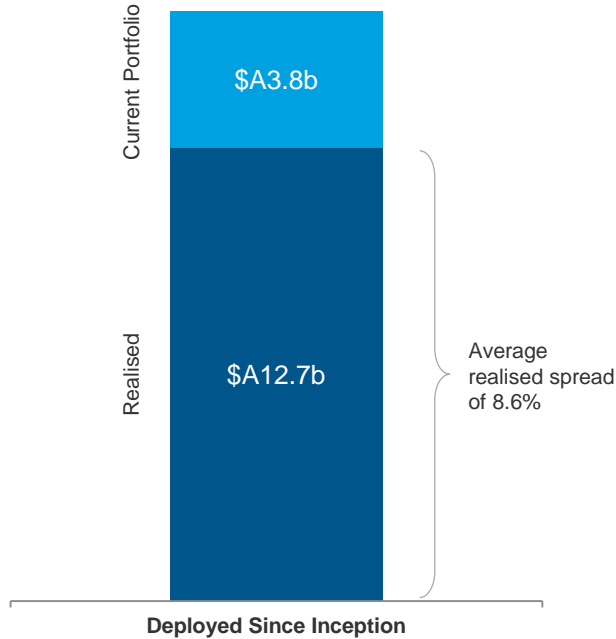
Rental Cars

Current portfolio shows currently funded balance (excludes committed but unfunded balances); Realised capital represents total committed capital returned since inception (funded and unfunded commitments). The borrowers represented on this slide include both current relationships and those whereby CAF Lending is no longer a lender. The realised spread represents the internal rate of return, incorporating interest payable, purchase discount, facility fees expressed as a spread to the relevant interbank floating interest rate.

# Secondary senior



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## Example Borrowers



Industrial Cold Storage



Transport Infrastructure



Utilities



Motorway Services



Waste Management



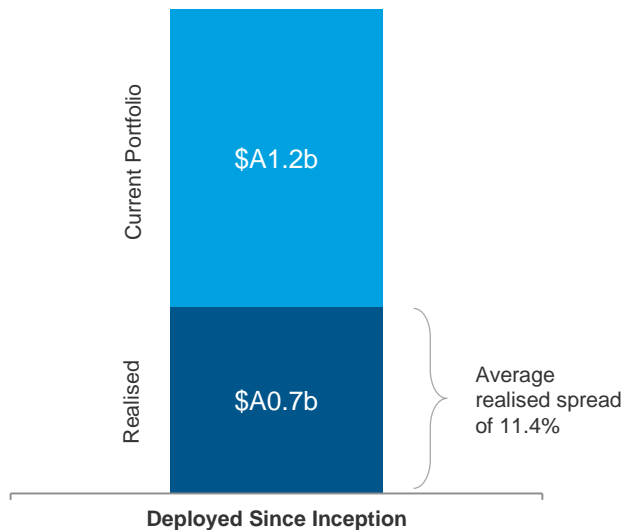
Motorway Services



Motorway Services



## Example Borrowers



TANK & RAST

Motorway Services



PEEL PORTS

Infrastructure



Bulk Liquids Terminal



Unified  
Housing Foundation

Multifamily Housing



DCLI  
DIRECT CHASSISLINK INC.

Marine Chassis Leasing



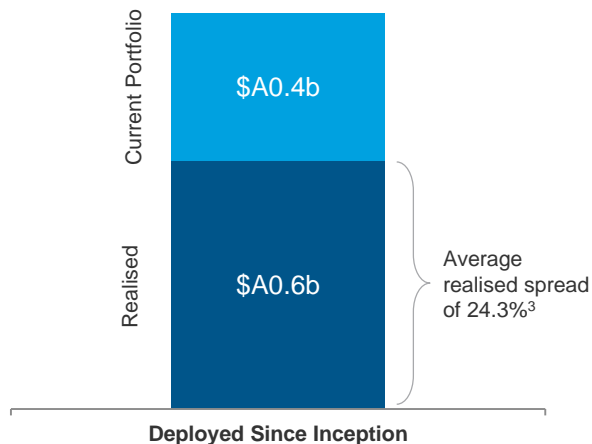
LANDMARK  
AVIATION

General Aviation FBO



# Equity / Equity-like<sup>1</sup>

1. Includes debt which was in default at acquisition



Infrastructure Sector			
Date	Region	Invested (\$Am) <sup>2</sup>	Realised
Dec 12, Sep 14	Australia	251	24% average realised spread <sup>3</sup>
Mar 14	US	168	
Aug 13, Jun 15	Europe	33	Unrealised
Jun 14 – Jun 15	Europe	15	
Jun 15	Europe	71	
Aug 15	US	176	

Real Estate Sector			
Date	Region	Invested (\$Am) <sup>2</sup>	Realised
May 10	US, Industrial	4	25% average realised spread
Oct 12	Australia, Apartments	90	
Jun 14	US, Office	28	Unrealised
Mar 14	UK, Office	6	
Sep 14 – Oct 15	US, Apartments	29	

1. Defaulted debt (at acquisition) is generally in substance a blend of credit and equity components and this is reflected in the regulatory capital treatment. In contrast, performing exposures are generally explicitly separated between equity and credit instruments. 2. The amount included for legal form equity investments is only the relevant equity instrument. CAF Lending may have additional credit exposures to the same asset/borrower which are not included in this table. For defaulted debt (at acquisition), the entire debt instrument has been included as an investment in this table. 3. Australia Infrastructure sector realisations reflect projected capital return and spread from recently committed asset sale.

Current portfolio shows currently funded balance (excludes committed but unfunded balances); Realised capital represents total committed capital returned since inception (funded and unfunded commitments). The realised spread represents the internal rate of return, incorporating interest payable, purchase discount, facility fees expressed as a spread to the relevant interbank floating interest rate.

# Case Studies



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## Energetics UK

- Between 2013 and 2015, CAF Lending provided financing to, and ultimately acquired a controlling interest in Energetics, the UK “last mile” electricity and gas utility connections provider, at a combined valuation of £46m
- To date Energetics has completed 111,000 electricity and gas connections linking utility trunk lines to residential properties and 175MW of industrial and commercial connections
- It has an order book of 83,000 connections and continues to grow with 47,000 orders having been won in the last year



## Tank & Rast Germany

- In Jun 09 and Mar 11, CAF Lending acquired €143m of senior loans in Tank & Rast, the landlord of c. 90% of Germany’s motorway service stations (390 individual sites)
- Loans were acquired, in blocks, in the secondary market at a material discount to par
- In Dec 13, Tank & Rast refinanced all of its debt facilities, realising significant profit for CAF
- CAF Lending supported the re-financing as the largest senior lender and a cornerstone investor in the new PIK Notes
- Tank & Rast was recently acquired and the senior loans refinanced. CAF remains invested in the PIK notes which benefit from early repayment penalties





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# Risk management and risk culture

- Risk, fully compensated by return, is our only business
- Conducted within the disciplines of a risk management framework and according to the limits of risk acceptance
  - Risk is “owned” and managed by the business, independent review by RMG

## Credit Risk

- The predominant risk borne by CAF Lending, present across all performing credit exposures
- Managed through
  - Intensive fundamental analysis and risk assessment, name by name;
  - Stress testing and concentration analysis at the portfolio level, with all positions sized to worst case outcomes; and
  - Ongoing monitoring of all positions and pro-active management (exits, covenant breaches etc)

## Equity Risk

- Present in equity and de-facto equity exposures

## Operational risk

- Particularly present in operationally complex investments, especially controlled assets and residential mortgages
- Managed through specific due diligence and management focus, engagement of specialist third party vendors, and comprehensive ongoing monitoring

# Risk management and risk culture



## Alignment and culture are the foundations of our risk management strategy

### Alignment

'In place' portfolio has inherent profits

Team/business is aligned with capital in both upside and downside scenarios

### Culture

Senior team members average 8 years with Macquarie, 85% with business from its inception

Culture has been deeply embedded

## Respect for capital is our mantra

## Risk performance has been very sound

Profits and impairments since inception

