Unlocking opportunities

Macquarie Group
US Overview
Macquarie: an overview
Founded in 1969, Macquarie is a global provider of financial services, offering a diverse range of capabilities to institutional, corporate, and retail clients, as well as to counterparties around the world. The business is driven by an exceptional client-focused team of 13,900 professionals in 28 countries.

In the US, Macquarie has more than 2,200 employees in 17 offices and is a leading provider of capital markets and advisory services, sales, trading, and research, leasing and lending, asset and fund management, and financing.

Through a uniquely enterprising approach — one in which the firm’s professionals are encouraged to think and act differently — Macquarie uncovers financial opportunities others miss to create profitable outcomes for clients. By combining entrepreneurial drive and robust risk management with deep industry and regional expertise, the firm clearly distinguishes itself in the financial services industry.

Another differentiating aspect of the Macquarie business model lies in the diversity of the firm’s operations, which strategically positions Macquarie to capitalize on market developments and deliver best-in-class solutions for clients. The firm continues to adapt its portfolio mix to changing market conditions. The effective balance between capital markets-driven businesses and annuity-style operations enables Macquarie to deliver solid returns in all types of market environments.

**Strong funding and well-capitalized position**

In its FY14 earnings announcement, Macquarie noted that the firm has sufficient capital to meet the minimum APRA Basel III capital requirements. Macquarie’s capital base of $12.0 billion represents a significant surplus of $2.5 billion to the Basel III capital requirements. And the firm’s Banking Group Core Equity Tier 1 ratio of 9.6 percent compares very favorably with the global average of 8.5 percent.

Macquarie Bank Limited, which funds the vast majority of the firm’s businesses, has maintained an “A” rating for 22 consecutive years with Standard & Poor’s.

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**The Holey Dollar**

In 1813, Governor Lachlan Macquarie of New South Wales overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching the centers out and creating two new coins — the “Holey Dollar” (valued at five shillings) and the “Dump” (valued at one shilling and three pence).

This single move not only doubled the number of coins in circulation but increased their worth by 25 percent and prevented the coins from leaving the colony. Governor Macquarie’s creation of the Holey Dollar was an inspired solution to a difficult problem, and for this reason it was chosen as the symbol for the Macquarie Group.

The “Holey Dollar,” the symbol adopted by Macquarie representing inspired solutions to difficult problems.
Over the past decade, backed by the financial strength of a truly global franchise, Macquarie has experienced significant growth and generated strong results in the US. The firm has enhanced its position by pursuing opportunities in new markets, developing expanded product offerings and making selective acquisitions.

Whether through organic growth or acquisition, Macquarie’s strategy is to pursue opportunities adjacent to existing areas of expertise. For example, to complement the firm’s global capital markets and advisory expertise, Macquarie pursued selective acquisitions in sectors such as financial institutions (through the purchase of Fox-Pitt Kelton in 2009), energy (Tristone Capital 2009), and gaming, lodging and leisure (Regal Capital Advisors 2011).

Another example is the build-out of the firm’s energy capabilities, which were enhanced through the acquisition of Constellation Energy’s gas trading business in 2009 and Cook Inlet Energy in 2005. With this approach, the firm has been able to actively grow its US business during a period of industry downsizing.
Regional highlights:

- 35 percent of Macquarie’s global operating income is generated in the Americas
- $4.7 billion of loan and lease assets
- Fourth-largest marketer of wholesale natural gas in North America
- 520+ US stocks covered and growing (2,250+ under coverage globally)
- $220.5 billion of US assets under management representing more than 55 percent of the firm’s global total
- Remaining profitable throughout the global financial crisis and beyond, Macquarie has been able to aggressively grow its US presence and strategically add key talent across the organization (see below).

Nearly two decades of staff growth in the US

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The Macquarie difference

Accolades

Delaware Investments, part of Macquarie Funds Group, has approximately $192.9 billion in assets under management and earned 6 Lipper Awards in 2014, including five fund awards across three categories and Lipper’s Excellence in Fund Management Award for Delaware Extended Duration Bond Fund. Since 2010, Delaware has won 47 Lipper Awards.

Macquarie’s Midtown Tunnel transaction recognized as North American Toll Road Deal of the Year by Project Finance Magazine, 2013

Ranked #1 in Infrastructure Investor magazine’s listing of the largest infrastructure investors globally

Macquarie advised on Cumulus Media’s Acquisition of Citadel Broadcasting and won Middle Market Deal of the Year from M&A Advisor and ACG New York

Clients rely on Macquarie for some unique characteristics that truly set the firm apart:

Enterprising approach

Central to Macquarie’s success is a unique management style that provides a balance between operating freedoms, controls on risk limits and observance of high professional standards. This balance allows the businesses to undertake innovative approaches to meet client needs.

Client focus

The organization’s focus on clients is paramount. Macquarie works closely across the firm to tap into broad expertise and extensive resources to deliver the best solutions for clients. With a footprint in more than 28 countries, the firm is able to easily leverage the power of a global network — utilizing its depth of experience with various products, sectors and client segments — to draw on a broad array of ideas to help clients successfully navigate through challenging economic environments.

Investment insights

Macquarie offers comprehensive research analysis of equities, economics, commodities, debt markets, foreign exchange and futures. The firm’s research covers the major financial markets, giving institutional, government and corporate clients the depth and breadth of information they need. The firm’s product range continues to expand to meet the needs of a growing global client base.

#4 physical gas marketer in North America by Platts, Q1, 2014

#1 rated commodities research globally by AsiaMoney Brokers Poll

Ranked #1 in alternative asset managers in terms of assets under management by Towers Watson, 2013

Macquarie’s Goethals Bridge Replacement Project recognized by Infrastructure Investor as the North American Deal of the Year and PPP Deal of the Year, and by Infrastructure Journal as the Transport Deal of the Year.
Financial strength

Macquarie has a long history of financial success, including 40+ consecutive years of profitability. Macquarie stood as one of the few global financial firms to remain profitable through the global financial crisis. Not only does the firm have significant assets under management and a strong balance sheet, Macquarie ranks as the top global infrastructure investor in the world — three times larger than our nearest peer. Clients are able to leverage these strengths in many ways. The firm’s balance sheet enables us to both support our clients and invest alongside them. This approach allows the firm to deliver a higher level of deal certainty and confidence with every transaction.

Disciplined frameworks

Combining the firm’s rigorous risk assessment approach with in-depth technical expertise in a broad array of products, sectors, disciplines and regions enables Macquarie to take a prudent approach to pursuing ideas that support client goals. This disciplined approach has led to a long track record of success.

Macquarie’s strong balance sheet and approach to risk management have contributed to its solid business position, resilience and long track record of profitability. Demonstrated strengths across the global organization include:

- **$396 billion** in total assets under management
- **Strong funding position** and well-capitalized balance sheet
- Advised on **759 M&A deals** since 2009
- **$234 billion** in debt financing raised for clients since 2009
- **$385 billion** of equity financing raised for clients since 2009
- **$346 billion** in total equity financing raised for clients since 2009

Strong funding position and well-capitalized balance sheet
Locking in attractive long-term gas supply for Texas Municipal Gas

Established in 2012, Texas Municipal Gas Acquisition and Supply Corporation III (TexGas III) is a Texas public facility corporation created to acquire natural gas supplies to supply municipalities in 20 US states. TexGas III turned to Macquarie, a leading natural gas market participant, to help them secure long-term gas supplies for its constituents at attractive prices.

With a powerful combination of the ability to design and execute complex transactions and the depth and diversity of the firm’s leading energy franchise, Macquarie was able to create a transaction structure that delivered attractive benefits for all of the involved parties.

Macquarie will provide approximately 405 billion cubic feet of natural gas over 20 years to TexGas III. As part of the pre-paid gas supply contract, TexGas III issued tax-exempt bonds to fund the new supply of the pre-paid gas it will be providing to municipalities. The bond issuance raised $1.5 billion.

The unique transaction ranks as the third-largest natural gas pre-pay transaction ever and Macquarie’s first US transaction in the space.

Opportunity unlocked for Kelso & Company

Both Kelso & Company and CHS Capital, financial sponsors of PSAV Presentation Services and Swank Audio Visuals respectively, had previously investigated merger opportunities. Although the companies were a natural fit, the potential transaction faced complex capital structure constraints.

With Macquarie’s assistance and advice, Kelso was able to complete the acquisition of Swank, creating a market leader in audiovisual and event technology services within the hotel, resort, meetings and conference center industries in the US and internationally. Additionally, Macquarie underwrote and syndicated a debt financing package and acted as a preferred equity provider to support the transaction. The transaction realized significant synergies and allowed Kelso to continue to benefit from the momentum underlying these two businesses.

Macquarie aligned with Kelso to deliver a customized solution for its client. Macquarie’s commitment to provide principal equity capital helped unlock the opportunity, creating a transformational transaction in this market.
Delaware Investments garners awards

Delaware Investments, part of Macquarie Funds Group, continues to be recognized at the US Lipper Fund Awards, which honor funds that have excelled in consistently delivering strong risk-adjusted performance, relative to their peers. In 2014, three Delaware Investments mutual funds were awarded as the best in their respective Lipper categories across various time frames, for a total of five awards.

In addition to the fund-level awards, the Delaware Investments Fixed Income team won Lipper’s Excellence in Fund Management Award for Delaware Extended Duration Bond Fund. This award recognizes outstanding asset managers who deliver consistently strong risk-adjusted returns and, in the opinion of Lipper’s research analysts, represent the best of the fund industry.

In 2013, Delaware earned nine Lipper Awards, including one firm-level and eight fund awards across six categories. Since 2010, Delaware has been recognized with 47 Lipper Awards.

Delaware strives to provide consistent, long-term performance for its clients across a variety of asset classes and investment vehicles. In an ever-changing global marketplace, Delaware Investments has helped its clients move steadily forward for more than 80 years.

Supporting a long-term client impacted by Hurricane Sandy

Macquarie’s Structured Commodity Finance team, the firm’s Business Services unit and Risk Management Group combined to help a long-term coffee and cocoa trading client that had been severely impacted by Hurricane Sandy in New York.

Sandy brought high winds and serious flooding, which knocked out power to many parts of New York City. Coffee America’s office sustained serious damage during the storm and was uninhabitable. Macquarie responded by providing temporary office space in our New York office. The Structured Commodity Finance team and Risk Management Group also enabled a temporary increase in Coffee America’s working-capital finance facility, thereby allowing Coffee America to provide additional required collateral for its financing pool facility.

The client was able to continue its day-to-day operations in the wake of Hurricane Sandy thanks to the teamwork and commitment from its partners at Macquarie.
Macquarie provides a diverse range of services to institutional and corporate clients and counterparties, with five operating groups in the US.

**Macquarie Capital**

Macquarie Capital specializes in corporate finance, advisory, equity and debt capital markets, structuring and distribution, private equity placements and principal investments. Macquarie has extensive sector expertise in infrastructure and utilities, financial institutions, real estate, resources, industrials, technology, media, entertainment, telecommunications and gaming.

Macquarie stands out from other financial services providers through its strong balance sheet, which enables the firm to support and invest alongside clients when appropriate. This approach allows Macquarie to deliver a higher level of deal certainty and confidence to client transactions.

Macquarie Capital highlights:

- focused client coverage by senior leadership
- $234 billion in debt financing raised globally since 2009
- $385 billion of equity financing raised globally since 2009
- more than $1.0 billion of principal invested in the US since January 2011
- a Private Capital Markets team that has raised more than $2.5 billion since 2010.

**Macquarie Securities Group**

The firm’s institutional cash equities activities enjoy top-tier rankings among institutional clients for research and sales strength — supported by a global institutional securities platform. Macquarie Securities Group is well positioned to take advantage of market conditions, using their research and risk management skills to develop equities-based solutions and services for clients. Organic growth, strategic acquisitions and integration across Macquarie have enabled the firm to build out a comprehensive equities platform offering that includes:

- full-service execution
- frequent, high-quality corporate access
- 500+ stocks covered in the US
- more than 2,250 stocks under coverage globally and a top-10 global research house
- coordinated in key sectors worldwide
- global insight for US money managers
- one of the largest research coverage platforms in Asia-Pacific, covering more than 900 stocks
- differentiated and actionable idea generation.
Fixed Income, Currencies and Commodities

Macquarie’s Fixed Income, Currencies and Commodities (FICC) group operates global physical and financial commodity markets, as well as primary and secondary financial markets providing finance, risk solutions and market access to producers, consumers, financial institutions and investors. Key highlights include:

• the fourth-largest marketer of natural gas in North America, the highest ranked non-producer
• 30+ years in metals markets, one of the longest track records globally for a financial institution
• a leading provider of agricultural hedging products for more than 20 years
• financing of more than $7 billion provided to junior oil and gas exploration and production and mining companies over the past 10 years, across more than 40 jurisdictions
• a specialist global full-service futures broker for more than 30 years
• a leading provider of foreign exchange transactional services for more than 20 years, with a full spectrum of products and capabilities
• more than $2.1 billion of working capital financing to commodity companies in the Americas and Europe, the Middle East and Africa
• trader and physical supplier of natural gas, liquefied natural gas, natural gas liquids, power, oil, coal, base metals, iron ore, sugar and freight
• market maker in more than $10 billion of bonds and loans across 230 issuers
• hedge fund management
• $217 billion in debt financing since 2009.
Macquarie Funds Group

Macquarie Funds Group (MFG) is a full-service asset manager with $394 billion in assets under management as of March 31, 2014. The group has been managing assets for institutional and retail investors since 1980 and, through the acquisition of Delaware Investments, has acquired an investment management business dating back to 1929 in the US. MFG has global reach, with a team of approximately 1,400 staff. MFG offers a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and structured access to funds, equity-based products and alternative assets:

**Macquarie Infrastructure and Real Assets (MIRA)**

specializes in direct investments and asset management of infrastructure and other real assets. A global team with a large North American presence manages infrastructure and other real assets valued at approximately $104.6 billion on behalf of institutional and other investors from around the world. MIRA’s funds are structurally independent, with a primary focus on delivering returns for its investors. MIRA ranks as the world’s largest private manager of infrastructure assets and brings a localized approach to its funds.10 The division is recognized as a founder in the infrastructure investing space, with strong capabilities in investment sourcing, asset management and long-term investor relationships.

**Macquarie Investment Management** offers securities investment management capabilities across a number of asset classes, including fixed income, currencies, equities, infrastructure securities, private markets, hedge funds and multi-asset allocation solutions. The team’s full-service offering is available to institutional and retail clients in Australia and the US, with selective offerings in other regions. In January 2010, the acquisition of Delaware Investments tripled Macquarie Investment Management’s assets under management and delivered a US presence.

**Macquarie Specialized Investment Solutions**

manufactures and distributes a range of fund and equity-based structured products and alternative assets including capital-protected investments, fund-linked products, retirement income solutions, alternative funds and annuity reinsurance solutions. In the US, the division provides structured leverage solutions to leading hedge funds, private equity funds, fund of funds and other institutional investors in alternative funds, as well as hedge fund seeding and fundraising capabilities. The division is recognized for product innovation, with a strong track record of delivering tailored solutions to the market.

A Macquarie-led consortium owns Puget Energy, the largest public regulated utility in the State of Washington. Puget engages in the generation, transmission and distribution of electricity, and the transmission and distribution of natural gas. Its power generating capability includes renewable energy assets such as hydroelectric and substantial wind farms.
Corporate and Asset Finance Group

Corporate and Asset Finance Group (CAF) provides specialist finance and asset management solutions to a diversified client base that includes corporations, governments and small- and medium-sized enterprises. The team has global capabilities in corporate and real estate credit, participating in both primary and secondary markets.

Highlights include:

• billions of loans and assets under finance
• global expertise across a range of industry sectors including aircraft, motor vehicles, technology, health care, manufacturing, industrial, energy, rail and mining equipment
• leading primary lender and acquirer of secondary loans across the US, Australia and Europe
• capability to structure and provide customized bilateral financing solutions
• commercial mortgage financing
• one of North America’s largest independent lessors of technology equipment, with 20+ years in the technology financing industry
• vendor finance programs and receivables financing for manufacturers and distributors
• specialists in equipment trading and remarketing, and asset lifecycle services.

Macquarie’s AirFinance team provides aircraft and capital to the world’s airlines, plus advisory and asset management services to aircraft owners.
Giving back to our communities

The Macquarie Group Foundation

The philanthropic arm of the firm, the Macquarie Group Foundation, has been investing in communities in which Macquarie staff live and work for more than 25 years. The Foundation concentrates funding in the areas of health care and research, education, the arts, welfare and the environment, ensuring the firm’s support is diversified across the community spectrum. In addition, the Foundation works on a range of initiatives to build the sustainability of the not-for-profit sector. These include assisting with growth strategies, sharing employee skills with the sector, and supporting programs that make the sector more efficient.

The Foundation supports more than 1,300 charities globally.

The Foundation’s approach, and a key differentiator of Macquarie’s support, can be summed up in the term “engaged philanthropy” — enabling community organizations to harness a company’s business expertise, advice, networks and staff resources, as well as financial support.

The Foundation:
- prioritizes staff involvement
- establishes long-term, multi-layered engagements
- leverages staff skills and expertise (pro bono skills sharing)
- supports sector sustainability.

Macquarie volunteers packing produce for Gleaner’s Community Food Bank in Michigan
1 MBL APRA Basel III Common Equity Tier 1 capital ratio as of March 31, 2014. Average of 101 Group 1 banks (i.e. those that have Tier 1 capital in excess of €3 billion and are internationally active).
2 Platts, Q1, 2014.
3 As of March 31, 2014.
4 Rankings based on methodology created by Infrastructure Investor, and represents infrastructure direct investment capital formed since January 1, 2006.
5 As of December 31, 2013.
6 Lipper Fund Awards are granted annually to the funds in each Lipper classification that achieve the highest score using the Lipper Leader for Consistent Return methodology, a measure of a fund’s historical risk-adjusted returns excluding sales charges, relative to peers. Ratings for Consistent Return are computed for all Lipper classifications with five or more distinct portfolios. The ratings are subject to change every month and are calculated for the following periods: 3-year, 5-year, 10-year, and overall. The highest 20% of funds in each classification are named Lipper Leaders for Consistent Return. The highest Lipper Leader for Consistent Return within each eligible classification determines the fund classification winner over 3, 5, or 10 years. Lipper, a wholly owned subsidiary of Thomson Reuters, is a leading global provider of mutual fund information and analysis to fund companies, financial intermediaries, and media organizations. © 2014 Lipper, a subsidiary of Thomson Reuters. Lipper rankings reflect a fund’s historical total return performance, excluding sales charges as applicable, relative to peers as of the above date. The ratings are subject to change every month and are based on equal-rated average of percentile ranks for the total return metrics over the 1-, 3-, 5-, and 10-year periods, if applicable. Lipper does not guarantee the accuracy of this information. Past performance is not a guarantee of future results. Fee waivers were in place for all or some of the periods listed. Without such waivers, performance would have been lower and Lipper rankings may have been lower.
Investing involves risk, including the possible loss of principal.
7 #10 globally by amount of Research coverage, Macquarie Securities Research, January 2014.
8 Platts Q1 Rankings, 2014 by wholesale physical volumes sold.
9 Since inception in 2006.
10 Pensions & Investments, December 2012.
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