

ASX ANNOUNCEMENT

Thursday, 29 December 2011

Fund Update

- **Debt facility extended for 3 year term, plus 1 year option**
- **New interest rate hedging profile**
- **Asset portfolio update**

Austock Funds Management Limited (AFML) as the responsible entity of The Australian Social Infrastructure Fund (ASIF or the Fund) provides the following update to unitholders:

1. Debt Facility Extended

The Directors of AFML are pleased to advise that ASIF has capitalised on the strength of its asset portfolio and banking relationships to renew the Fund's existing debt facility with the Australia and New Zealand Banking Group Limited (ANZ).

The renewed facility is for a longer duration of 3 years plus an option for a further 1 year period. This secures ASIF's debt funding availability though to December 2015. Management considered it an opportune time to renew and extend the Fund's debt facility ahead of its September 2012 maturity date in light of the potential for increased instability emerging in the worldwide economy.

As part of the process, Management ensured that the terms and conditions of the renewed facility were market competitive. ASIF is pleased to continue its association with the ANZ and recognises its continued support.

The key commercial terms of the facility are:

1. Facility Limit	\$37.65 million (fully drawn)
2. Facility Term	3 Years from December 2011 with an option for 1 further year exercisable at ASIF's election
3. Financier	ANZ
4. All-in Cost of Debt	7.9% per annum, which includes establishment and legal fees

5. Maximum Loan to Value Ratio	Not greater than 52.5% Value is based on 100% of secured property values and 50% of the value of Australian Education Trust units (ASX code: AEU) On this basis, the current LVR is 42%. Available headroom is \$17.9 million or 20% of asset value
6. Interest Coverage Ratio	Not to be less than 1.6x (EBITDA) measured on a yearly basis. Forecast ICR for the 12 months ending 31 December 2011 is 2.1x
7. Amortisation	No mandatory amortisation requirement whilst the LVR remains below 50%
8. Interest Rate Hedging	Requirement to enter into interest rate hedging arrangements based on agreed policy with ANZ

Borrowing costs relating to the previous facility which were being amortised through to September 2012 totalling \$0.2 million, will be written off in the half year to 31 December 2011. This will be recorded as a non-cash accounting loss.

Overall the refinancing has delivered an improved debt maturity at comparable all-in cost of 7.9% per annum and on improved terms. This reflects the enhanced security position of ASIF since the previous facility commenced in September 2010, the key improvements being:

- Debt reduced from \$49.2 million to \$37.65 million, a decrease of \$11.6 million or 23%;
- Decreased LVR (property assets only) from 57% to 44% and overall gearing from 44% to 35% (including the Fund's securities portfolio);
- Goodstart, ASIF's major tenant recording an EBITDA of \$40.4 million for the year ended 30 June 2011;
- Continued confidence returning to the childcare/early learning sector; and
- 100% occupancy maintained.

2. New Interest Rate Hedging Profile

ASIF has taken advantage of recent pronounced falls in interest rates to put in place the following forward dated fixed interest rate swaps:

- \$5 million swap from September 2012 to June 2013 at a rate of 3.72%
- \$5 million swap from September 2012 to June 2014 at a rate of 3.97%

These new swaps commence on the maturity of the existing \$35 million interest rate swap (which is at a rate of 5.7%). Assuming that interest rates do not rebound sharply from recent falls, ASIF should obtain a reduction in the cost of debt post September 2012.

The new swaps are being put in place pursuant to a new interest rate hedging policy approved by ASIF's Board and ANZ. The policy aims to provide an appropriate balance between limiting the affect of adverse interest rate movements and providing some flexibility to capture competitive rates. Hence, a staggered periodic approach to hedging has been adopted with an emphasis on reducing volatility in short term forecast earnings.

3. Asset Portfolio

i. Sales and Lettings

One operational property, being the childcare property at Hilton, WA, has been sold since 30 June 2011. The property has been sold at book value, with the proceeds used to pay down debt. The sale was concluded on the basis that it was an appropriate redeployment of capital as the asset had reached optimal value in the medium term and will assist in refining the portfolio's quality.

New leases have been agreed with Leading Childcare for the four childcare centres at Tarragindi, Thornlands, Bargara and Tingalpa in QLD. Three of the new leases are for an initial term of 10 years, with the other lease for an initial term of 5 years.

Management continues discussions with Goodstart in respect to four properties which are subject to early termination clauses which were agreed as part of the May 2010 lease assignments to Goodstart. Goodstart can exercise its early termination right up until May 2012 on the basis that it provides a minimum 6 months notice and subject to an obligation to pay rent for two years thereafter.

ii. Goodstart Early Learning Brand Launched

Goodstart (the Fund's tenant of 42 childcare properties), has been officially renamed Goodstart Early Learning. Goodstart has owned and operated the former ABC Learning centres, Australia's largest childcare and early learning network since 2010, with a workforce of more than 15,000 staff caring for and educating more than 72,000 children. All centres across Australia will transition from ABC Learning to Goodstart Early Learning with new signage expected over the coming months. ASIF considers this to be another positive development by Goodstart in further improving the early learning landscape for Australia's children.

iii. Flood Damaged Properties Rebuilt

The re-building of the properties at Indooroopilly and Jindalee following damage during the Queensland floods has been completed since 30 June 2011, with the costs of reconstruction substantially met by the Fund's insurer. The centres are operational and the tenants have recommenced rent payments.

4. Distributions

ASIF announced the distribution for the quarter ending 31 December 2011 of 3.5 cents per unit on 15 December 2011, in line with forecast for FY12. This brings total distributions for the half year to 7.0 cents. The renewed debt facility does not alter ASIF's distribution forecast for FY12 of between 14 and 15 cents per unit.

5. Outlook

The Fund's outlook remains positive with increasing childcare occupancy levels for our existing tenants. The Fund's major tenant, Goodstart, provided its annual report that revealed performance in line with their first year forecast. Ongoing movements in the CPI index in Australia should produce reasonable rental growth across the portfolio in 2012-13. Overall income levels are subject to continued tenant performance and distribution variability from the Fund's security holdings.

Management remains focused on providing reliable quarterly distributions in line with its forecasts. Reducing costs is a key deliverable as well as ensuring that the existing portfolio performs to its maximum.

6. Investor Relations

Unitholders are invited to call our Investor Relations Manager with any queries regarding the Fund. Boardroom Pty Limited is the Fund's Registry and can be contacted on 1300 737 760 with respect to any queries in relation to your unitholding. All of the Fund's publications are available on its website www.asifund.com.au including the Fund Profile that periodically outlines the Fund's overall financial position and asset portfolio.

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