



Hastings Funds Management Limited
Level 27, 35 Collins Street
Melbourne VIC 3000 Australia

T +61 3 8650 3600
F +61 3 8650 3701

ABN 27 058 693 388
AFSL No. 238309

Australian Infrastructure Fund Limited
ABN 97 063 935 553

ASX Announcement

Australian Infrastructure Fund (AIX)

Pages: 2

2 October 2013

AIX Announces “Final” Dividend, Capital Return and Retirement of Directors

The Board of AIX announced today that it has finalised arrangements to bring forward the payment of what are expected to be its final dividend and capital return(s) to shareholders as the company brings to a close a remarkable series of above market returns since it was listed in 1997.

The final dividend and capital return(s), if approved, will complete a sequence of returns announced last December that will see \$1.994 billion, (or approx \$3.21 per security), returned to shareholders since May this year, after AIX sold its assets under the transaction with the Future Fund.

The first return occurred in May followed by a residual return in July. In August, AIX declared a fully franked dividend of 0.30 cents a share and has proposed a capital return of 0.81 cents a share, both to be payable in October, the latter to be voted on at a General Meeting of shareholders in Melbourne on Tuesday, October 8. These two returns are to be rolled up and paid to shareholders on or around 22 October.

Today the Board has declared a further fully franked dividend of 0.49 cents a share and proposed a capital return of a further 0.39 cents a share, that return to be subject to a Board decision and shareholder vote, possibly at an AGM in November; this would then be payable within a month of that decision.

AIX Chairman Paul Espie said “these payments will close the book on a very successful investment which has delivered an 10.4% return per annum since 1997, making AIX one of the best half a dozen performing companies on the ASX200 since then, when measured by IRR from IPO to the date of the Residual Return in July. An investment of \$1,000 in AIX in 1997 would have grown to approximately \$5,000 if the holder had taken up their placement rights in the company and enjoyed the journey with us,” said Mr Espie who was a director at inception.

The latest dividend and proposed capital returns have been made possible by accelerating the process of finalising the affairs of the company structure by arranging for a new independent entity to take over any residual affairs of Australian Infrastructure Fund Trust. The previously announced plan involved a later liquidation.

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As a result, the directors of AIX today announced their intention to retire from the Board. They will formally step down at the General Meeting of shareholders on 8 October having substantially completed the plan presented to shareholders in the Explanatory Memorandum dated 7 December 2012. Mr Espie said he was “pleased that we have been able to find such an elegant solution to a range of complex issues so that we can bring forward the final payments to shareholders in an environment where there had been competing arguments about how quickly this could be achieved.”

“These arrangements will allow the nominees who are seeking election as directors at the upcoming general meeting, to commence office as directors of AIFL with a clean company structure from which to pursue alternative capital management strategies, as those nominees have proposed,” said Mr Espie.

Further details about the dividend, capital returns and structural changes are contained in the attached announcement “AIX Dividend, Capital Return and Structural Simplification” that has been released to the ASX today along with this announcement.

Paul Espie

Chairman

Australian Infrastructure Fund Limited

Tel: +61 3 8650 3600

Email: investor_relations@hfm.com.au

Mob: +61 419 363 220

For further enquiries please contact:

Greg Baxter

Newgate Communications Pty Limited

Mob: +61 419 461 368

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2 October 2013

AIX Announces Dividend, Capital Return and Structural Simplification

Distributions announced to date

In the booklet issued to securityholders in December 2012 (available at www.hastingsinfra.com), the Boards of AIX announced a strategy of distributing to security holders the \$2 billion proceeds following the sale of the assets of AIX to the Future Fund, in three tranches - the main return (paid in May 2013), the residual return (paid in July 2013) and a further return to be paid to security holders as soon as the affairs of AIX could be finalised and the corporate structure delisted and wound up.

In order to return funds to shareholders as early as practicable, the Board of AIFL has accelerated the payment of amounts under this further return. As announced on 27 August 2013, this acceleration has already included:

- the declaration of a fully franked dividend of 0.30 cents per share (payable in October 2013); and
- a proposed further capital return of 0.81 cents per share (also payable in October 2013), subject to shareholder approval at the general meeting of shareholders on 8 October 2013.

Proposed further dividend and potential capital return

AIX is pleased to announce that it is now in a position to return additional funds to AIX shareholders under a further fully franked dividend of 0.4889 cents per share.

AIX is also in a position to seek shareholder approval for an additional return of capital of approximately 0.3931 cents per share, at the AIX Annual General Meeting in November 2013 (AGM), should the new board wish to propose this.

The dividend and capital return now referred to are in addition to previously announced payments to AIX shareholders and finalise the strategy announced by AIX, to return the proceeds of sale to its shareholders.

The additional dividend is intended to have the same record and payment date as the previously announced (but as-yet unpaid) dividend and will be aggregated to form one single, larger dividend. The relevant dates for this dividend are:

- | | |
|----------------|-------------------------------|
| • Ex-date | 10 October 2013. |
| • Record date | 16 October 2013. |
| • Payment date | On or around 22 October 2013. |

Accelerated Finalisation of the affairs of AIX

AIX has been able to declare this dividend and proposes the final capital return, following the accelerated finalisation of its affairs. This has included:

- Arranging insurance for certain future liabilities, including any future warranty claims in relation to the port and light rail asset sales that could have otherwise required contingencies to be held in both AIFL and AIFT until the expiry of the last of those warranties in March 2017;
- the runoff of the affairs of the Australian Infrastructure Fund Trust ("AIFT") outside the AIX structure (see "Structural Simplification" below); and
- provision for:
 - future tax liabilities;
 - the transfer of any residual risks associated with AIFT, including any relating to the Future Fund transaction;
 - the transfer or resolution of certain contingent obligations.

Presently AIFL has retained exposure of up to approximately \$700,000 in relation to a possible obligation to adjust the payment in relation to an asset sale, which may arise as a result of the unresolved tax treatment of certain pre-sale distributions. To the extent AIFL is not required to pay some or all of this amount, the balance will be available for use by AIFL, including distribution to shareholders. The timing of the resolution of this matter is currently uncertain. The proposed payments to shareholders described in this announcement do not assume that any part of this \$700,000 is available for distribution; and

- the costs of winding up AIX.

It remains AIX directors' view that AIFL should proceed with the delisting and winding up of AIFL following the payment of this further dividend (and, if approved, additional capital return), however this will be a matter for the new board to determine. AIX proposes to retain approximately \$1.3 million to fund this. It is possible that a further small distribution might be made by a future liquidator in due course, or that some or all of this amount could become available if AIFL is not wound up and the funds are not applied for another purpose.

The AIFL Directors considered it prudent and in the interests of all shareholders equally to make these arrangements now as part of their previously announced strategy of returning substantially all of AIX's remaining available funds to shareholders. The simplification of AIX's affairs may in any case, assist any future use to which the AIX structure may be put as a listed public company.

Total Distributions to AIX Securityholders

The payment of the proposed final dividend brings the distribution of funds to AIX shareholders since the sale of AIX's assets to the Future Fund to \$3.21242 per security/share, comprising the following payments and proposed payments:

Main return – May 2013	\$3.018576 per security
Residual return – July 2013	\$0.173924 per share
Dividend – October 2013	\$0.003000 per share
Capital return – October 2013	\$0.008100 per share (subject to shareholder approval 8 Oct 2013)
Final dividend – October 2013	\$0.004889 per share
Proposed final capital return (approx)	\$0.003931 per share (subject to this resolution being put to and approved by AIFL shareholders at the Nov 2013 AGM)

Total return to AIX securityholders: \$3.21242 per AIX security

This amounts to the following payments:

Main Return	\$1,873,732,585	Paid 30 May 2013
Residual Return	\$107,960,530	Paid 8 July 2013
Dividend	\$1,868,545	To be paid on approx 22 Oct 2013
Capital Return (If approved)	\$ 5,021,602	To be paid on approx 22 Oct 2013
Dividend	\$3,034,768	To be paid on approx 22 Oct 2013
Capital Return (approx)	\$2,439,796	Proposed to be put to shareholders and paid prior to 31 Dec 2013

Total funds returned to AIX security holders: \$1,994,057,826

AIX chairman Paul Espie said “we are pleased that AIX has been able to find solutions for a number of complex issues, allowing us to distribute funds to shareholders much earlier than might otherwise have been the case.”

Structural Simplification

To facilitate the simplification of AIX's structure and the distribution of funds from AIFT, AIX has agreed that an independent unrelated entity, W.A. Blue Gum Limited (“New RE”), will become the responsible entity (RE) of AIFT. The New RE's associated entities will acquire ownership of AIFT. The agreement is expected to complete in October 2013, once a technical amendment to New RE's Australian Financial Services Licence is obtained. As a result of these transactions, AIX will then have no material, ongoing exposure to AIFT and will not need to incur costs or delays associated with the winding up of AIFT, which, if that proceeds, may take some time.

This arrangement enables the release from AIFT of funds that Hastings, as RE of AIFT, would otherwise have retained for an indeterminate period, until it assessed that the risk of any litigation arising from the Future Fund transaction had passed. This could have taken several years.

Having simplified its corporate structure, the bulk of AIFT assets will be distributed to AIFL so that, after tax, they can then be used to pay the majority of the proposed final dividend. In recognition of the responsibilities being taken on by the New RE, some funds will be left in AIFT and other costs will be met by AIFL, amounting to \$750,000 in total.

Forthcoming General Meeting and change to AIX directors' recommendation

As set out in the Notice of General Meeting and the Explanatory Booklet accompanying it, distributed on 27 August 2013, AIX is holding a general meeting to consider:

- the proposal to pay the further capital return of 0.81 cents per share; and
- a proposal by Wilson Asset Management that the current AIX directors be removed and replaced with three nominees of Wilson Asset Management.

For the reasons set out above, the AIX directors consider that their previously announced strategy of returning substantially all of AIX's remaining available funds to shareholders has been satisfactorily concluded.

The AIX directors have unanimously recommended that, at the general meeting on 8 October 2013, shareholders **vote in favour of the Capital Return Resolution**. The current directors will now retire at the 8 October 2013 general meeting and they therefore **do not make any recommendation** in relation to the resolutions to be considered either to remove them, or to appoint new directors.

While the potential risks and uncertainties associated with the appointment of new directors (as set out in the Notice of General Meeting and the Explanatory Booklet accompanying it), remain relevant for shareholders, the AIX directors consider that the significance of these issues has substantially decreased in light of the developments and proposed payments to shareholders described in this announcement.

For further enquiries, please contact:

Paul Espie

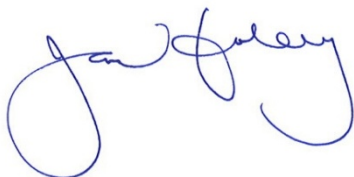
Chairman

Australian Infrastructure Fund Limited

Tel: +61 3 8650 3600

Fax: +61 3 8650 3701

Email: investor_relations@hfm.com.au



Jane Frawley

Company Secretary

Australian Infrastructure Fund