



MACQUARIE
OPPORTUNITIES AND STRATEGIES FOR INVESTING IN ASIA
NICHOLAS MOORE, HEAD OF INVESTMENT BANKING GROUP, MACQUARIE BANK

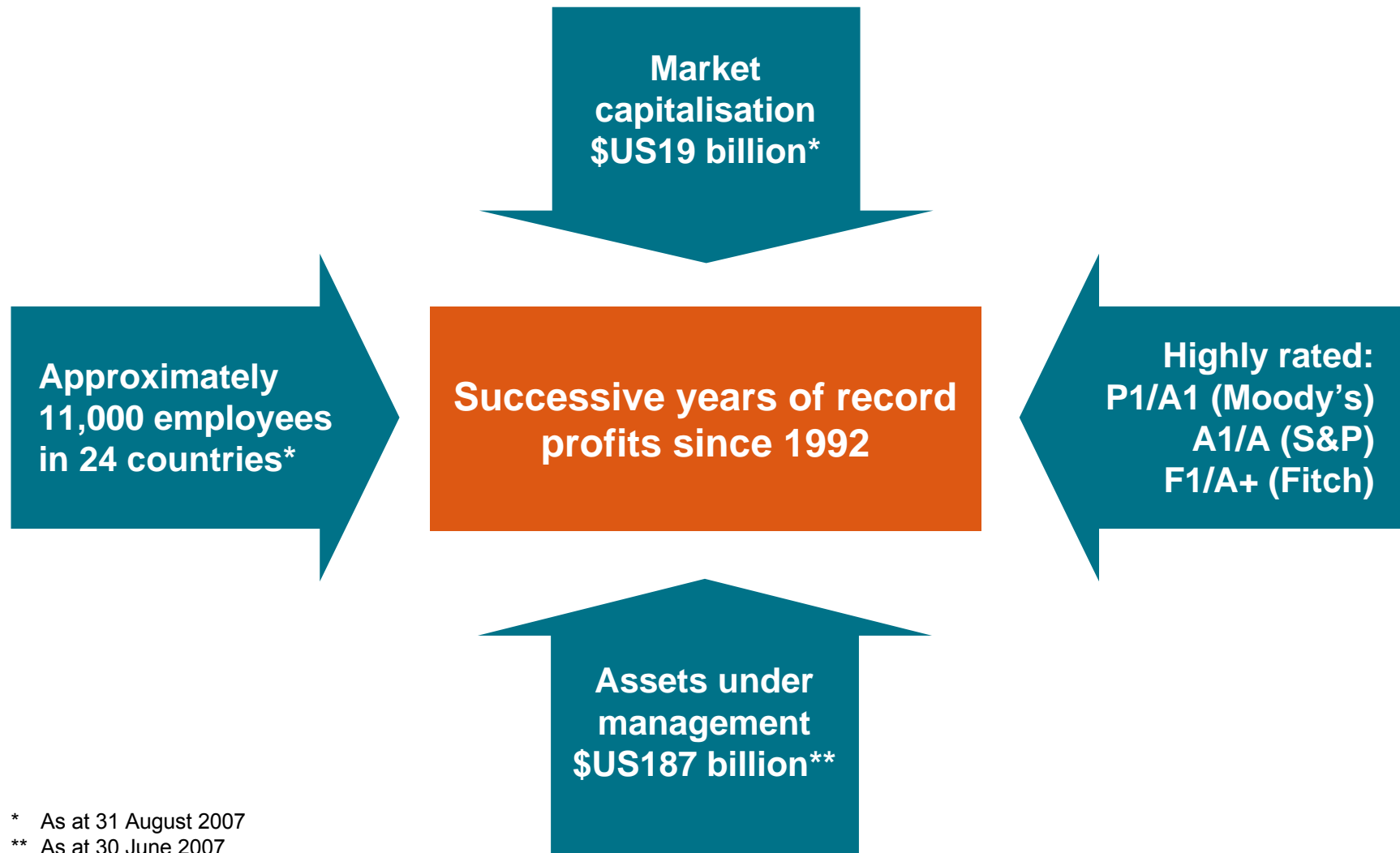




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Macquarie snapshot

The Macquarie Group



* As at 31 August 2007

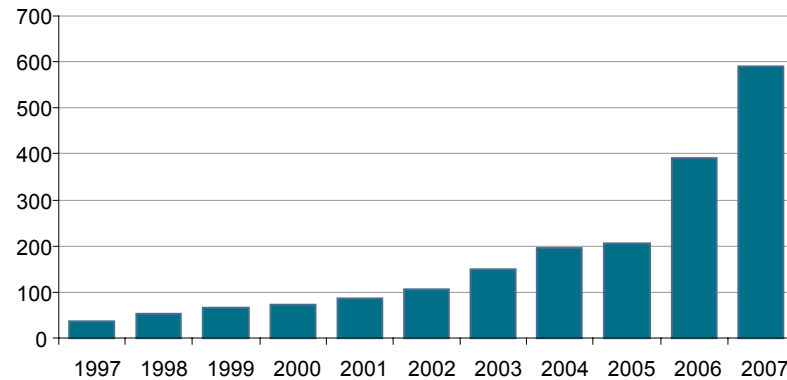
** As at 30 June 2007



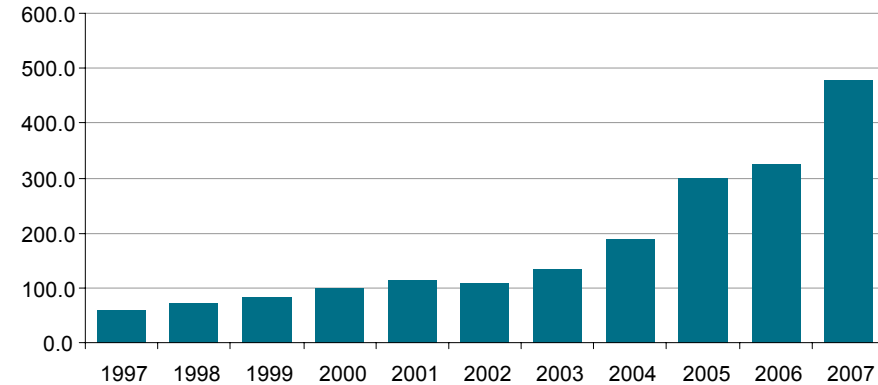
Performance and growth



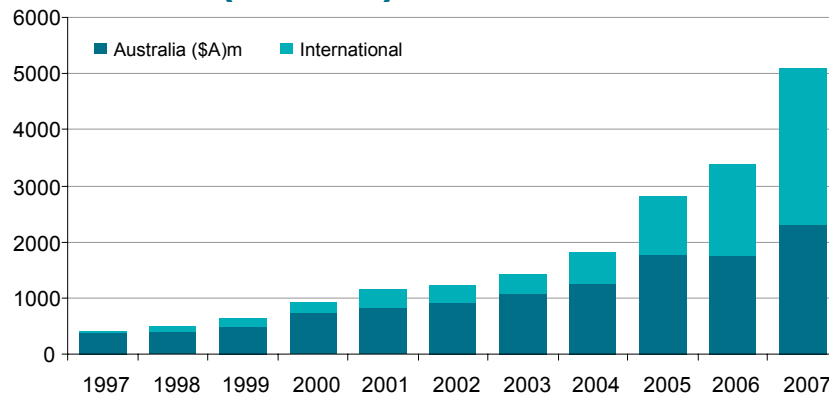
Profit (\$US m)



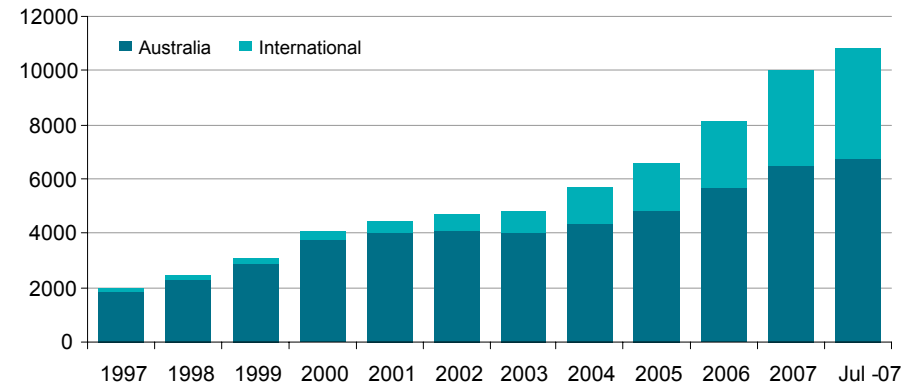
Earnings per share (US cents)



Income* (\$US m)



Staff



More than 11,000 staff in 24 countries



EUROPE & MIDDLE EAST

1,102 staff



ASIA

1,806 staff



NORTH AMERICA

1,225 staff



AFRICA

42 staff

AUSTRALIA

6,747 staff

NEW ZEALAND

112 staff

SOUTH AMERICA

23 staff

As at 31 Aug 2007

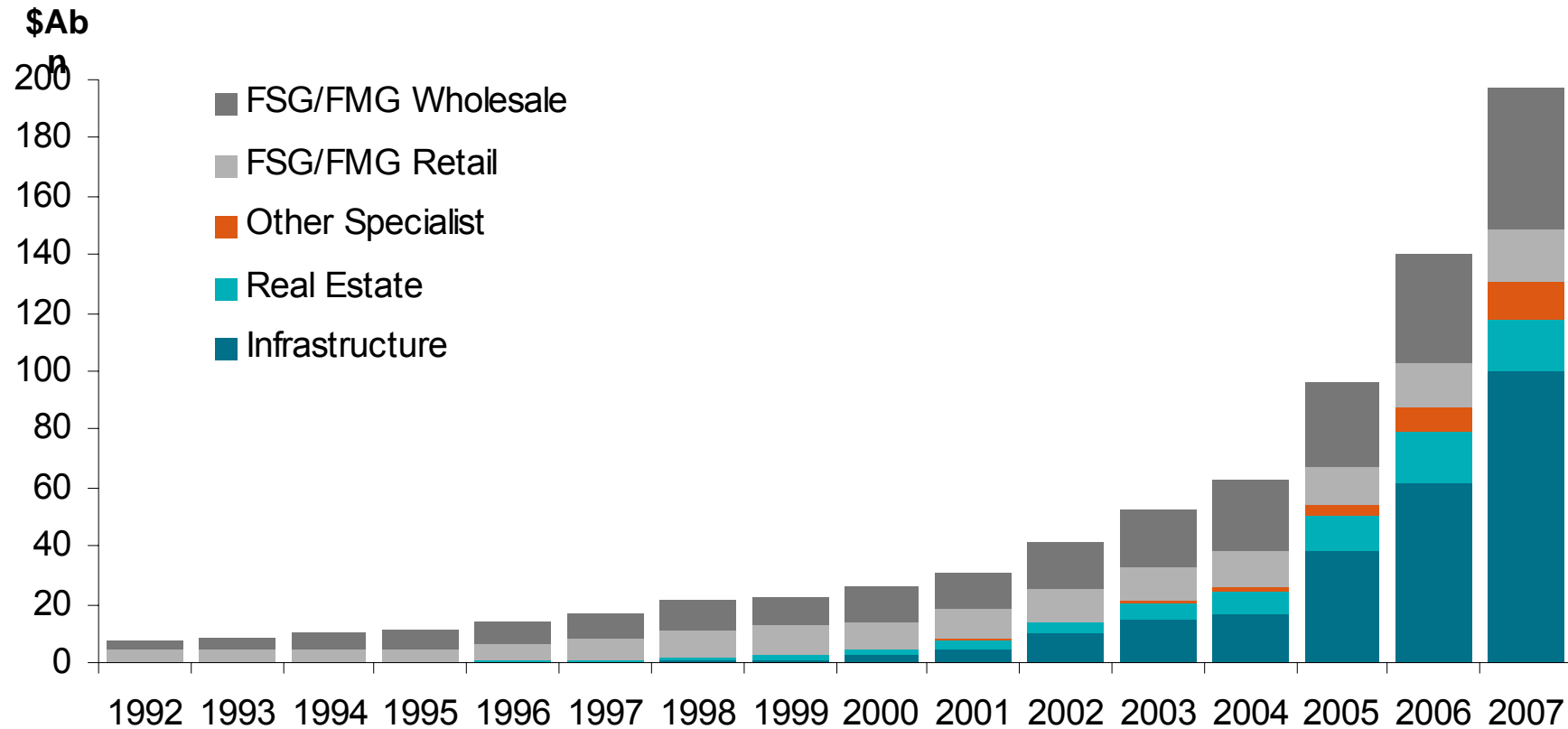


Staff development



- **More than numbers**
- **Highest quality staff**
 - **400+ graduates**
- **Professional development**
 - **INSEAD Masters of Finance**

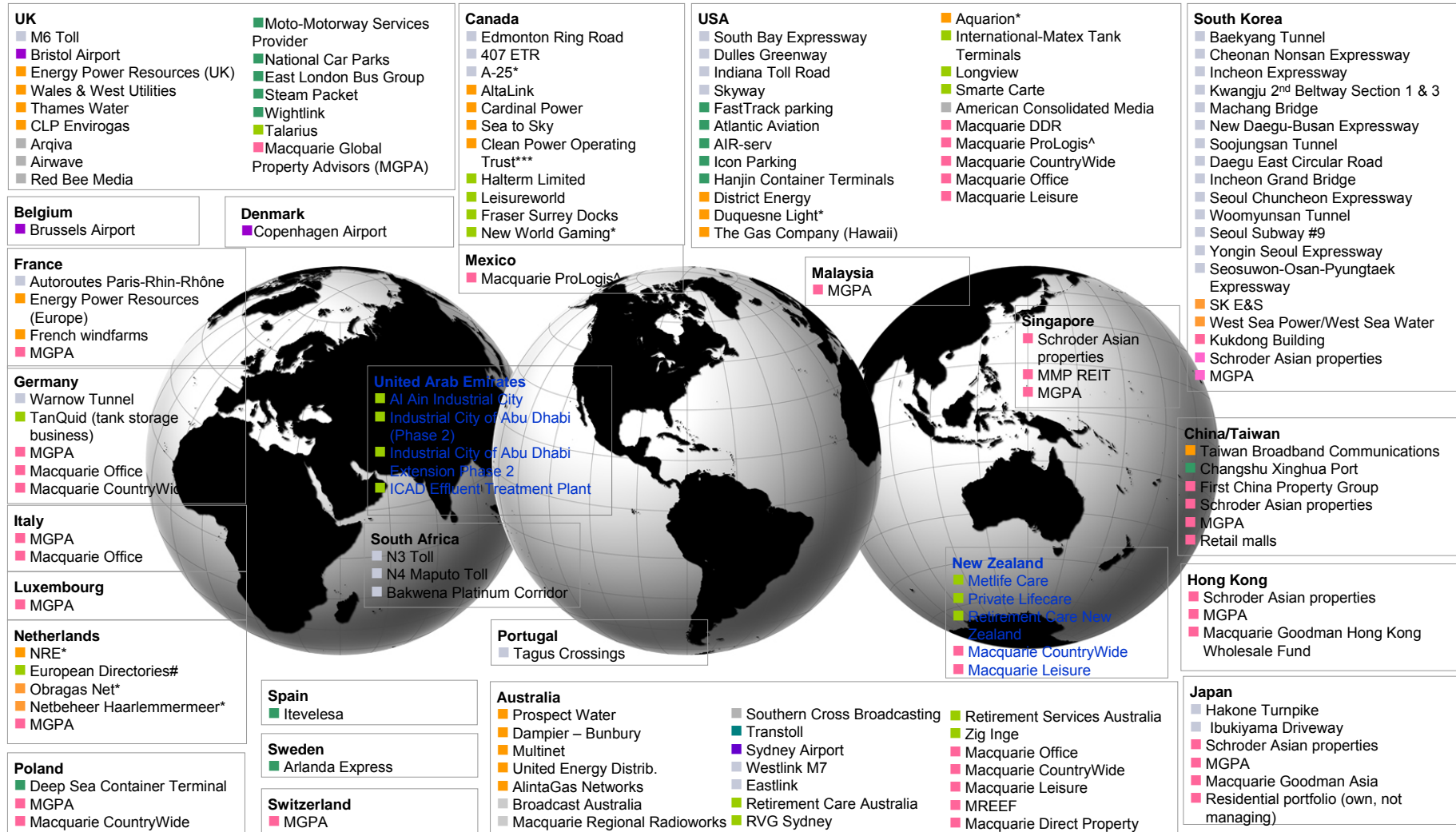
Assets under management



Managing important assets across the globe



Over 100 infrastructure assets, over 700 real estate assets



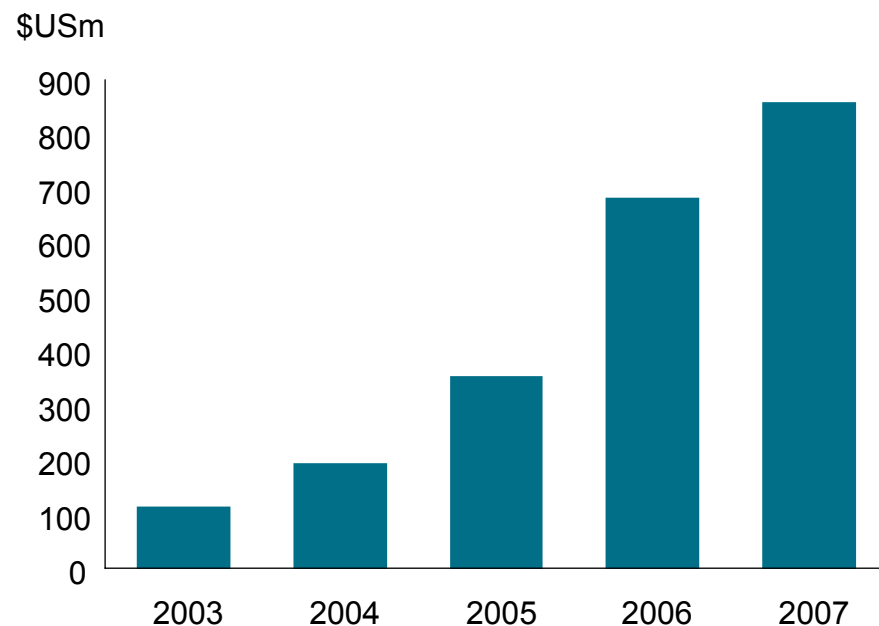
As at June 2007. *Subject to financial and customary closing arrangements *** Includes wind, hydro and biomass power assets #European Directories also in Sweden, Finland, Austria, Czech Republic, Slovakia, Denmark & France - In some cases, Macquarie or a Macquarie-managed fund has partial interest in an asset ^MPR assets no longer under management following acquisition of MPR by ProLogis in July 2007

Asia (ex Australia) is a major driver of growth



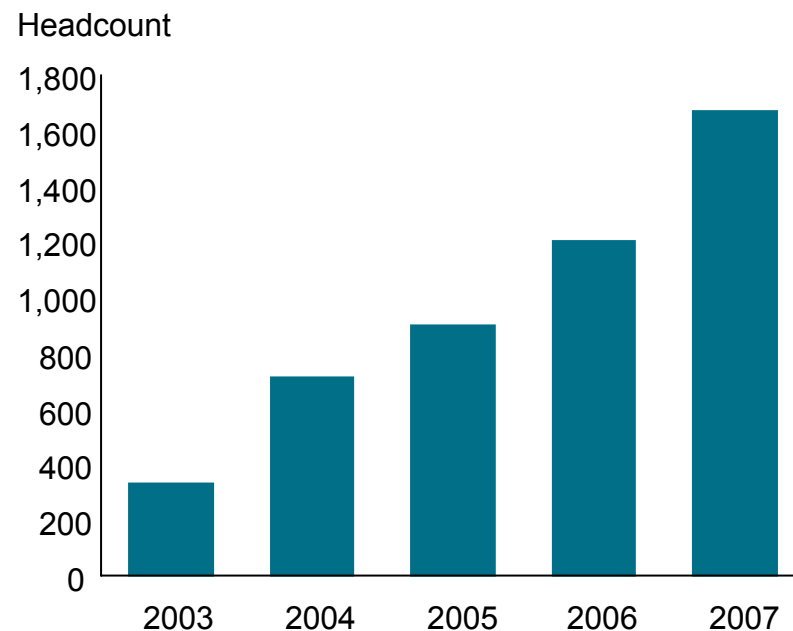
Income*

Up 26% from previous financial year to \$US857 billion



Staff numbers

Up 39% in financial year 2007



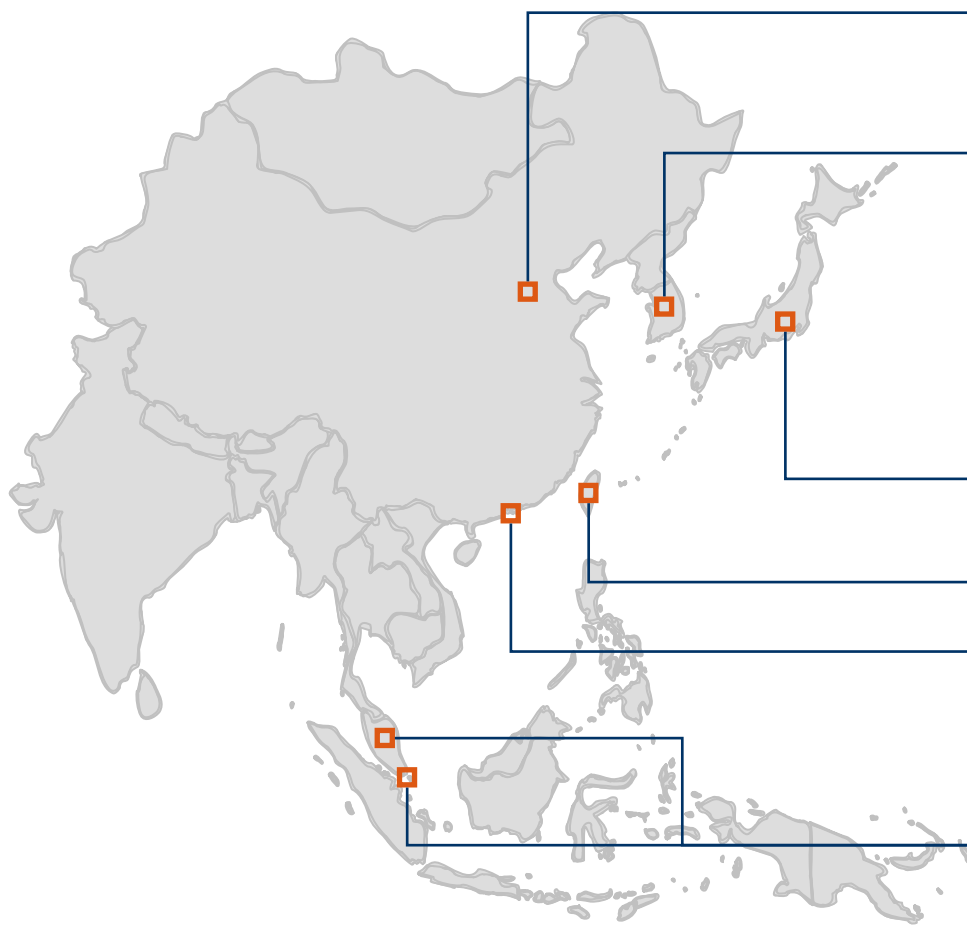
* Excludes earnings on capital and is after directly attributable costs, including fee and commissions expenses.

16 office locations in Asia, more than 1800 staff





Macquarie Funds in Asia



People's Republic of China

Macquarie Global Property Advisors
 Macquarie Wanda Real Estate Fund
 Schroder Asian Properties Fund

Fund size: US\$1.8bn⁽¹⁾
 Fund size: US\$608m
 Fund size: US\$39m⁽¹⁾

South Korea

Macquarie Central Office CR REIT
 Macquarie NPS REIT
 Macquarie Global Property Advisors
 Schroder Asian Properties Fund
 Macquarie Korea Infrastructure Fund
 Macquarie Korea Opportunities Fund
 Macquarie Diversified Infrastructure Fund
 Global Star Fund
 MIMM⁽²⁾

Market Cap: US\$130m
 n/a
 Fund size: US\$1.8bn⁽¹⁾
 Fund size: US\$39m⁽¹⁾
 Market Cap: US\$2.4bn
 Fund size: US\$900m
 Fund size: US\$328m
 Fund size: US\$94m
 Fund size: US\$1.2bn

Japan

MGP Japan Core Plus Fund
 Global Infrastructure Equities Mother Fund

Fund size: US\$865m
 n/a

Republic of China (Taiwan)

CGISITF⁽³⁾

Fund size: US\$495m

Hong Kong

Macquarie Goodman Asia
 Macquarie Goodman HK Wholesale Fund
 Macquarie Global Property Advisors
 MQ IPO China Concentrated Core Fund
 MQ IPO China Gateway Fund

n/a
 Fund size: US\$371m
 Fund size: US\$1.8bn⁽¹⁾
 Fund size: ~US\$100m
 Fund size: ~US\$200m

Singapore / Malaysia

HDBSGIF⁽⁴⁾ (Malaysia)
 Macquarie MEAG Prime REIT
 Macquarie Global Property Advisors
 Schroder Asian Properties Fund
 Macquarie Int'l Infrastructure Fund

Fund size: US\$178m
 Market Cap: US\$770m
 Fund size: US\$1.8bn⁽¹⁾
 Fund size: US\$39m⁽¹⁾
 Market Cap: US\$950m

Note: (1) Refers to total fund size across all countries of operations
 (2) Refers to Macquarie IMM Global Infrastructure Fund of Fund
 (3) Refers to Cathay Global Infrastructure Securities Investment Trust Fund
 (4) Refers to Hwang DBS Global Infrastructure Fund



Asia strategy



- Focus where we can add special value
- Market by market, product by product
- Working with domestic market participants
- Mostly growth through hiring and developing good people
- Strong risk management



2

Developing funds management in Asia



The three C's



Cash

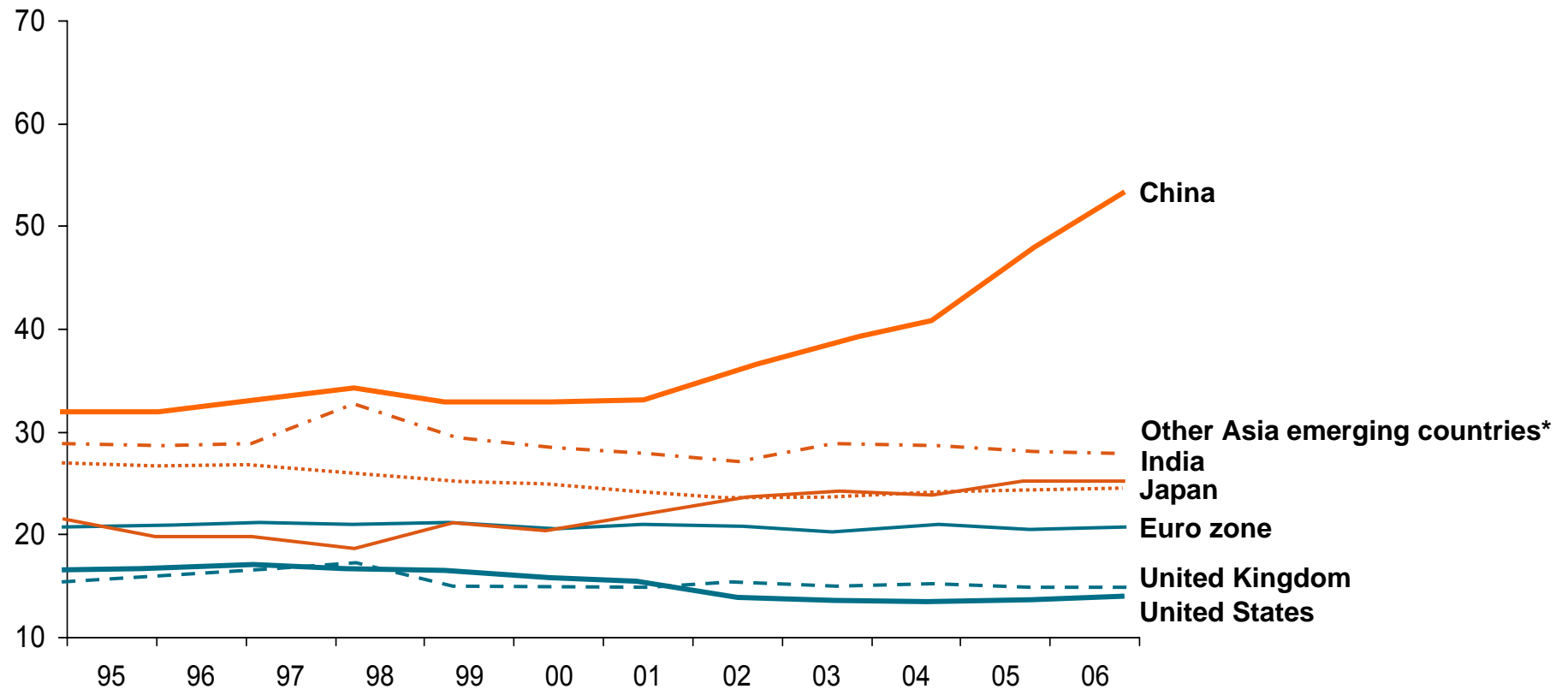
Confidence

Competence

Asian funds management – Cash



National savings rate (as % of GDP)



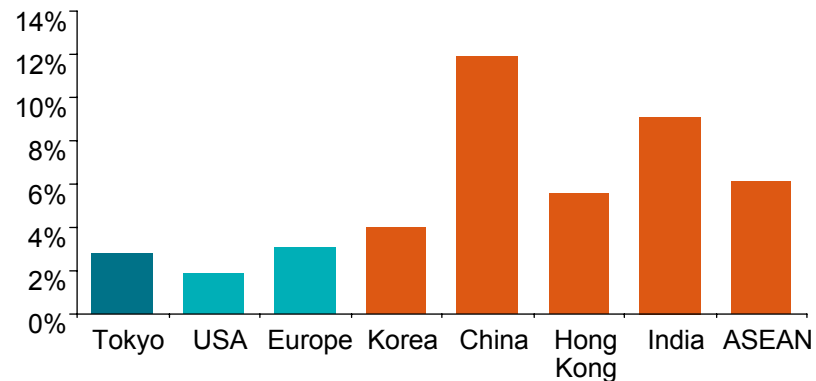
Note: * Indonesia, Thailand, Singapore, Malaysia, Hong Kong, South Korea, Philippines, Taiwan
Source: Datastream, SIU, OECD

Asian funds management – Cash

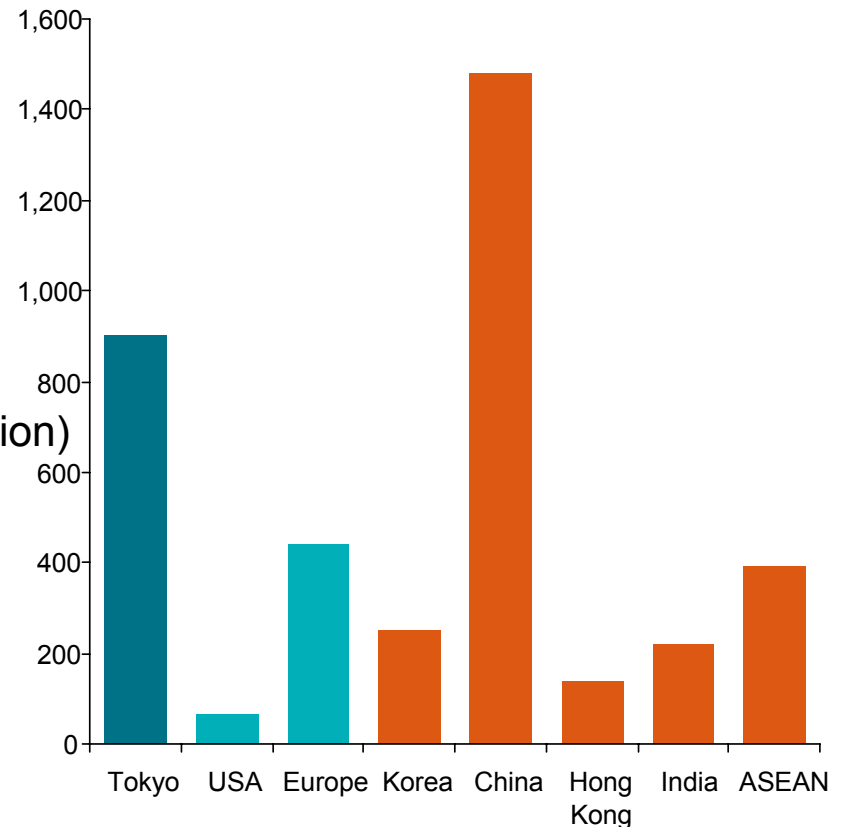


GDP growth rates and foreign currency reserves are high relative to Europe and North America

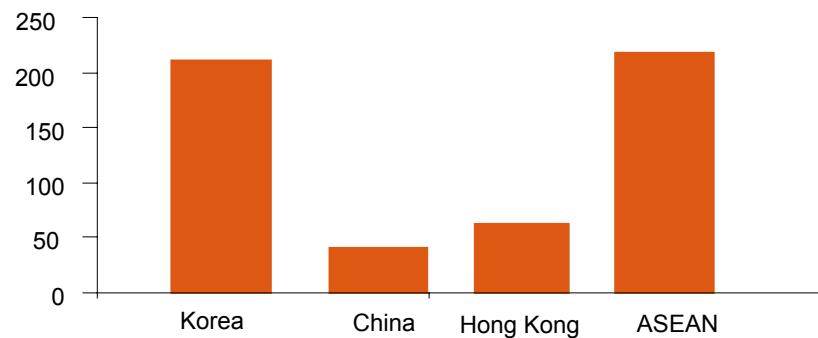
GDP growth rates (% pa)



Foreign currency reserve (US\$ billion)



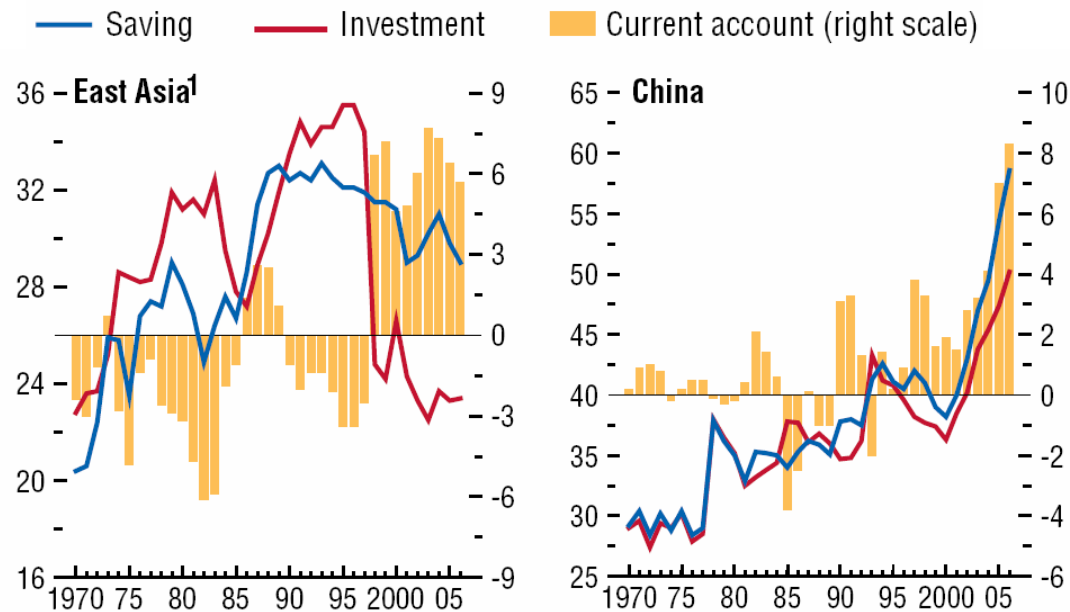
Assets of pension schemes in Asia (\$US billion)



Asian funds management – Cash



- Although investment-to-GDP ratio has risen substantially in China in recent years, the rise in the saving ratio has been even more dramatic
- Elsewhere in East Asia, investment has remained generally quite low





Asian funds management – Cash



“Emerging market economies have seen large increases in disposable income but remain largely unable to generate an adequate supply of good quality assets.”

**Caballero
National Bureau of Economics Research working
paper**

Large volume of funds available for investment – Confidence?



Risk averse

International

OR

Domestic



Low return

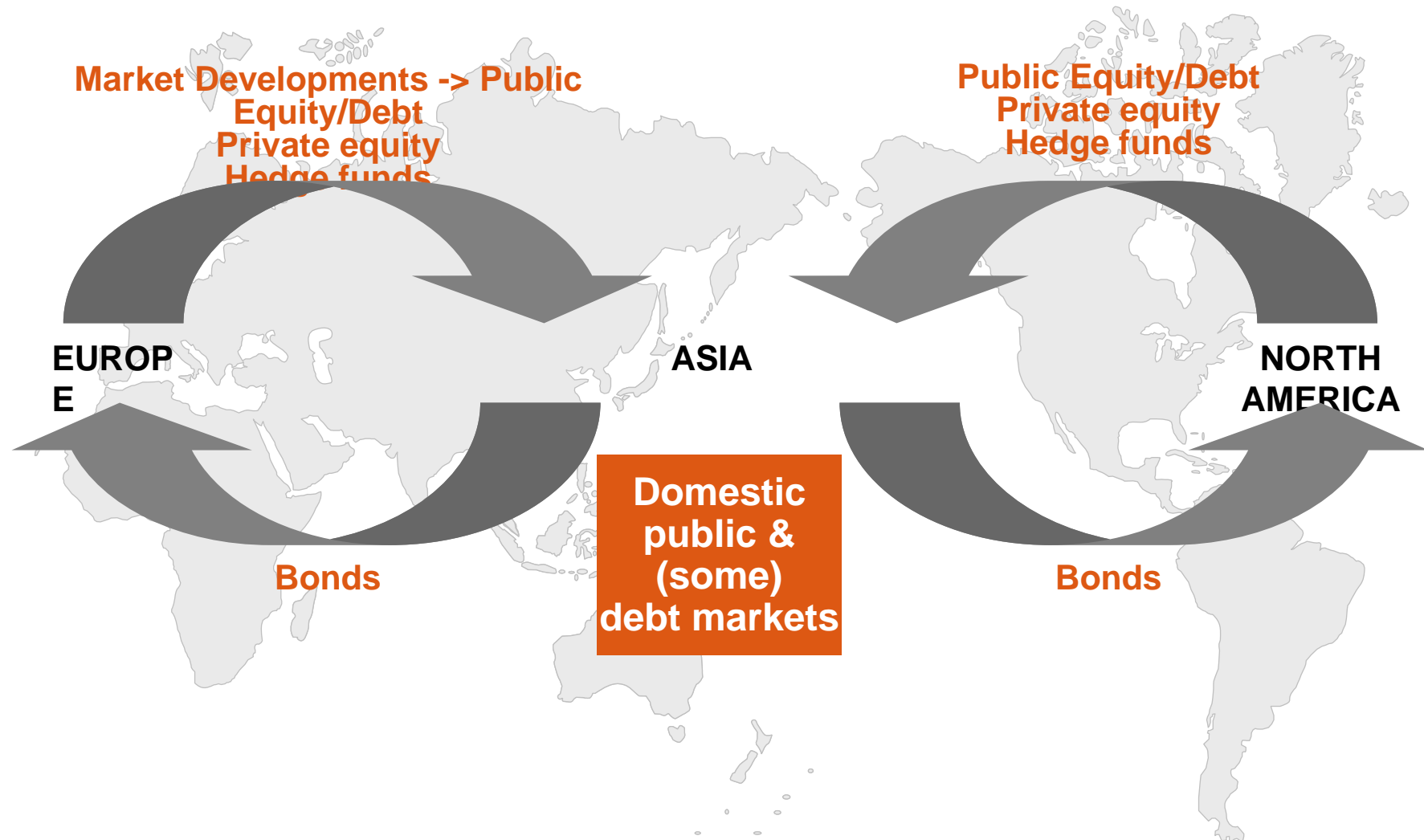
eg US Government bond

Simple assets

eg. Real estate
Risk asset inflation

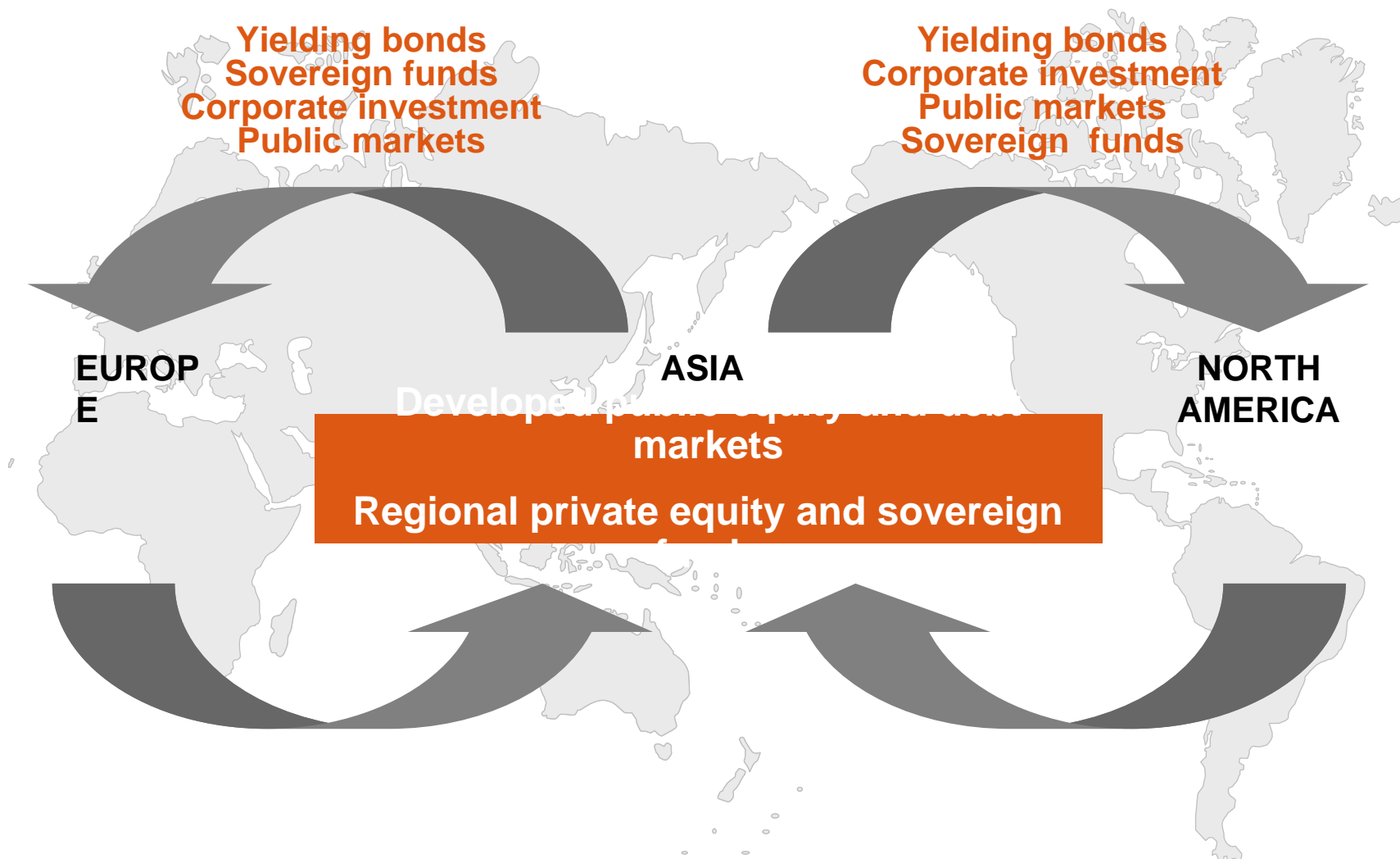
Short-term liquidity important

Capital flows – Last decade





Capital flows – Create confidence



Sophisticated regulation



Investor protection

- Disclosure of risk-return
- Absolute risk

New investment products

Enforcement



Confidence – Trust



Existing trusted service providers

Global market leaders



Competence



Skilled, experienced workforce

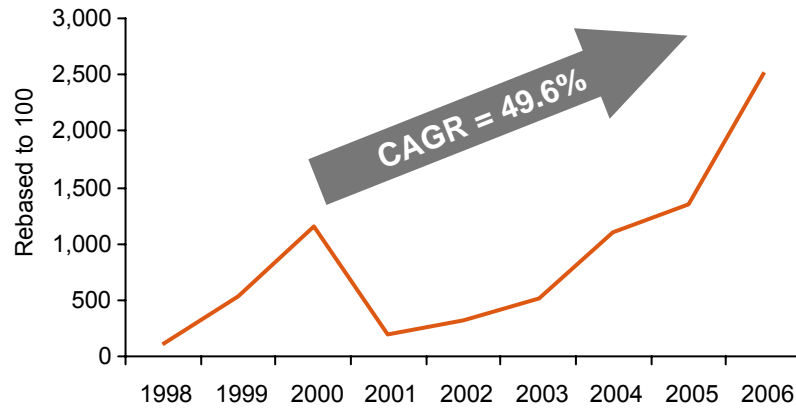
Active, dynamic market
– let the best emerge

Open to world's best

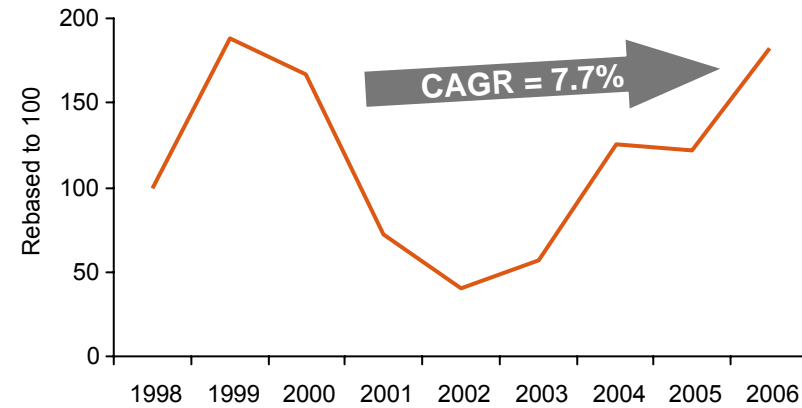
Growing confidence: Growing ECM market



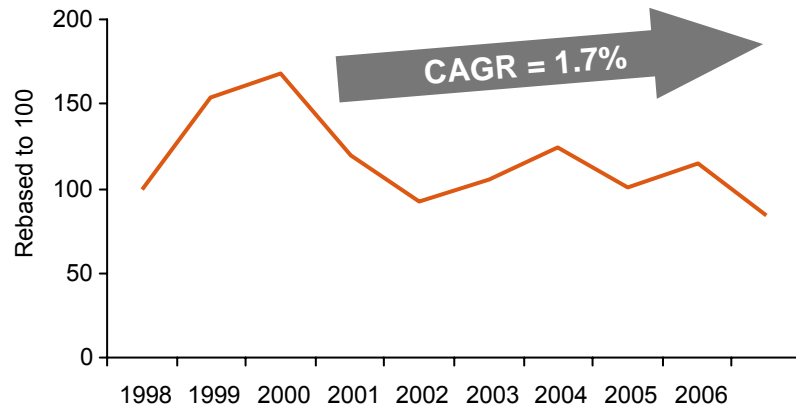
Capital raised – China/HK



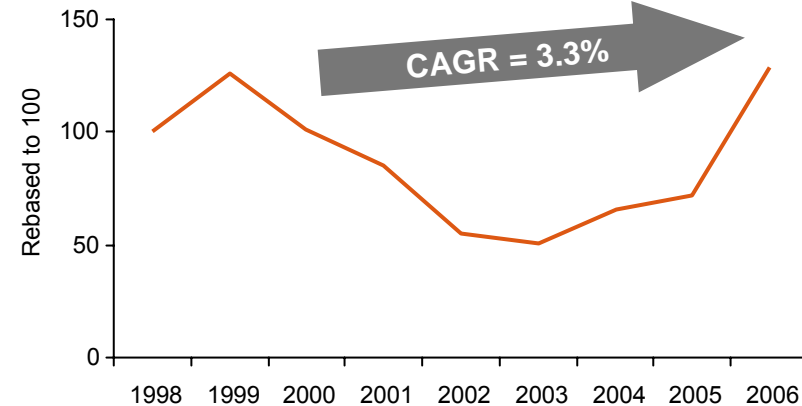
Capital raised – Japan



Capital raised – US



Capital raised – Japan

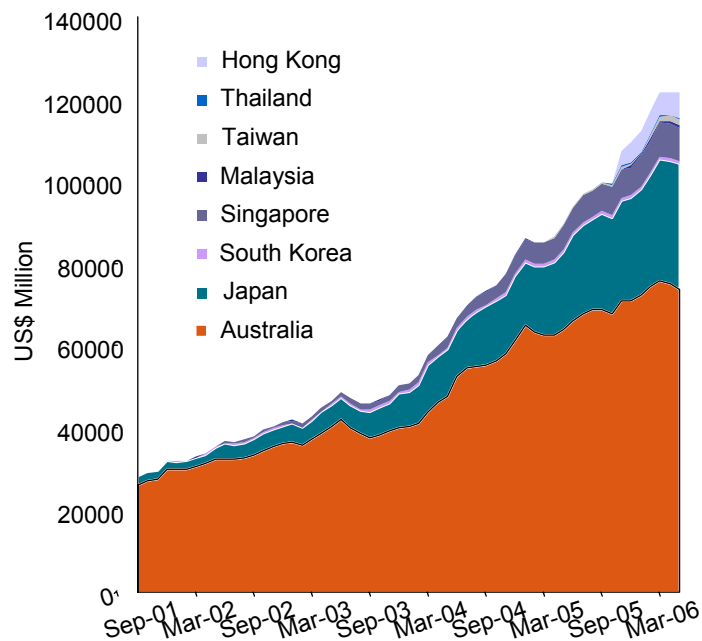


Growing confidence leads to new products like REITs



Market capitalisation of over US\$120 billion in Asian Pacific REITs

Asian Pacific REITs – summary by market

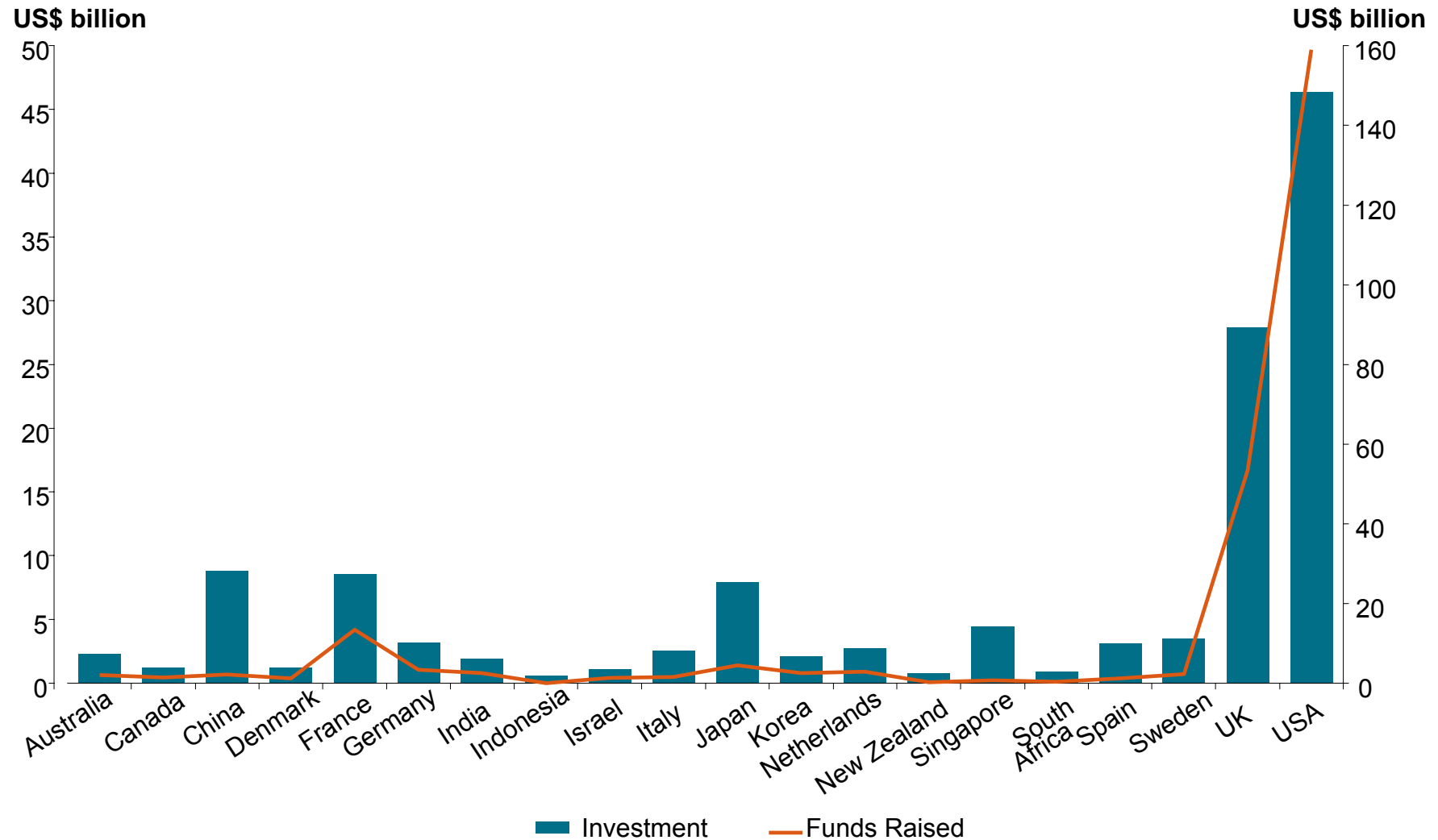


Country	REIT mkt cap (US\$m)	No. of REIT	% of equity market ¹	Approx % of real estate ²
Australia	73,615	32	8.7%	55.0%
Japan	31,242	32	0.7%	1.6%
Singapore	8,177	10	4.0%	9.4%
Hong Kong/China	6,438	4	1.0%	2.2%
Taiwan	1,023	3	0.2%	0.9%
Korea	773	8	0.1%	0.3%
Malaysia	587	7	0.4%	2.0%
Thailand	300	3	0.2%	1.0%
Total Asian Pacific REITs	123,555	99		

Notes :

1. Based on market index capitalisation: Japan – TOPIX, Singapore – STI, Hong Kong – HIS, Taiwan – TWSE, Korea – KOSPI, Malaysia – KLCI, Thailand – SET
2. REIT market cap as a % of real estate. Real estate estimates from EPRA

Growing confidence Private equity for top 20 countries

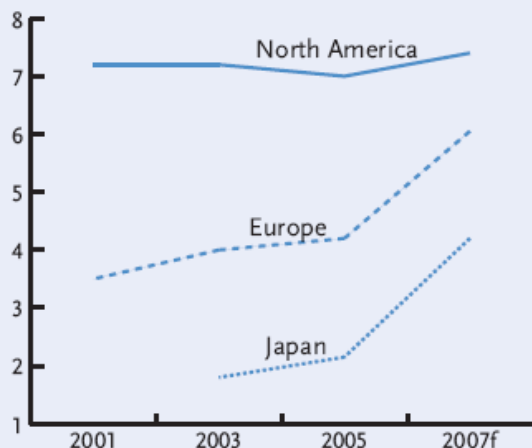


Private equity is starting to be invested by Asian investors and through Asian funds



Chart 13 Institutional investment in private equity

Average allocation as a % of total assets



Source: Russell Investment Group, Adveq

Asian Private Equity Funds

MKOF	1,000
MBK	1,560
GEMS	500
Bohai Fund	1,500
China-Singapore Suzhou Fund	1,400
Guangdong Nuclear Power	1,400
.....



3 Case studies



Case study 1

Macquarie Infrastructure Securities



Macquarie Infrastructure Securities



Cash

- Large unmet demand for infrastructure assets

Confidence

- Local joint venture partners
Cathay ● IMM ● NexGen ● Nikko ● Julius Baer ● Shinhan ● First Trust
- Local regulatory structure
Mutual Funds ● Opened Ended Retail ● Wholesale Accounts

Competence

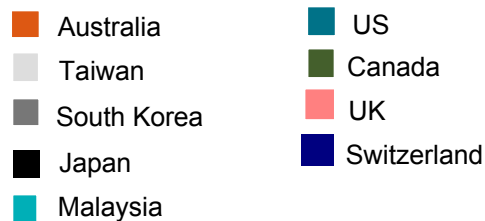
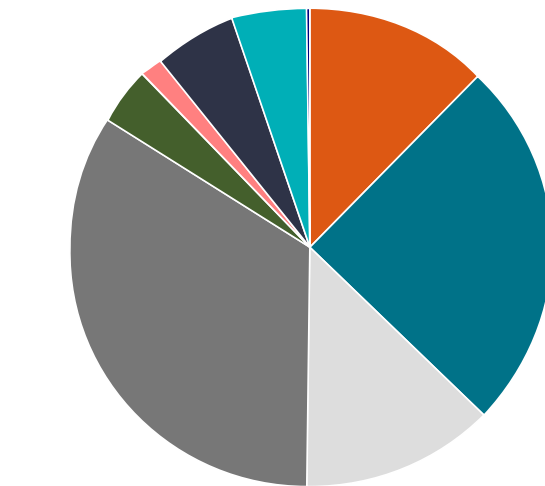
- Recognised leading global infrastructure manager
- 1,500 infrastructure specialists

Macquarie Infrastructure Securities

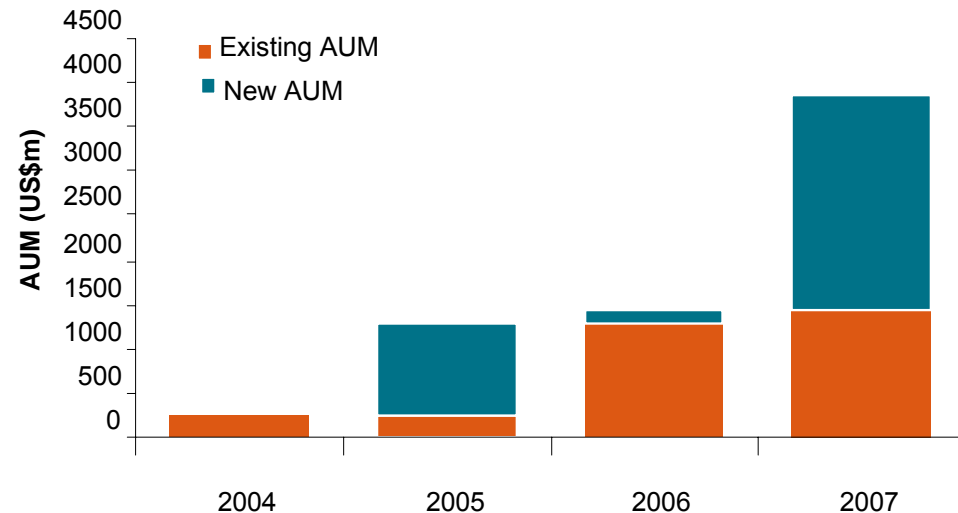


Investment mandate in excess of \$US4.25 billion and 13 funds under management⁽¹⁾

Global investor base for Macquarie Infrastructure Securities



Macquarie Infrastructure Securities AUM growth





Case study 2

**Macquarie Korea Infrastructure
Fund**



Macquarie Infrastructure Fund



Cash

- Long-term Korean pension liabilities

Confidence

- Government SOC Act provides solid framework
 - 1998 boost
- Local bank partner: Shinhan
- Start as unlisted fund
- Regulatory support for listing to allow retail participation and further growth

Competence

- Global infrastructure expertise
- Large local team: >300 staff
- Leading developer/financier of Korean infrastructure assets: >30 assets

Result

- Asia's leading listed infrastructure fund
- Listed in London and Korea



Case study 3

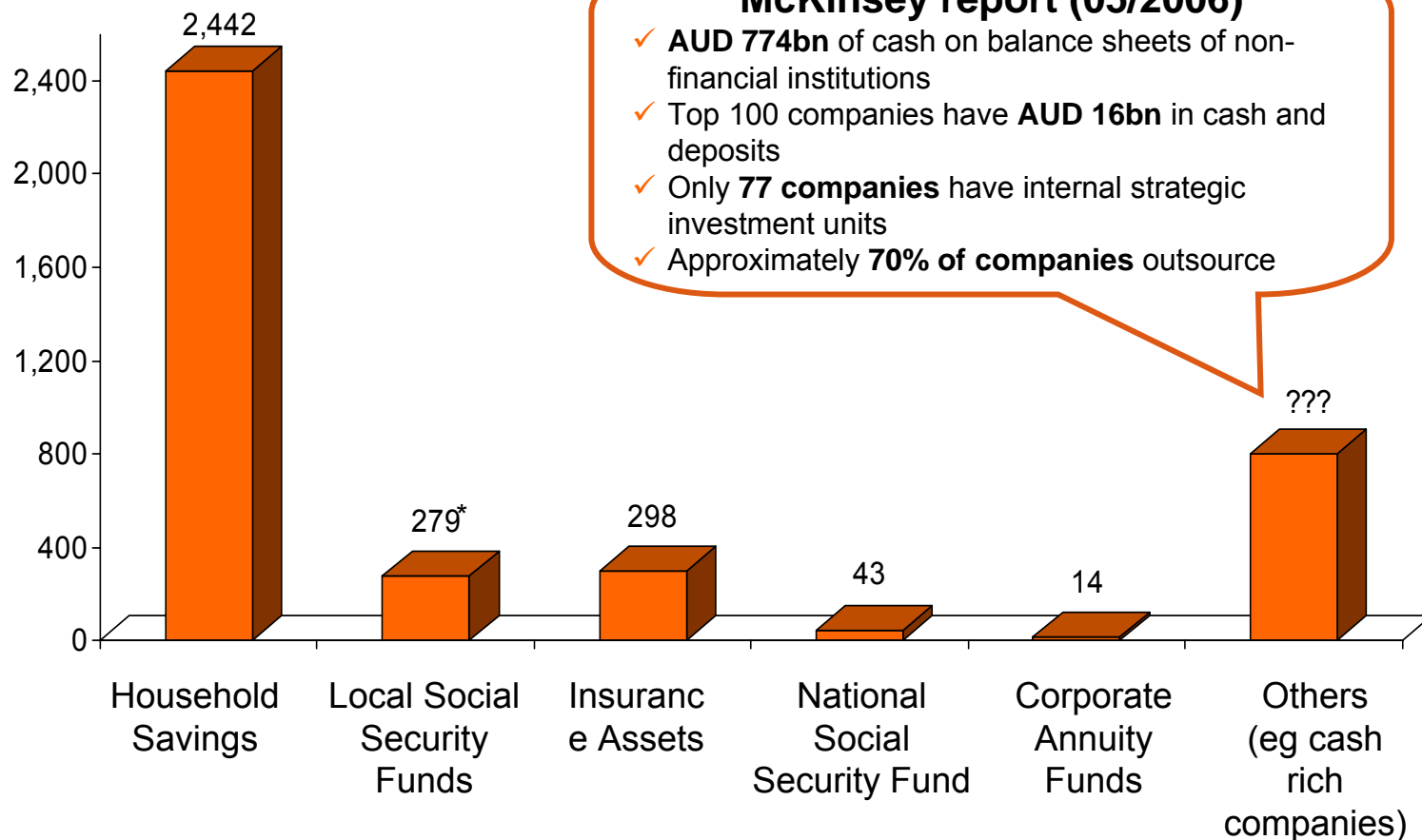
China Infrastructure and REITs

Cash – China Infrastructure and REITs



Massive domestic liquidity

AUD billions (as at 31 Dec 2006)

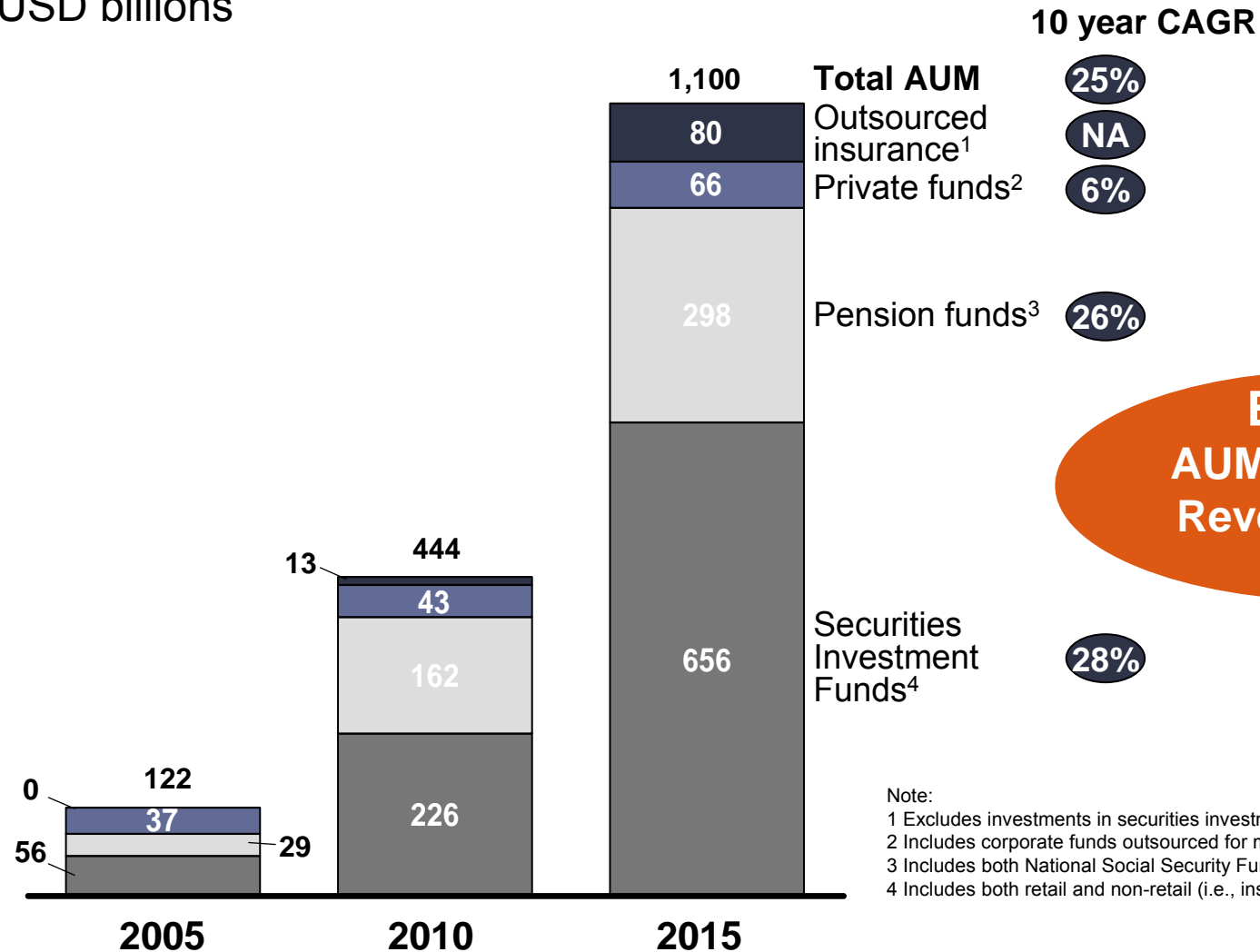


* As of 31 Dec 2005

Cash – China Infrastructure and REITs



Total projected funds available to asset managers in China
 USD billions



**By 2015
 AUM > USD 1trn
 Revenue > USD
 5bn**

Note:
 1 Excludes investments in securities investment funds
 2 Includes corporate funds outsourced for management (not corporate pension)
 3 Includes both National Social Security Fund and corporate pension funds
 4 Includes both retail and non-retail (i.e., insurance companies and other institutions)

Source:McKinsey analysis



Confidence – China infrastructure and REITs

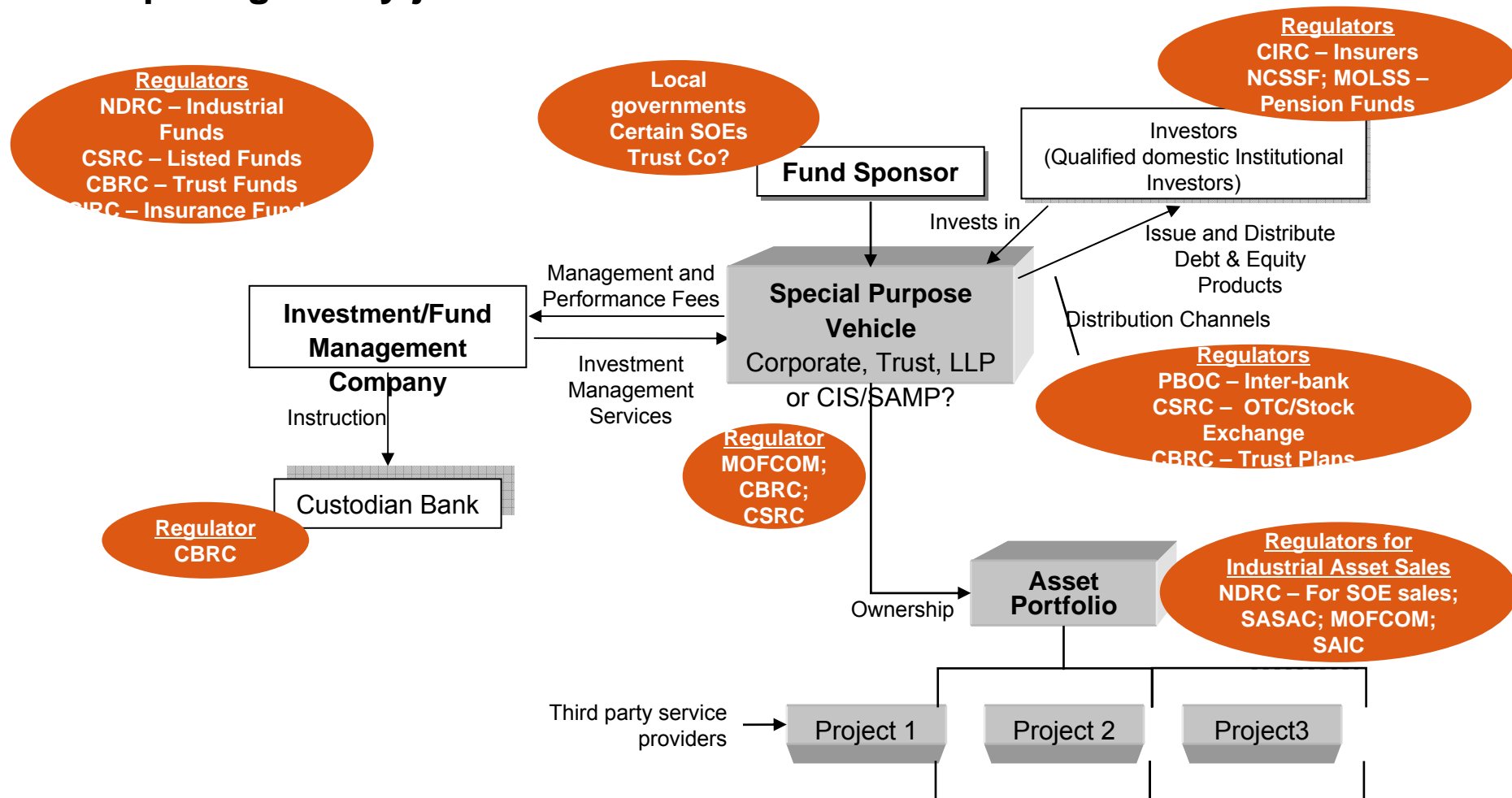


- Legal and regulatory framework developing
 - Regulations on domestic venture capital and securities investment funds
 - No laws yet for REITS and specialised funds management
 - Currently available: Short term, single asset, fixed-income, credit-enhanced trust plans in infra and property; domestic asset securitisation
 - Market developments lead regulations: State Council-endorsed pilot projects
- Local partnership essential for both regulation and broader confidence

Confidence – China infrastructure and REITs



Multiple regulatory jurisdiction





Competence – Macquarie presence in China



**Recognised world leading expertise in infrastructure and
real estate**

1,500 people

Local team > 50 people

Supported by Hong Kong > 500 people

Specialists > 50 people

Ownership of more than 10 assets in mainland China



In summary



- The fund management business in Asia-Pacific is developing rapidly
- Growing pools of cash are demanding investment – long-term investment
- Increasing confidence is manifested in improving flows in the region and outside, in a broader range of assets
- Competence continues to develop rapidly through operation of a strong market, delivering increasing numbers of skilled professionals in world's best practice
- Confidence is based on a strong, evolving regulatory framework



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