

Sector & Company Profiles
Fisher Morrison Infrastructure Fund

July 2010

EQUITIES

Sector: North American Railroad

Companies we invest in

Norfolk Southern Corporation
 Union Pacific Corporation



NSC is one the two “Class1” railroads serving the east coast of USA, while UNP is one the two “Class1” railroads serving the west coast of USA. US freight rail companies own large irreplaceable transport networks with volumes underwritten by the movement of bulk commodities. Freight charges have risen substantially above inflation in recent years as railroads exert pricing power. Increasing road-freight costs and on-going rail productivity enhancements are lowering the distances over which rail is cheaper than road. Long-term underinvestment in the US highway network has resulted in road congestion in many regions and the competitiveness of trucks has also been impacted by their relatively high labour and fuel costs and an increasing burden of environmental and safety regulations. Technological and structural improvements to railroad operations is allowing trains to run faster, cleaner and with greater reliability and allowing increased number of cars per train and carload weight.

Sector: European Airports

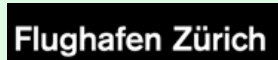
Strong traffic growth over an extended period of time has led to significant airport congestion at European airports. Stimulated by the growth of Low Cost Carriers (eg. Ryanair and easyJet) the long term trend in the airline industry is for declining air fares. This has increased the number of destinations available as well as stimulated strong demand even in mature markets.

Development within the European Union has stimulated travel between existing EU states and those eastern European countries gaining EU membership are likely to follow this trend.

Airport pricing is generally influenced by some form of regulation which is commonly referred to as single or dual till. This refers to whether returns are regulated across the whole airports business or only aviation assets are regulated and commercial operations (such as car parks) are left to market forces.

Companies we invest in

Flughaven Wien (FLU)
 Flughafen Zurich (FHZN)
 Fraport (FRA)



FLU operates the capital city airport in Vienna, Austria, with passengers of 18.1m, and is the 23rd largest passenger airport in Europe. FLU can be described as a secondary hub airport, with Lufthanza, (following the takeover of Austrian Air), the main hub airline. FLU is well positioned to take advantage of the development of eastern Europe given their catchment area including Hungary, the Czech Republic, Slovakia and Slovenia. FLU’s regulator applies a light handed form of dual till regulation providing scope for earnings growth over the long run.

FHZN is the operator of the airport at Zurich, With 21.9m passengers in 2009, Zurich Airport was the 15th largest passenger airport in Europe. FHZN’s primary carrier is Lufthanza considered one of the strongest European full service carrier. FHZN’s regulator applies a light handed form of dual till regulation.

FRA is the operator of the airport at Frankfurt, Germany and other minor airports. With 50.9m passengers in 2009 Frankfurt Airport was the 3rd largest passenger airport in Europe. FRA’s primary carrier is Lufthanza considered one of the strongest European full service carrier. Considered capacity constrained, it is embarking on a major expansion programme FRA’s regulator applies a light handed form of dual till regulation.

Sector: European/US Courier/Postal

Courier companies have major investment in their networks which provide strong barriers to entry, with most markets capable of having only two main providers, eg NZ with NZ Post/DHL and Freightways, US with Fedex and UPS. This was recently demonstrated in the US when DHL attempted to enter the market, but exited after 5 years with significant losses.

Companies we invest in

TNT (TNT)
Fedex (FDX)



TNT's network is based around a European ground network, whereas Deutsche Post is based on an air network (and in that sense TNT is similar to UPS, whereas Deutsche Post is similar to Fedex).

Sector: Australian port/railroad

Companies we invest in

Asciano (AIO)



AIO has two main sectors of operation, "above rail" freight transportation, and port related freight operations. Each of these has two main divisions: "Above rail" has coal and intermodal; Port has container terminal and bulk/auto divisions. All divisions have strong/dominant market positions which attract interest from the Australian Competition and Consumer Commission.

In the main "above rail" markets, being NSW coal being shipped mostly to Port of Newcastle and east-west intermodal its market share is likely to be above 80%, with truck competition limited. Such competition is prevalent in north-south intermodal especially between adjacent cities. In ports, both divisions have effective duopoly positions, albeit over the next decade the container terminal division maybe exposed to an additional 3rd player as Hutchison has been awarded a contract for Brisbane and Sydney has announced an intention to tender a new facility to a 3rd party. In most major ports the bulk/auto division shares a sole terminal with DP World and each party competes for customer contracts using the shared facilities.

AIO was crucified during the financial crisis as it was overgeared, but survived due in part to the strength of its cashflow, with EBITDA being ~ flat between 2008 and 2009 (June year).

FIXED INTEREST

Our fixed interest investments are all investment grade rated corporate bonds. They provide exposure to the New Zealand infrastructure sector and include holdings in the following sectors and companies:

Company	Sector
Transpower	Electricity transmission
Contact Energy	Electricity generation
Genesis Energy	Electricity generation
Meridian Energy	Electricity generation
Vector	Electricity distribution
NZ Post	Postal/courier
Wellington Airport	International airport
Auckland Airport	International airport