MACKENZIE Investments | Northleaf

Mackenzie Northleaf Private Infrastructure Fund

Quarterly Report – Q4 2023

Performance and Portfolio Contents

- The Mackenzie Northleaf Private Infrastructure Fund (MNPIF) returned -0.8% for the quarter ended December 31, 2023, net of series F fees.
- The private infrastructure portfolio generated a +0.7% return and contributed +0.6% to MNPIF return in USD terms. Unhedged US dollar exposure associated with this position detracted -1.4% for the quarter. This reflects a flat Q3 2023 for the Northleaf Infrastructure Capital Partners III Fund, which is valued quarterly with a two or three-month lag. See pages two to eight for more detailed commentary on this strategy.
- The liquid portfolio, comprised of high-quality short duration fixed income, money market investments, and listed infrastructure companies, contributed approximately +0.2% from MNPIF total return.

Fund Performance

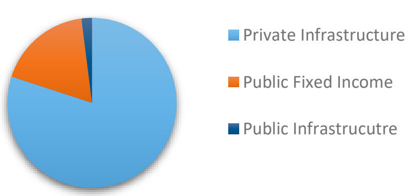
December 31, 2023	YTD	3M	6M	1Yr	2 Yr	Since inception *
Mackenzie Northleaf Private Infrastructure Fund Sr F	15.5	-0.8	7.8	15.5	14.3	11.3

Benchmark: 5-Year Average Canadian CPI +3%
*Inception Date: September 30, 2021. Source: Mackenzie Investments

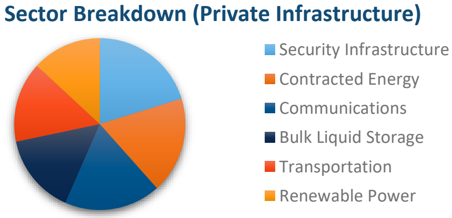
Strategy Allocation[1]	Allocation (%)	LTM Net Yield (%) [2]
Northleaf Private Infrastructure Portfolio	80.2	6.0
Mackenzie Canadian Money Market Fund	13.8	4.4
Mackenzie USD Ultra Short Duration Income Fund	4.4	2.3
Mackenzie Global Infrastructure Index ETF	1.6	3.3
Total Portfolio Average	**100.0**	**5.6**

[1] as at January 16th, 2024.

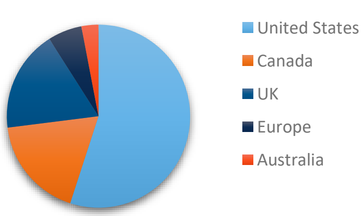
Fund Level Asset Mix



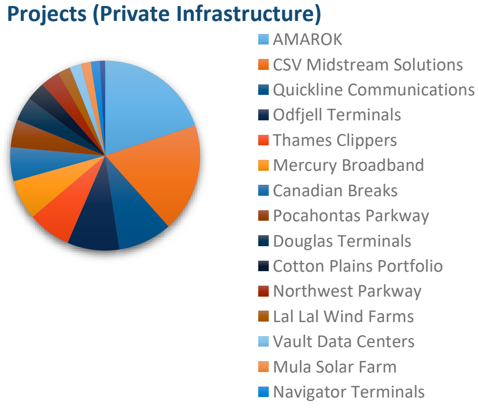
Sector Breakdown (Private Infrastructure)



Regional Breakdown (Private Infrastructure)



Projects (Private Infrastructure)



The Mackenzie Northleaf Private Infrastructure Fund provides investors with:

- The ability to invest in a portfolio of essential mid-market infrastructure assets that emphasize contracted revenue streams in a targeted subset of sectors, including renewable power, communications infrastructure, and concessions/transportation projects.
- Investments that have historically offered steady growth and long-term income potential, strong downside protection and some inflation sensitivity.

Key Terms

Fund Structure	Trust
Fund Status	OM, Open Ended
Series F Inception Date	September 30, 2021
AUM	$39.2 million
Currency	CAD
Min. Initial Investment	$25,000 accredited $150,000 non-accredited
Min Subs. Investment	$5,000
Purchase Frequency	Monthly
Redemption Frequency	Annually
Redemption Notice	120 days prior to redemption date (but no more than 180 days)
Redemption Gate	Up to 10% of fund NAV may be redeemed each year
Soft Lock	5% penalty if redeemed before three years
Distributions	Quarterly variable
Admin Fee	0.15% (A&F)
Management Fee	A: 2.55% F: 1.55%
Performance Fee	MNPIF does not charge a performance fee though the underlying Private Infrastructure Funds may charge performance fees – see Offering Memorandum for details
Registered Plans	Not Eligible
Fund Codes	A: MFC9274 F: MFC9275

Weights are based on capital called to date in the underlying private infrastructure funds.
Weights and characteristics are based on total invested capital and reflect position sizes in Northleaf Private Infrastructure Portfolio as of September 30, 2023.
[2] LTM net yield is calculated as the last twelve months of distributions as of the last distribution date divided by average NAV or average paid-in capital over the same 12 months.

Northleaf Private Infrastructure Portfolio Overview

Northleaf is managing a diversified portfolio of direct infrastructure investments for the Mackenzie Northleaf Private Infrastructure Fund. These investments are all located in member countries of the Organization for Economic Co-operation and Development. The Northleaf core / core plus program seeks attractive, risk-adjusted net returns by pursuing a flexible investment strategy across targeted subsectors to identify proprietary mid-market opportunities with resilient yield profiles and the potential for upside through active asset management.

As of Q4 2023, the Mackenzie Northleaf Private Infrastructure Fund had invested in Northleaf Infrastructure Capital Partners III (NICP III) and Northleaf Infrastructure Capital Partners II (NICP II). NICP III has been a part of the Mackenzie Northleaf Private Infrastructure Fund portfolio since inception while investment in NICP II was acquired through a secondary market transaction this past quarter.

NICP III is focused on constructing a diversified portfolio of infrastructure assets that will generate stable, consistent cash flows over the life of the Fund. NICP III is continuing its investment program, and as at September 30, 2023, had invested $975.8 million (or 68.8% of Fund capital) in eight investments. A further 27% of Fund capital has been reserved for growth.

NICP II has constructed a diversified portfolio of infrastructure assets that are projected to generate stable, consistent cash flows over each asset's lifespan. As at September 30, 2023, NICP II had invested $909.6 million (or 95.6% of Fund capital) in nine investments. The remaining Fund capital has been reserved for select follow-on opportunities.

Quarterly performance highlights

The private infrastructure portfolio generated an +0.7% return on the quarter and contributed +0.6% to the Mackenzie Northleaf Private Infrastructure Fund in USD terms. Unhedged US dollar exposure associated with this position detracted -1.4% for the quarter. This reflects a flat Q3 2023 for the private infrastructure portfolio, which is valued quarterly with a two or three-month lag.

Increased valuations in the following three projects contributed most to returns in the quarter: Mercury Broadband (communications infrastructure), Quickline Communications (broadband operator), and Odfjell Terminals (specialty chemicals storage). More details on these and other projects in the portfolio can be found in the next section of the report.

Environmental, Social and Governance Update

Northleaf's ESG monitoring activity is supported by a partnership with RepRisk, the world's largest database provider focused on ESG and business conduct risks. The Northleaf Portfolio Investments are assigned a RepRisk Index (RRI) score, which is RepRisk's proprietary metric of a company's reputational risk exposure to ESG issues. The infrastructure team reviews and monitors this metric as part of its asset management process. For all portfolio investments currently tracked in RepRisk, all are considered low or medium risk.

Top 10 private infrastructure projects by proforma NAV

Comments dated as of September 30, 2023

AMAROK

AMAROK, LLC ("AMAROK") is a provider of contracted perimeter security infrastructure to commercial and industrial customers across the US. AMAROK's installed sites, which are powered by solar panels, operate under evergreen contracts. Operational performance depends primarily on the company's ability to grow its presence and associated pricing, as well as retain its customers.

AMAROK is the only nationally scaled provider of its kind in the US, with ~7,000 total sites that represent a ~95% share of the electric security fence market. However, across the US there remains a large addressable market with over 850,000 eligible sites. The market is currently ~1% penetrated by AMAROK. AMAROK offers its perimeter security solutions through a subscription model, eliminating upfront installation cost to the customers.

AMAROK benefits from highly attractive unit economics, typically with four-year paybacks and low and stable churn levels. AMAROK also has a highly productive and scalable salesforce that is organized to target addressable sites in key markets across the country.

Northleaf acquired a 52% interest in AMAROK during the fourth quarter of 2021. As at September 30, 2023, AMAROK generated ~$148 million of annualized recurring revenues, which represents a ~7% increase from the prior quarter.

AMAROK doubled the size of its sales force in 2022 as part of the company's effort to drive organic growth by broadening its reach within the total addressable market. Organic growth has been very strong, with $9 million of new ARR during the quarter, which is significantly ahead of Northleaf's base case.

In October 2022, AMAROK obtained an investment grade credit rating and completed a private placement financing that meaningfully lowered the financing cost of the business. During the first quarter of 2023, AMAROK completed its first follow-on private placement financing, taking advantage of the growth in the business since the inaugural issuance and also established a revolving credit facility to fund capex between private placement financings. Post quarter end, Northleaf completed its second follow-on private placement financing, issuing a dividend in early October.

CSV

CSV is a Calgary-based developer, owner and operator of contracted energy assets and includes:

(i) Resthaven Gas Processing Facility ("Resthaven") – a 100MMcf/d gas processing facility that operates under a 20-year take-or-pay contract with Tourmaline Oil Corp., Canada's largest natural gas producer.

(ii) South Pipestone Compressor Station ("South Pipestone") – a 60MMcf/d gas compressor station that operates under a 15-year take-or-pay contract with NuVista Energy, a Calgary-based oil and natural gas company. CSV completed a 10MMcf/d expansion in Q3 2023.

(iii) Karr Sour Gas Processing and Liquids Handling Facility ("Karr") – a 165MMcf/day gas processing facility that operates under a 20-year take-or-pay contract with Paramount Resources, a leading independent Canadian energy company.

(iv) Valhalla Gas Plant ("Valhalla") – 64.5% interest in a 50MMcf/d gas processing facility that operates under an 11-year take-or-pay contract with TAQA North, the Canadian subsidiary of the Abu Dhabi National Energy Company.

(v) Simonette Gas Plant ("Simonette") – 50% interest in a 100MMcf/d gas processing facility that operates under an 8- year take-or-pay contract with Logan Energy Corp. (formerly Spartan Delta), a growth-focused producer.

(vi) Albright Gas Plant ("Albright") – a 150MMcf/d gas processing facility that is currently under installation with commercial operations expected by year-end 2024. The facility is 100% contracted for firm capacity.

Long-term take-or-pay contracts at all locations provide for revenue stability, regardless of volumes or commodity price fluctuations. Northleaf initially acquired the business in mid 2019 from a private equity manager in a transaction facilitated by CSV's management team and Northleaf's industry network.

CSV is focused on advancing the installation of Albright, by procuring major components and mobilizing resources in preparation for installation and fabrication. CSV is also actively evaluating strategic greenfield growth opportunities in its core region (the Montney) as regional production activity is expected to increase.

Quickline Communications

Quickline Communications ("Quickline") is a UK broadband operator offering 5G fixed wireless access ("FWA") and fibre-to-the-premises ("FTTP") connectivity, primarily to rural parts of Lincolnshire, Yorkshire, and the North of England.

Quickline is well positioned to take advantage of favourable trends associated with poor access to fast and reliable broadband in rural areas of the UK and increasing data consumption which will drive demand for high-speed broadband.

Quickline is currently delivering four UK government subsidy contracts which represent more than 27,000 homes and businesses passed. These subsidies provide the economics necessary to build out this infrastructure and create a significant barrier to entry for potential competition. The platform is well positioned to win more subsidy contracts, scale the business and build out the infrastructure over the coming years.

During the quarter, the company continued its accelerated sales and marketing programme to drive penetration in its current primary market. During 2022, Quickline completed the acquisition of the remaining minority stake in Boundless Networks, an FWA operator in its target region. This acquisition gives Quickline access to Boundless' mast infrastructure and extensive network footprint. Quickline continues to evaluate additional M&A opportunities.

The UK government has announced an additional £5 billion to help broaden gigabit coverage in the UK, of which £1.2 billion has been earmarked for distribution by 2024. Furthermore, an additional £210 million has been made available to individual residents and businesses to support the installation of gigabit capable connections. Quickline management has demonstrated a track record of securing government subsidies and will be well-positioned to win future subsidies to assist with the network roll-out; and is currently bidding for several subsidy lots in its target rural market.

Odfjell Terminals US

Odfjell Terminals US ("**OTUS**") is a portfolio of bulk liquid storage terminals located in Houston, Texas and Charleston, South Carolina, with storage capacity of 380,000 m^3 and 79,000 m^3, respectively. The terminals are designed for the storage of specialty chemicals used in the manufacturing of a range of products. Users of the facilities are predominantly international specialty chemical companies that provide essential input materials for manufacturers. Utilization contracts generally contain take-or-pay provisions, which facilitate a predictable revenue stream.

Northleaf acquired its 49% stake from a previous private equity owner following a failed auction in 2019. Northleaf's partner is Odfjell SE, a global specialist in the storage and transportation of specialty chemicals.

Since the acquisition, OTUS has optimized storage capacity and installed new tanks. Additional growth initiatives remain underway, particularly the Bay 13 project which involves the development of nine new tanks in the heart of the Houston terminal site. Construction and detailed engineering works are currently in progress, with completion expected in Q1 2024, within budget and commissioning.

OTUS embarked on a multi-year digital transformation project to drive process efficiencies across terminal operations and implement a modernized enterprise resource planning system that capitalizes on identified revenue and cost optimization opportunities. This project is progressing well and is on track to deliver free cash flow benefits of $5-7 million per year once complete.

To date, OTUS has performed in line with Northleaf's long-term projections. As at September 30, OTUS was operating at 98% capacity utilization with three open tanks. The demand for storage remains strong and management is engaged in discussions with current and prospective customers for new, long-term storage contracts.

Further, management expects to undertake a refinancing of its primary credit facility in Q1 2024.

Thames Clippers

Uber Boat by Thames Clippers ("**Thames Clippers**") is the only multi-stop river bus service operating on the Thames River in London, United Kingdom. The company is London's fourth mode of public transportation and is integrated into the Transport for London network. Thames Clippers owns and operates a fleet of 22 purpose-built vessels, specifically designed for low draft hulls and low air draft to navigate the unique conditions and bridges on the Thames Rover. Thames Clipper's position is strengthened by a network of 25 owned and licensed piers and unique government and transit regulations.

Passenger volumes continue to exceed investment case and are trending above 2019 levels (pre-COVID-19) and 2022 levels. During Q2, Thames Clippers received its first hybrid vessel; services commenced in August, and two high-speed hybrid vehicles are expected to be delivered in 2024. In addition, the company has won a tender to run a fully electric cross-river service at Rotherhithe with an expected in-service date in 2025.

Thames Clippers is well positioned to take advantage of the return of domestic and international tourism, as well as commuters over the course of 2023. Management is evaluating several value-accretive capital projects including, 1) the acquisition of new vessels with enlarged capacity, 2) the operation of a new fully electric cross-river service, and 3) the development of a new dry dock facility to service the fleet and improve overall vessel availability.

Canadian Breaks

Canadian Breaks is a 210.1 MW wind farm located in Texas. “Canadian” is a geological formation running through Texas and Oklahoma. Canadian Breaks sells ~85% of its power generation under a fixed-price 12-year energy hedge with JP Morgan, which mitigates most of the project’s exposure to power price fluctuations for a 12-year term.

The asset was acquired from the original developer in Q1 2019 during installation after a three-year diligence and acquisition process. Northleaf owns 100% of the asset.

Since then, Northleaf completed installation of the turbines and implemented reporting and governance systems to monitor asset performance and to identify productivity enhancing opportunities. The sale of renewable energy credits has also bolstered early cashflows from the asset.

Northleaf is actively working on a data center co-location initiative with a high-quality counterparty. Once implemented, the co-location initiaitive would provide Canadian Breaks with a minimum floor price, eliminating the risk of negative pricing for a six-year term. The initiative continues to advance well with several key agreements nearing completion.

Mercury Broadband

Mercury Broadband or (“**Mercury**”) is a communications infrastructure business providing broadband to rural communities in the US using fibre-to-the-home (“**FTTH**”) and fixed wireless access (“**FWA**”) technologies. Mercury has been awarded subsidies to expand its network footprint across various states in the US Midwest. Investment performance depends primarily on the speed and cost of network deployment, the connection of customers to the network, and number of homes passed (premises to which an operator has capability to connect in service area).

Mercury is expanding its service territory into underserved rural markets with the support of government subsidies, which creates strong barriers to entry. Demand for residential broadband internet remains very strong, driven by new tailwinds including remote work, IoT, cord-cutting and online gaming.

Mercury continues to benefit from significant demand for high-speed broadband from residential customers. There are numerous drivers of increased demand, including work-from-home applications, internet of things, and over-the-top video.

Pocahontas Parkway

Pocahontas Parkway (“Pocahontas”) is an 8.8 mile toll road south of Richmond, Virginia. It operates under a 99-year concession agreement with the Virginia Department of Transportation that ends in June 2105. Operational performance depends primarily on average daily traffic, which may be impacted by local GDP, construction on nearby routes, weather and demand elasticity to toll increases.

To date, Pocahontas has performed in line with Northleaf’s long-term projections. EBITDA was 15% higher than the prior year quarter as a result of continuously improving traffic volumes combined with higher toll rates.

Traffic continues to improve at Pocahontas and has outpaced budget expectations for the quarter.

Douglas Terminals Portfolio

Douglas Terminals Portfolio comprises a 90.0% holding in Douglas Terminals NV ("Douglas Terminals") and a 33.3% holding in Max Terminals NV ("Max Terminals"):

(i) Douglas Terminals is a bulk liquid storage terminal, strategically located in the Port of Ghent, Belgium, with total current storage capacity of approximately 560,000 m^3. The business is underpinned by long-term take-or-pay contracts. Ghent Transport & Storage holds the remaining 10% interest and operates the facility; and

(ii) Max Terminals – an adjacent development project of an estimated additional 300,000 m3 of storage capacity (of which ~200k cbm is currently operational or near completion). The project is being developed in three phases. Phase 1 involved the development of approximately 150,000 m^3 of storage construction and was completed in Q2 2021. The bulk of Phase 1 tanks are fully contracted with investment grade counterparties. Phase 2, with 60,000 m^3 of storage capacity, is under construction, with a target completion date of late 2023. All Phase 2 capacity has been contracted for the storage of biofuels with blue-chip counterparties. It is estimated that an additional 60,000 m^3 will be added in a subsequent stage ("Phase 3"). Ghent Transport & Storage NV and Hartree Partners (UK) Limited hold the remaining 66.7% interest in Max Terminals.

Long-term contracted revenue with high quality customers - including the German government agency responsible for strategic fuel reserves - provides for predictable cashflows and an attractive yield profile.

Northleaf acquired its interest in late 2019 from the original developer, Ghent Transport & Storage, who continues to manage the assets, and a global commodities trader, Hartree Partners, who remains a partner in Max Terminals.

To date, Douglas Terminals Portfolio has performed in line with Northleaf's long-term projections. Douglas Terminals' EBITDA is ahead of the prior year quarter due to consolidation of the Max Terminals financials. Construction continues to progress at Phase 2, which is underpinned by an anchor contract with a blue-chip global commodities player for 75% of capacity. An existing customer has committed to the remaining 25%. Phase 3 development plans will be explored towards the end of 2023 on an opportunistic basis, and will likely add an additional 60,000 m3.

Cotton Plains

The Cotton Plains Portfolio (the "Portfolio") is comprised of two wind assets and one solar asset in Texas with total contracted capacity of 217 megawatts ("MW"):

(i) Old Settler Wind – a 151.2 MW wind farm located in Floyd County, Texas that benefits from merchant power exposure;

(ii) Cotton Plains Wind – a 50.4 MW wind farm located in Floyd County, Texas. Cash flows are fully contracted until 2045 under a fixed price power purchase agreement/Renewable Energy Supply Agreement ("RESA") with the US military via the Defense Logistics Agency; and

(iii) Phantom Solar – a 15.4 MW solar facility located on the Fort Hood military base in Killeen, Texas. Cash flows are fully contracted until 2045 under the same RESA as Cotton Plains Wind. Operational performance is dependent primarily on wind and solar resource conditions, project availability and market power prices.

Expertise

Managing Director & Head of Infrastructure, Northleaf Capital Partners

Jamie Storrow

Jamie is the head of Northleaf's infrastructure investment program and is a member of the Investment Committee. Jamie is responsible for transaction origination, due diligence and asset management of Northleaf's infrastructure investments. Jamie acts as the Asset Manager for a number of Northleaf's infrastructure investments and serves as a Director on several asset-level boards.

Prior to joining Northleaf in 2010, Jamie was a Senior Vice President with the Macquarie Group, a leading global infrastructure investment, fund management and advisory firm, where he was directly involved in acquisitions, divestitures, asset management and capital raising. Previously, Jamie worked in London, UK with Scotia Capital and Morgan Stanley where he specialized in the principal acquisition, financing and securitization of assets across a range of sectors, with a focus on the aerospace industry.

Jamie received a B.A. in Economics from Western University and an M.Sc. in Economics from the University of London. He also holds the Chartered Financial Analyst designation.

Managing Director, Infrastructure, Northleaf Capital Partners

Jessica Kennedy

Jessica leads Northleaf's investor relations, business development and communications activities with respect to Northleaf's infrastructure funds, separately managed accounts and co-investment program.

Prior to joining Northleaf in 2011, Jessica was an Associate with the Macquarie Group, a leading global infrastructure investment, fund management and advisory firm, where she was a member of the Private Capital Markets team responsible for building and managing client relationships with Canadian and international financial sponsors as well as raising equity for Macquarie's private funds and transactions.

Jessica received a Bachelor of Commerce from the University of Guelph and a Master of Finance (Economics) from the Rotman School of Management and the Department of Economics at the University of Toronto. Jessica holds the Chartered Financial Analyst designation.

Jamie Storrow and Jessica Kennedy are part of a team that manage the Northleaf Infrastructure Capital Partners III and II Funds.