

BABCOCK & BROWN STRUCTURED FINANCE FUND

PRESENTATION TO
SIAS RESEARCH INVESTORS
FRIDAY 16 MARCH 2007

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BABCOCK & BROWN GROUP

BABCOCK & BROWN GROUP

BNB Group is an international investment and advisory firm

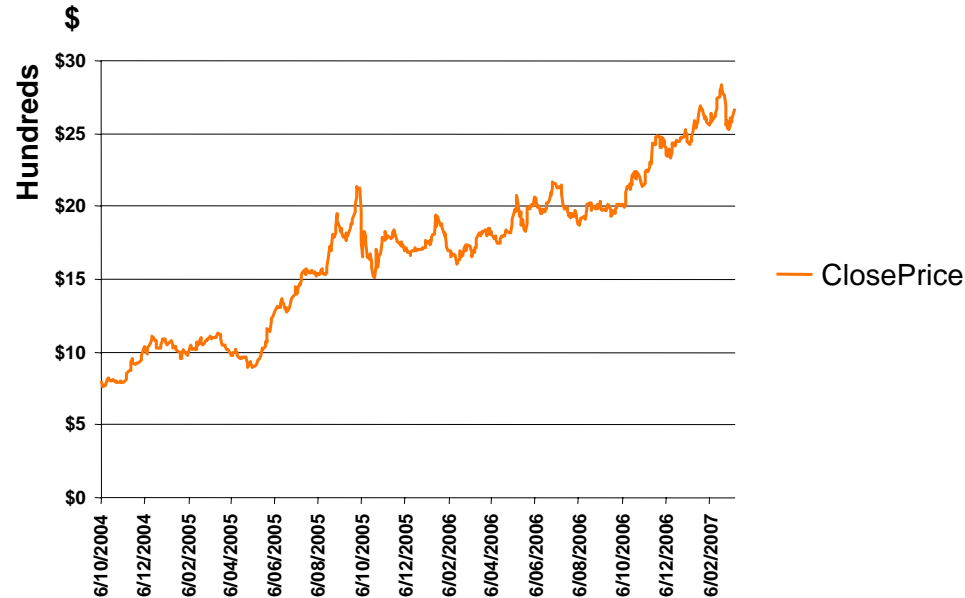
- Implied market capitalisation of more than US\$8bn
- Operates in 17 countries with 26 offices worldwide
- Employs over 1100 staff
- Manages A\$42bn of assets including 9 Funds listed on ASX, SGX and LSE
- 40% owned by senior staff



...with skilled expertise across the globe

BNB – THE IPO OF A PRIVATE GLOBAL PARTNERSHIP

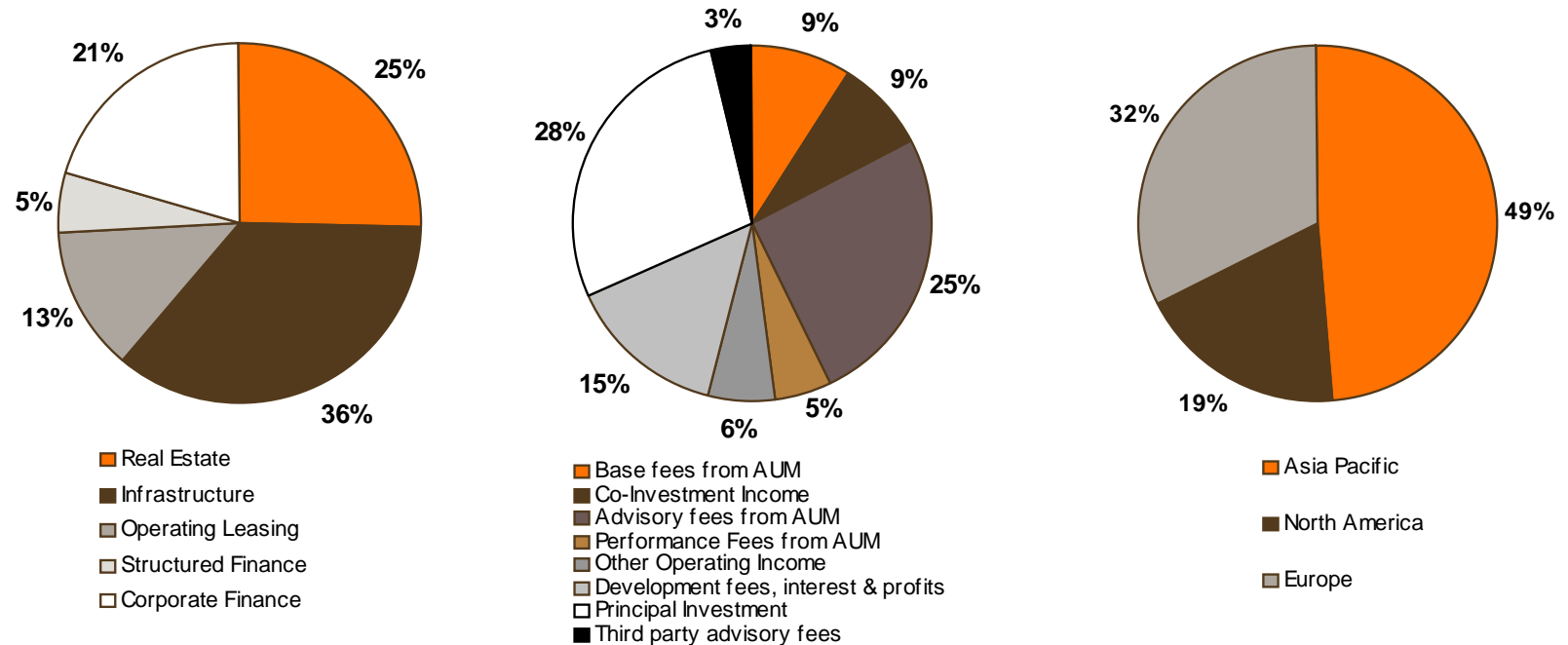
BNB Share Price Performance



- Prior to 2004 – a private global partnership with a strong underlying co-investment philosophy between partners and private equity, HNW and institutional investors.
- ▶ Business opportunities outstripped available equity, therefore deeper and permanent capital sought
- Co-investment continues after the IPO:
 - 40% BNB owned by senior staff
 - 10% BBSFF owned by BNB
 - >8% BBSFF owned by senior staff

BNB IS A DIVERSIFIED BUSINESS

2006 revenue breakdown

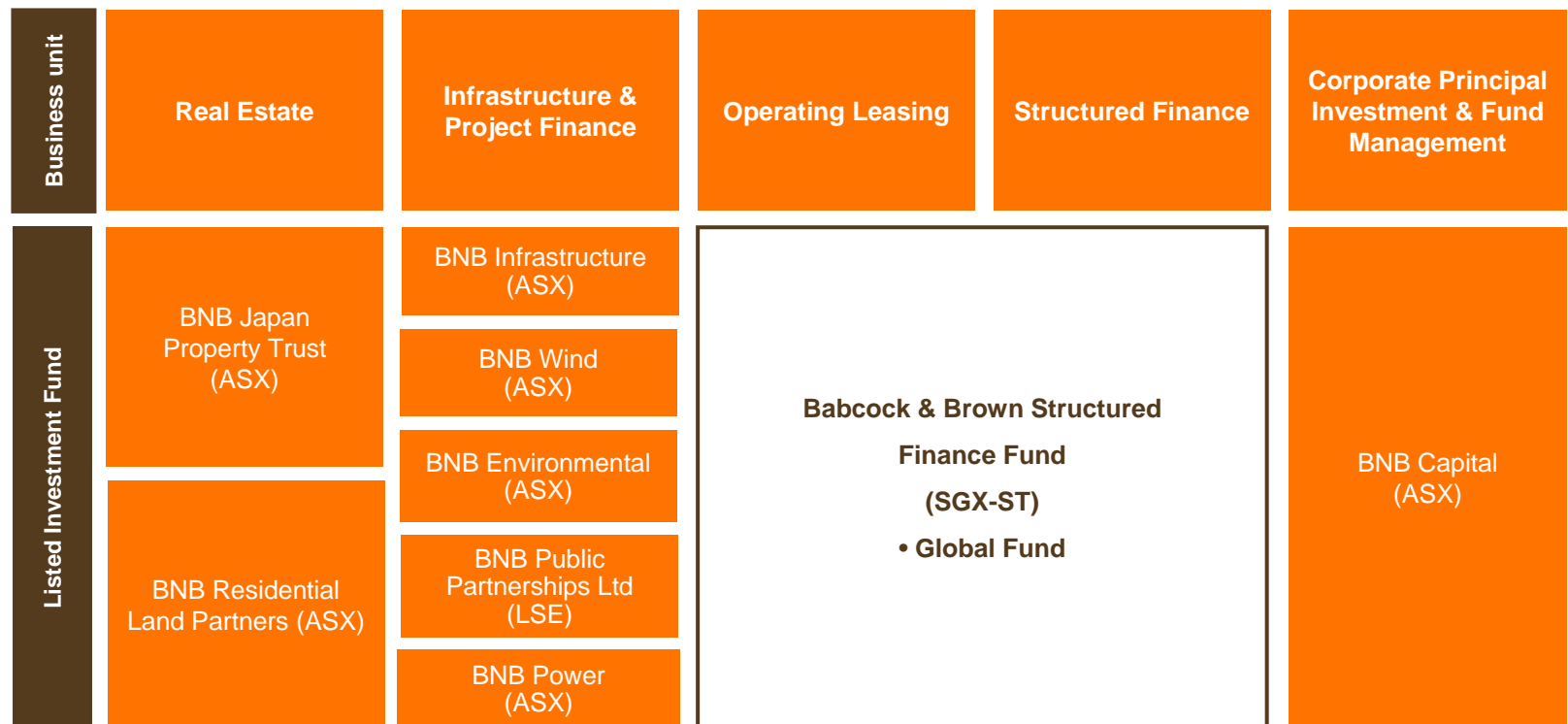


► 30% of global 2006 revenues from Operating Leasing and Structured Finance Divisions

WHAT IS BBSFF?

BBSFF – FLAGSHIP FUND FOR 2 BUSINESS GROUPS

BBSFF is the first listed fund which sources assets from around the world originated or identified by two of the five Babcock & Brown core business units: Operating Leasing and Structured Finance



BBSFF INVESTMENT OBJECTIVES

BBSFF will invest in a diverse portfolio of assets which provide investors with stable cash flows, an attractive yield and potential for capital growth by investing across 3 asset classes

Operating Lease Assets

Assets leased to lessees



Loan Portfolio and Securitisation Assets

Secured multiple obligor loans, owned directly or through securitisation vehicles



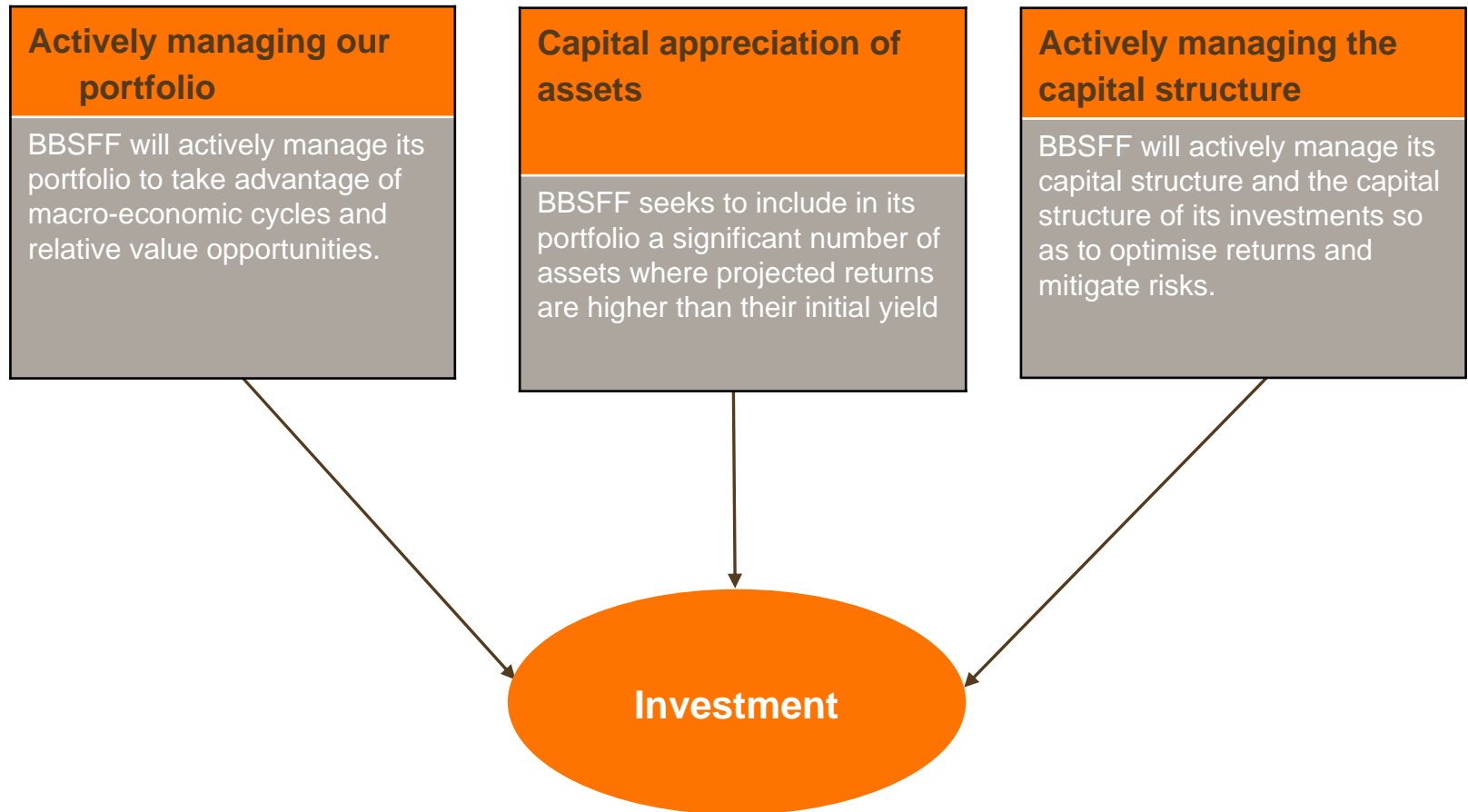
Alternative Assets

Relative Value opportunities



MULTIPLE TIERED INVESTMENT PHILOSOPHY

BBSFF takes a multiple tiered approach to investing



BNB HAS EXTENSIVE INVESTMENT & MANAGEMENT EXPERTISE IN BBSFF'S ASSET CLASSES

Operating lease

- **Aircraft** – Manages over 200 jets with value in excess of US\$5.5bn. 5TH largest aircraft lessor in the world.
- **North American Rail** – Manages 15,500 rail cars with value in excess of US\$1bn. 7TH largest railcar lessor in North America.
- **European Rail** – 50/50 JV in Europe with portfolio valued at €256m with €200m in new build orders. 4TH largest private rail lessor in mainland Europe.

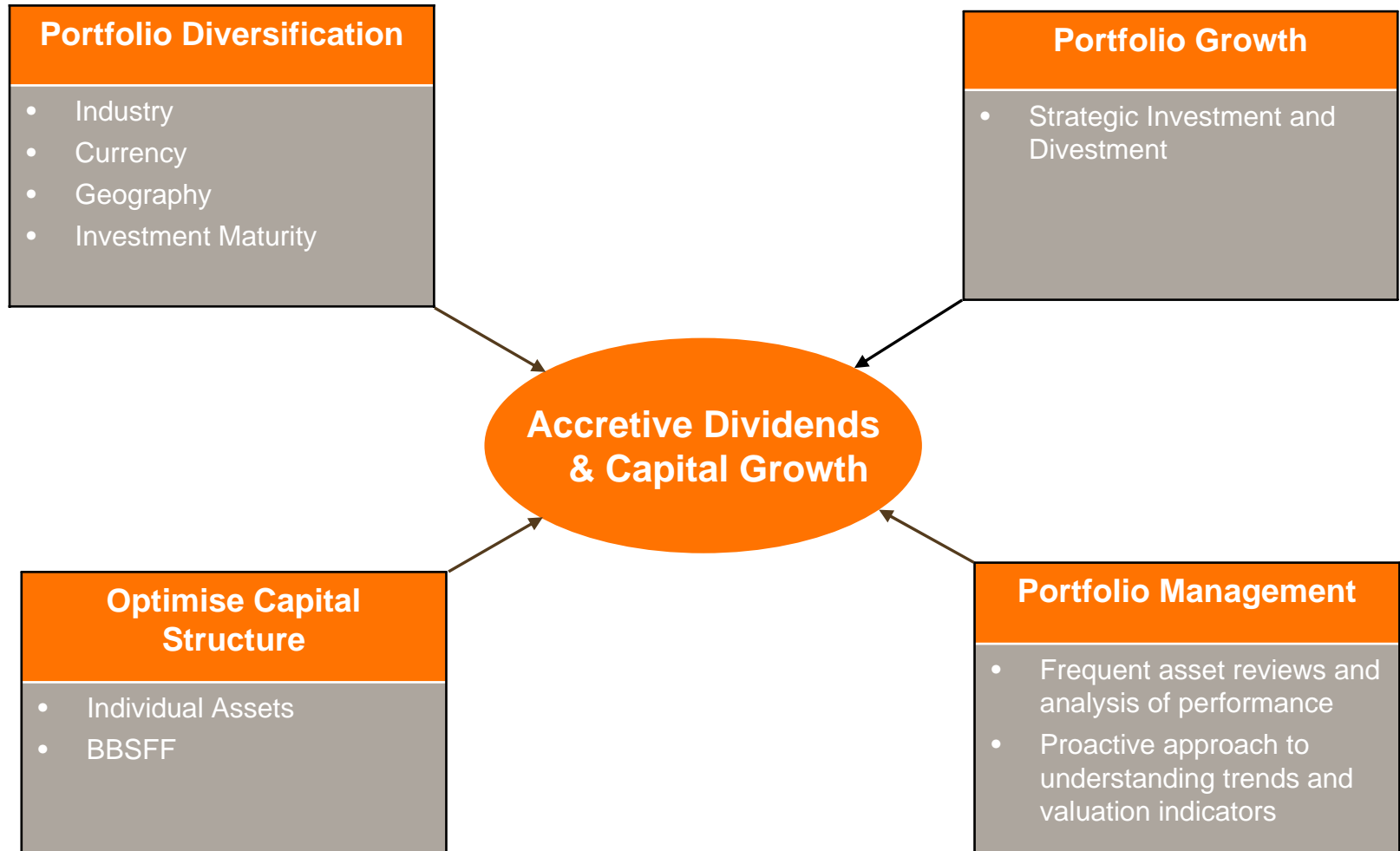
Loan portfolio and securitisation

- BNB Group has financed and invested in a wide variety of assets using securitisation techniques
- BNB owns a portfolio of equity and mezzanine debt positions in securitisation transactions
- BNB is an active originator and manager of securitisations and specifically CDOs of ABS

Alternative assets

- **Renewable energy** – manages BEI and BBW and is the owner and developer of ethanol plants (250m mgpy capacity)
- **Single obligor structured finance** – 30 years of experience in assessing risk and structuring such transactions to mitigate risk for advisory and principal investment.

ACTIVE MANAGEMENT OF BBSFF'S ASSETS



BBSFF BOARD

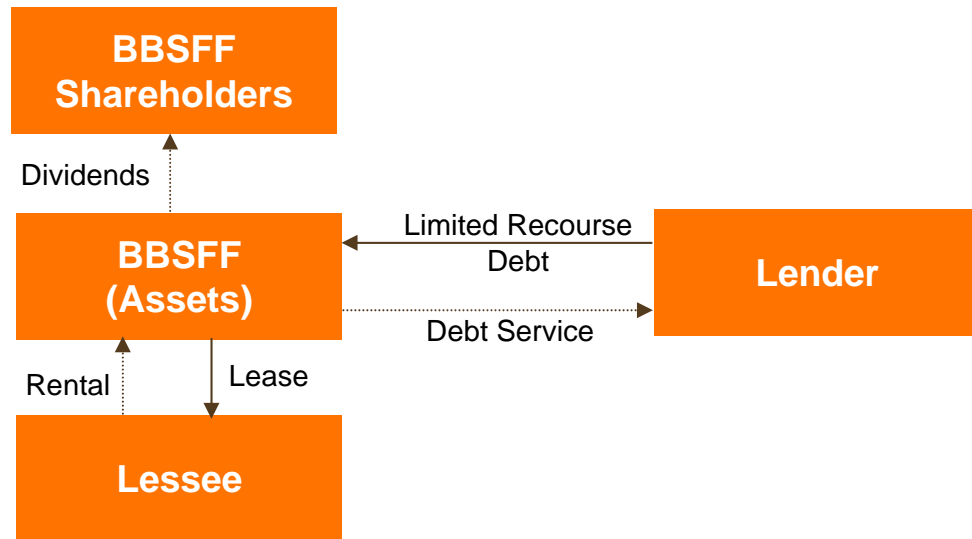
- 4 Independent Directors
 - Dilhan Pillay Sandrasegara
 - Lee Soon Kie
 - Tara Railton
 - Joel Schaefer
 - 2 BNB Appointments
 - Richard Umbrecht – Co-head of Babcock & Brown's Global Structured Finance business
 - Jim Fantaci – Head of Babcock & Brown's Global Operating Lease Business
- ▶ Must approve all asset acquisitions, divestments or refinancings.

BBSFF'S TARGET ASSET CLASSES

OPERATING LEASING

WHAT IS AN OPERATING LEASE?

- BBSFF **owns** a mission critical **asset** and **leases** that asset to a lessee eg commercial aircraft, freight rollingstock.



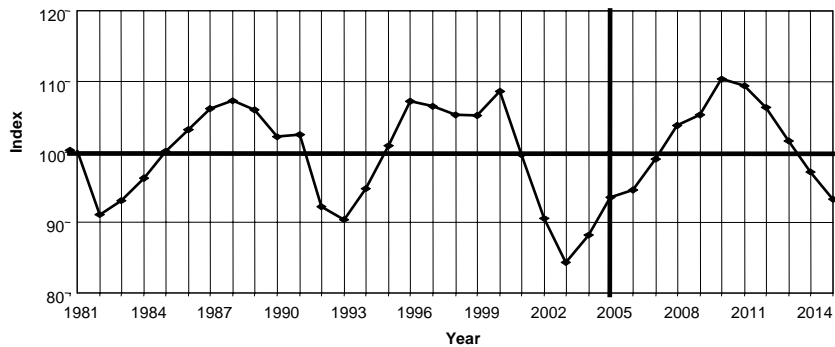
- Revenue Sources
 - **Rent** – strong yield
 - **Asset Ownership** – Sale or Re-lease, with the opportunity for capital appreciation

WHY BECOME AN OPERATING LESSOR?

1. Ability to ride economic and asset class cycles

AVITAS aircraft values

Value Index for All Commercial Jets, History and Forecast



Avitas Goat Book

In a leveraged transaction where the cycle is correctly judged by the Manager there may be significant upside for BBSFF.

WHY BECOME AN OPERATING LESSOR?

2. Stable cash flows from leases
3. Opportunity for capital appreciation where debt amortises at a rate greater than the depreciation of the asset.

An illustrative example

	Start	End
Asset Value	\$100	\$80
Equity Investment	\$30	
Debt Balance	\$70	\$45
Interest Rate	6.5%	
Rent	\$12.50 p.a.	
Operating Expenses	\$0.15 p.a.	

Year	0	1	2	3	4	5
Asset	- 100.00					80.00
Debt	70.00					
Rental		12.50	12.50	12.50	12.50	12.50
Finance Cost		-\$8.94	-\$8.94	-\$8.94	-\$8.94	-53.94
Expenses		-0.15	-0.15	-0.15	-0.15	-0.15
Equity CF	-30.00	3.41	3.41	3.41	3.41	38.41
IRR	14%					

BBSFF'S EXISTING OPERATING LEASE ASSETS (CONT)

JET-i Group Investment

- 11.5% of a company at cost of approximately SG\$25.0
- Anticipated disposal by 30 September 2007

Assets of Jet-i Group at 31 December 2006

No. of aircraft – Narrow body	37
No. of lessee obligors – Non US	17
– US	3
Largest lessee exposure (by initial appraised value)	13%
Manufacturer – Airbus	42%
– Boeing	58%
Weighted Average age	5.9 years
Weighted average remaining lease term	71.5 months
Aircraft lease expiry prior to 31 December 2007	6*
% of portfolio by appraised value – B737-800	28.5%
– A320-200	42.2%
– B757-200	14.9%
– Other	14.4%

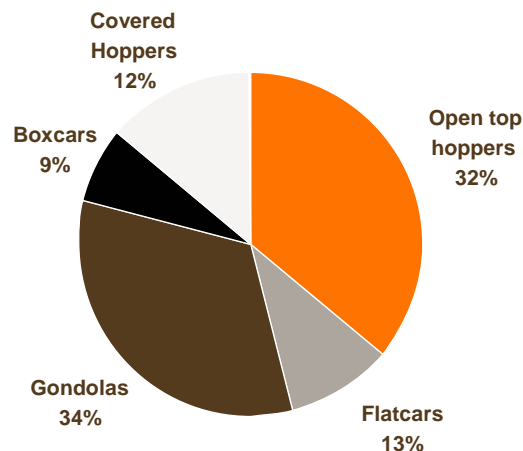
* There are 2 Virgin American planes that have early termination options in 2007 if JET-i Holdings cannot obtain approval from the Department of Transportation to fly by May 2007. Should this occur, the number of leases expiring in 2007 will increase to 8 and the weighted average remaining lease term decreases to 60.8 months.

BBSFF'S EXISTING OPERATING LEASE ASSETS (CONT)

Babcock & Brown Rail North America (“BBRNA”)

- BBSFF owns 49.5% of a Company which is the owner and lessor of over 6,500 freight car rollingstock which are leased for use in North American markets
- Acquisition cost: 93.3% of Mercer’s Management Consultant Valuation
- Since BBSFF made its investment, Babcock & Brown Group has introduced two further investors into BBRNA, highlighting investor appetite for this asset class
- 4th Portfolio to be acquired in April 2007

BBRNA initial portfolio composition



BBRNA initial portfolio key statistics as at 31 December 2006

Total no.	6,758
Average age	4.5 years
Average remaining lease term	2.6 years
Average credit quality of leases	85% Investment Grade
Debt	Not more than 88% of valuation

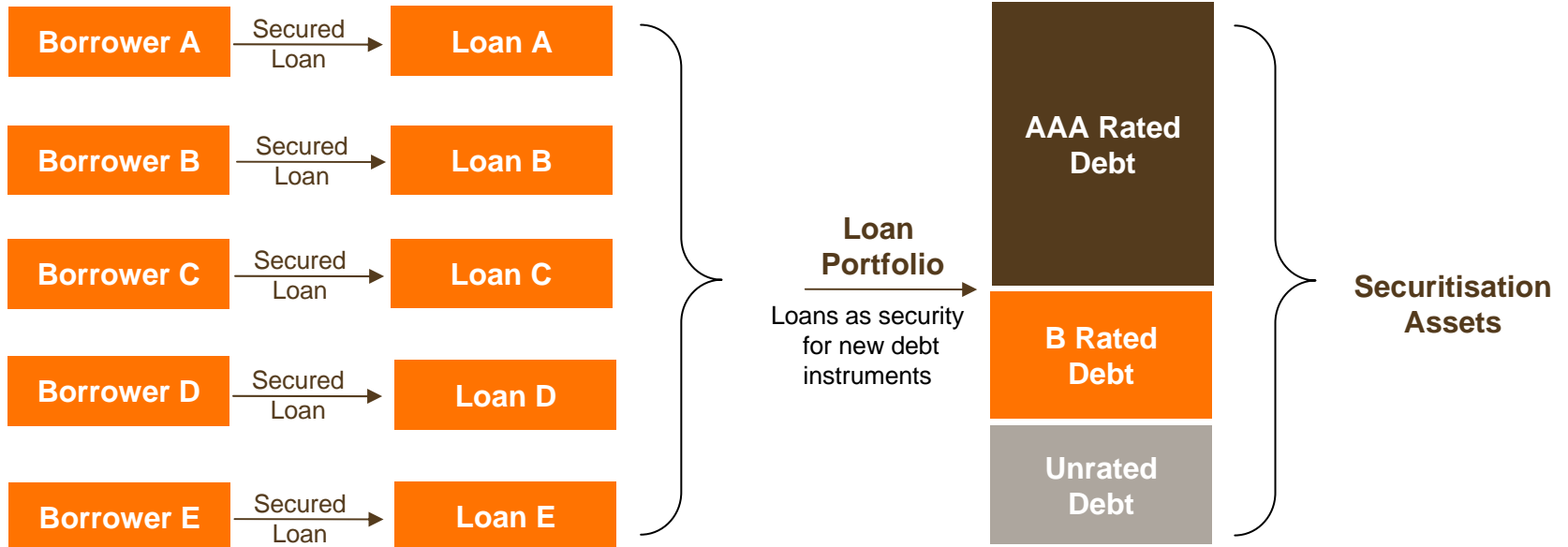
INTRODUCTION TO LOAN PORTFOLIO AND SECURITISATION ASSETS

WHAT ARE LOAN PORTFOLIO & SECURITISATION ASSETS?

Multiple Obligor Loans
Small secured loans to a large number (normally >100) of borrowers against similar assets

Loan Portfolio
A series of loans secured against similar assets and organised by one lender

Securitisation Asset
Debt secured by a Loan Portfolio

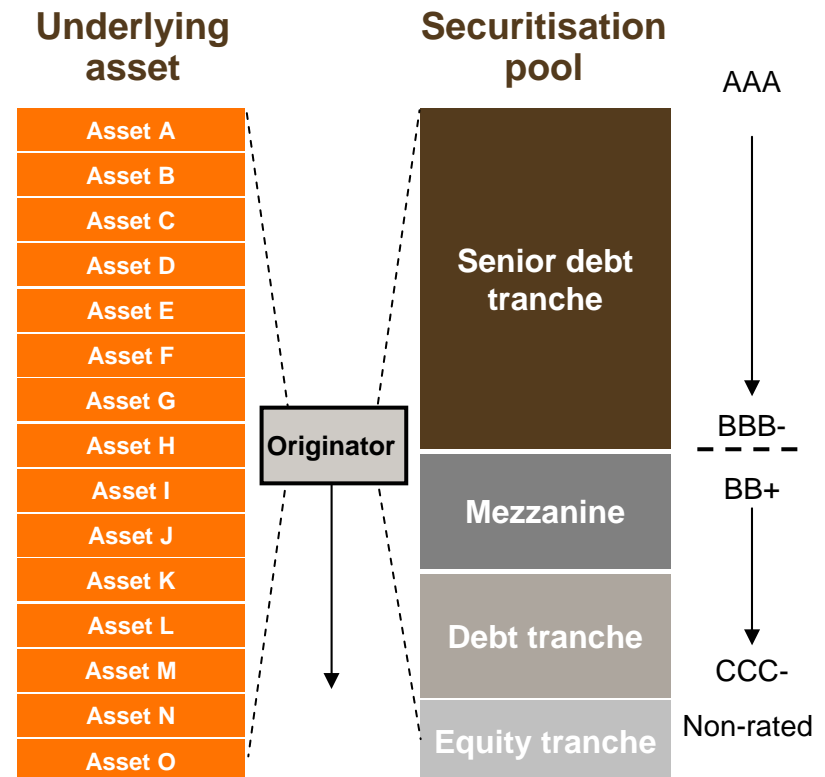


INTRODUCTION TO LOAN PORTFOLIOS AND SECURITISATION ASSETS

The development of the global capital markets...

Introduction

- Securitisation is the creation and issuance of debt securities whose principal and interest payments are derived from the cashflow of the underlying assets
 - standardised transactions
 - involving commodity assets
 - multi-tranche instruments
 - issued in institutional or public markets
- Underlying assets are acquired through an insolvency remote SPV
- Terms can vary from short term commercial paper to long dated 30 year bonds
- Run the range of credit quality



...has led to considerable growth in the securitisation market

ASSETS THAT HAVE BEEN SECURITISED

Securitisation asset classes	Return variables
Residential mortgages	Asset spread
Commercial mortgages	Default rates
Student loans	Recovery rates
Credit cards	Maturities
Auto loans	Servicing
Music royalties	Cycles
Trade receivables	
Aircraft	
Corporate loans (CLOs)	
Corporate debt (CDOs)	
Asset backed securities (ABSs)	

ANCORA – SEIZA WAREHOUSE NOTE INVESTMENT

- Revolving facility, minimum of A\$18.0 million, maximum of A\$50.0 million, used to guarantee the financing of 3 classes of notes issued by Seiza 2006–1 Trust
- The notes which are financed are secured against first mortgages over Australian residential and commercial property. Losses incurred in the event of borrower default, sale of real estate at less than then applicable debt, reserve account insufficiency and failure to recover against borrower.
- Cash reserve account gradually established to assist in protection against losses

Capital structure as at 12 February 2007*

Note Rating	Issue Amount (A\$m)
AAA (Class A notes)	135
AA (Class B notes)	9.2
A (Class C notes)	13.4
BBB (Class D notes)	9.7
BB (Class E notes)	12.3
B (Class F notes)	8.6
N/R (Class G notes)	11.1
NIM notes	8.8

Portfolio requirement

Commercial LVR	<70%
Residential LVR	<80%

* The issue amounts of the underlying notes may vary given the nature of the facility.

ALTERNATIVE ASSETS

WHAT ARE ALTERNATIVE ASSETS?

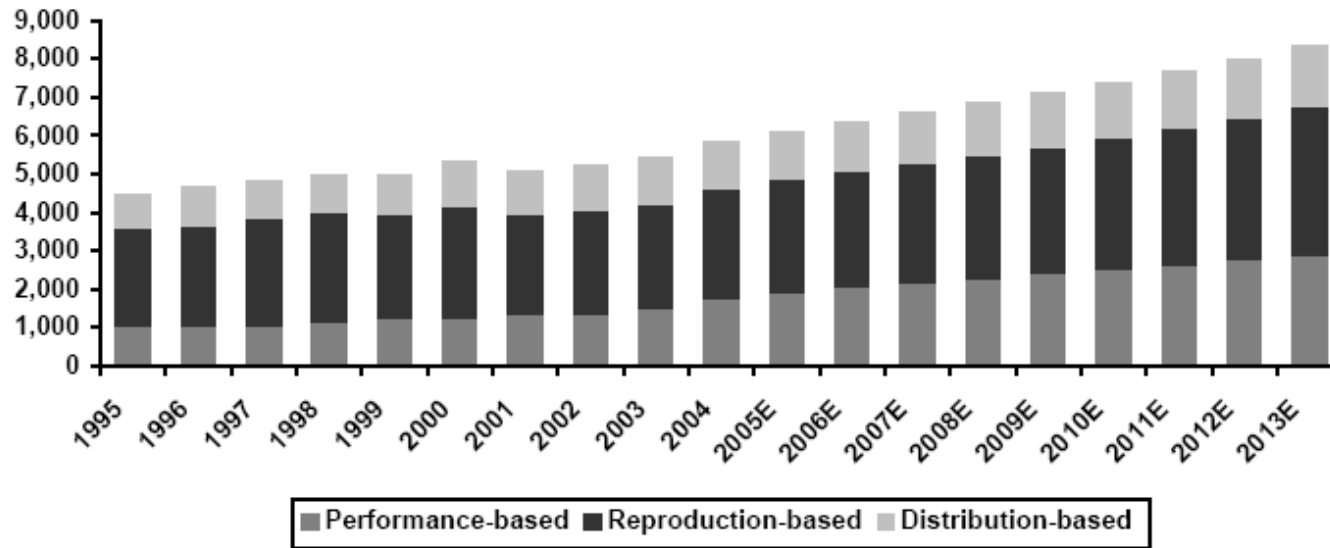
- Relative value opportunities, focussed on by private equity and institutional investors. BBSFF aims to have first mover advantage.
- Opportunity for strong yield, growth and in due course capital gain for a number of these assets.
- Current Focus
 - Music Copyright Assets
 - Renewable Energy Financing
 - Single Obligor Structured Loans

MUSIC COPYRIGHT ASSETS

- The right to receive revenue each time a musical composition is performed (eg: radio, TV, no matter by which performer) downloads, CD purchased, used in a TV commercial, used in a movie
- Target catalogues:
 - Approximately at least 10 years old
 - Diverse songs
 - Strong historical earnings
 - Attractive for use in commercials and movies i.e. “synchronisation:”
 - Cost between 8-12 times historical earnings
 - Able to be levered
- Attractions:
 - Strong cash flow
 - Growth in revenues
 - Ability to sell in due course to deliver capital growth

OVERVIEW OF THE MUSIC PUBLISHING INDUSTRY

The global revenue received by music publishers from ownership of music copyright was estimated at US\$6bn in 2005...



Source: Enders Analysis

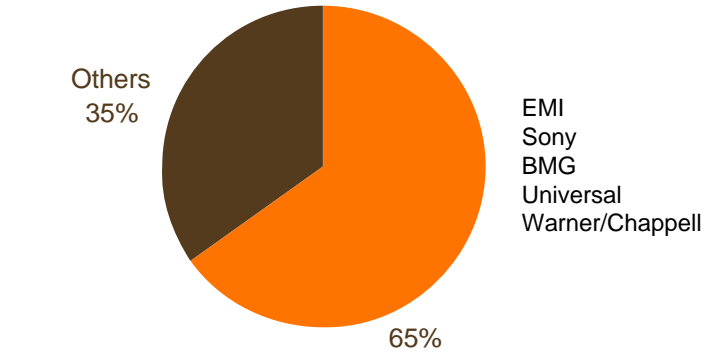
...and is forecast for steady growth

MUSIC PUBLISHING OVERVIEW

Sources of music publishing revenue

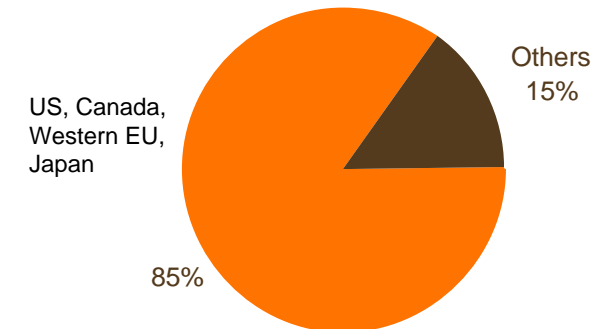
Mechanical	<ul style="list-style-type: none"> A mechanical right entitles the copyright owner to royalties each time a copy of any song covered by the copyright is produced, whether physical (CDs) or non-physical (digital downloads, mobile phone ring tones)
Performance	<ul style="list-style-type: none"> The owner of the copyright is entitled to royalties by granting a performance licence allowing public performance or communication of any music covered under the copyright
Synchronisation	<ul style="list-style-type: none"> A synchronisation licence is issued by the copyright owner each time a song covered under the copyright accompanies a visual image, such as in advertisements and movie soundtracks
Others	<ul style="list-style-type: none"> Other sources of publishing revenue include granting print licences when a song covered under the copyright is written down and published

Music publishers market share



Source: Enders Analysis

Music copyright royalties by region



Source: Enders Analysis

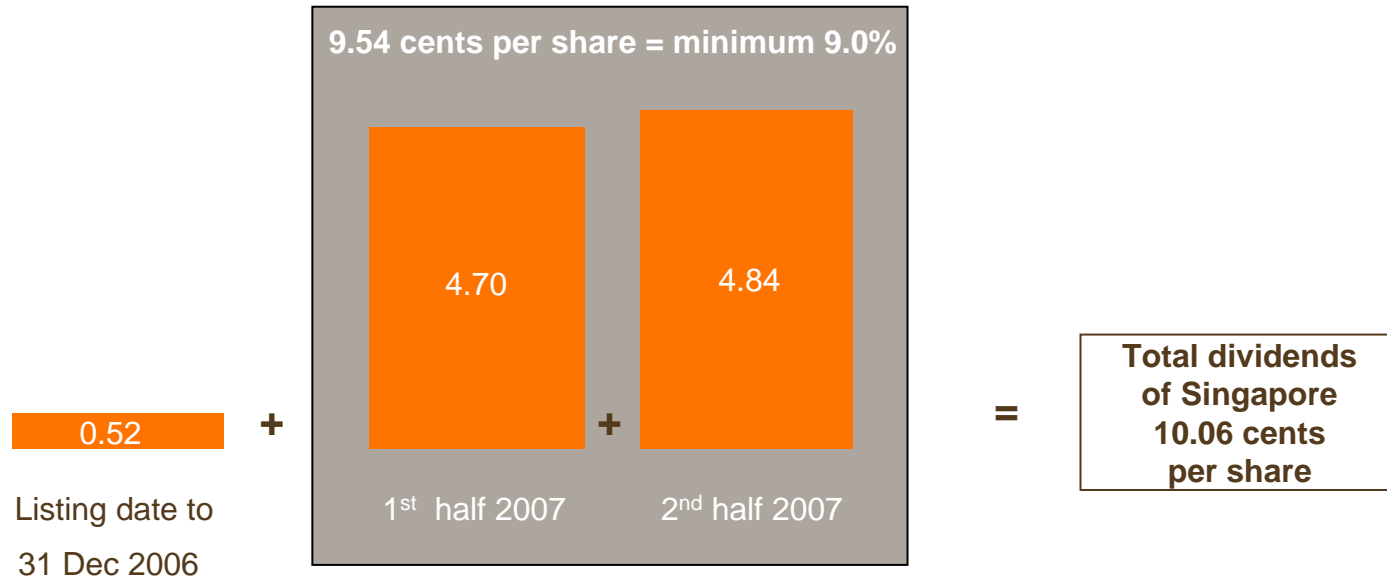
SUMMARY: INVESTMENT HIGHLIGHTS

KEY INVESTMENT ATTRACTIONS

- Attractive dividend
- Growth – distributions and total return
- Diversification amongst assets, currency, geography and investment maturity
- Listed Security
- Babcock & Brown Group relationship

ATTRACTIVE DIVIDEND YIELD

Dividend projection



- Will distribute majority of cash economic income received, after provision for operating and financing expenses
- Not reliant on accounting profits
- **Tax free to Singaporean individual residents, not operating through a partnership**
- Semi-annual dividends
- Quarterly reporting
- 2007 projected dividends fully hedged into Singapore Dollars

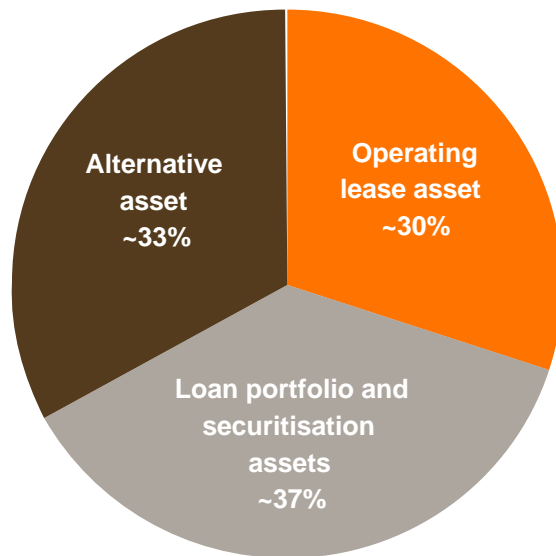
GROWTH – DISTRIBUTIONS AND TOTAL RETURN

- 1. Actively managing our portfolio**
- 2. Capital appreciation of assets**
- 3. Actively managing the capital structure**

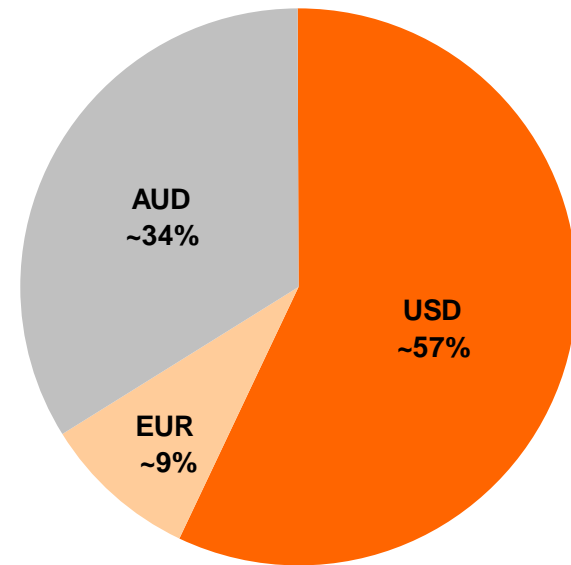
DIVERSIFICATION BY ASSET, CURRENCY, GEOGRAPHY AND INVESTMENT MATURITY

BBSFF has a targeted a diverse portfolio...

Breakdown by asset class
(subject to change based on final portfolio)



Breakdown by currency
(subject to change based on final portfolio)



...that is further diversified by investment tenure

BABCOCK & BROWN GROUP RELATIONSHIP

Alignment of interest

- BNB Group to retain a long term holding of 10% of BBSFF shares
- Babcock & Brown senior staff own >8% of BBSFF

Global expertise and resources of BNB Group

- BNB Group has been in the operating leasing and structured finance businesses for nearly 30 years
- Access to expert advice on acquisitions, divestments and management of assets
- BNB Group will assist in financing where appropriate in order to lower cost of capital

Professional management

- Benefit from experience, skills and resources that exist within the BNB Group
- Access to worldwide expertise in all three asset classes targeted by BBSFF

Thankyou

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