



# Macquarie Korea Infrastructure Fund

## 2024 3<sup>rd</sup> Quarter Asset Management Report

**Period Quarter 3 (1 July 2024 - 30 September 2024)**

**Prepared by Macquarie Korea Asset Management Co., Ltd. (MKAM)**

**Fund code: 35801**

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## **Important notice**

Under the Financial Investment Services and Capital Markets Act (the “Act”), Macquarie Korea Infrastructure Fund (“MKIF”) is required to upload an Asset Management Report on the website of MKIF and KOFIA, in the form and containing specific information set out in the Act, on a quarterly basis. This Asset Management Report has been prepared by MKIF in compliance with its statutory obligations.

## **Disclaimer**

MKIF and Macquarie Korea Asset Management Co., Ltd. (“MKAM”), are not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of MKIF/ MKAM. Neither MKIF, nor any member of the Macquarie Group companies, including MKAM, guarantees the performance of MKIF, the repayment of capital or the payment of a particular rate of return on MKIF securities.

## **General advice warning**

The contents of this report do not constitute an offer, invitation or recommendation for the subscription or purchase of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MKIF, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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# 1. General Report

## 1.1 Overview

Under the Financial Investment Services and Capital Markets Act (the Act)

Investment Grade: 4\*

<b>Fund name</b>	Macquarie Korea Infrastructure Fund (MKIF)
<b>Fund type</b>	Investment company/Special asset fund/Closed-end with an option for new share issuance
<b>Fund code</b>	35801
<b>Date of incorporation</b>	12 December 2002
<b>Date of registration</b>	26 December 2002
<b>Date of listing</b>	15 March 2006
<b>Financial year end</b>	31 December every year
<b>Fund maturity</b>	Perpetual (until the occurrence of dissolution events defined in the Articles of Incorporation of MKIF)
<b>Asset manager</b>	Macquarie Korea Asset Management Co., Ltd. (MKAM)
<b>Sales agents</b>	The shares of the MKIF have been listed on Korea Exchange stock market. An investor may trade the shares through the account opened at a licensed securities firm.
<b>Custodian</b>	Korea Securities Finance Corporation (KSFC)
<b>Fund administrator</b>	Samjong KPMG AAS Inc.
<b>Board of directors</b> ^	Corporate Director: MKAM Supervisory Directors: Hwa-Jin Kim, Tae-Yeon Nam and Jae Do Moon
<b>Key staff of MKAM</b> ^	Boum Sik Suh (CEO) Jinwook Park (Asset Management) Jae Woo Jung (Investment Management) Ju Dong Kim (Finance) Sangmi Kim (Risk Management) Young Ju Ahn (Compliance) Beumrae Kim (Legal)
<b>MKIF profile</b>	MKIF, managed by MKAM, has the portfolio of infrastructure assets in Korea that have been, or are being, constructed under the Act on Public-Private Partnerships in Infrastructure (PPI Act).  MKIF was established in December 2002 with a mandate to invest in entities that construct or operate infrastructure businesses such as toll roads, bridges, tunnels, port and city gas in Korea. MKIF invests in these infrastructure businesses through equity and debt. MKIF is focused on generating profits from its investments and distributing these profits to its shareholders.

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\* MKAM assessed MKIF risk level, the investment grade, at 4 (moderate risk) in consideration of MKIF's target asset and associated risk. However, this is a subjective rating by MKAM and should not be recognized as an official rating by any external rating agencies. Also, MKIF is not a complex product under the Act.

^ See Section 4. Registered Asset Managers and Appendix I. MKIF Board of Directors for more information.

## 1.2 Asset Details

Under the Act, MKIF is required to report the net asset value per share (NAV per share) of its portfolio.

The total net asset value of MKIF's portfolio is calculated by subtracting total liabilities from total assets of MKIF. MKIF's assets include its equity and debt investments in concession companies, cash and deposits and other investment securities. The net asset value per share of MKIF is calculated by dividing total net asset value by the number of outstanding shares.

The Collective Investment Property Appraisal Committee of MKAM has chosen to adopt the acquisition cost as its assessment of fair value for the unlisted equity investments under the Act and accounting principles generally accepted in Korea (K-GAAP). In addition, the debt investments are measured at amortised cost under the Act and K-GAAP.

The calculation of the NAV per share of MKIF is set out in the table below. For the purposes of this calculation, asset and liability information is based on the balance sheet of MKIF, which is attached as Appendix II.

(Unit: KRW, share)

Type	Q2 2024	Q3 2024	% Change
<b>Total Assets (A)</b>	3,393,858,007,101	3,673,999,536,279	8.25%
<b>Total Liabilities (B)</b>	430,437,781,876	821,611,413,161	90.88%
<b>Net Asset Value (C=A-B)</b>	2,963,420,225,225	2,852,388,123,118	(3.75)%
<b>Shares (D)</b>	435,781,355	435,781,355	0.00%
<b>NAV per share (E=C/D) *</b>	6,800.25	6,545.46	(3.75)%

+ NAV per share of MKIF is calculated by dividing total net asset value by the number of outstanding shares. However, as MKIF is listed on the Korea Exchange, its shares are traded at share price.

### ※ Distribution payment (during the quarter)

(Unit: KRW, share)

Date of Declaration	Distribution Amount <sup>^</sup> (KRW Million)	Balance after Payment (Shares)	NAV per share		Remarks
			Before declaration	After declaration	
2024-07-31	165,597	435,781,355	6,835.65	6,456.83	

<sup>^</sup> If there is any excess distribution, it will be disclosed in the 4th quarter report.

## 1.3 Ad-hoc Disclosures

Ad-hoc disclosures made during the past three months are as below.

Date	Disclosure
30 July 2024	MKIF to Acquire a Data Center Located in Hanam-Si, Korea
31 July 2024	Reports 2Q 2024 Asset Management Report
31 July 2024	Reports 1H 2024 Financial Results and Asset Performance
12 August 2024	MKIF's Follow-On Offering and Record Date
23 August 2024	Prospectus Updated (Follow-On Offering of New Shares)
26 August 2024	First Base Price Determined for the Follow-On Offering
27 August 2024	Prospectus Updated (First Base Price for the Follow-On Offering)

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Date	Disclosure
4 September 2024	Amendment to the Follow-On Offering Schedule
5 September 2024	Prospectus Updated (Amendment to the Follow-On Offering Schedule)
30 September 2024	MKIF Makes First Payment on its Committed Investment for SEUE

## 2. Management Performance and Term Performance

### 2.1 Overview

Established on 12 December 2002, MKIF is a leading private sector infrastructure investor in Korea under the PPI Act and governed by the Act. MKIF is mandated to invest in concession companies that construct or operate infrastructure assets through equity and debt. MKIF is focused on generating profits from its investments and distributing these profits to its shareholders. As of current quarter-end, MKIF has committed to invest in 14 toll roads, 1 rail, 1 port, 3 city gas, and 1 digital infra (data centre) business operators with a total investment commitment of KRW 3,092.6 billion.

### 2.2 Management plan

MKIF focuses on investing in loans to, and unlisted equity of project companies that operate infrastructure assets pursuant to the PPI Act.

Accordingly, main investment targets of MKIF are project companies that operate toll road, tunnel, bridge, port, city gas business, data centre and other infrastructure assets listed under Article 2 Sub-paragraph 1 of the PPI Act.

MKIF aims to grow its revenue and provide stable distributions to shareholders by continuously making investment in project companies that operate infrastructure assets and actively managing its portfolio companies,

### 2.3 Management performance

The table below sets out the historical NAV (including the distribution paid) for MKIF. As explained above and given that the majority of MKIF's assets are held at their acquisition cost, the net asset value is not representative of changes in the value of the MKIF portfolio.

#### 2.3.1 Short-term performance <sup>※</sup>

(Unit: %)

Type	3 Months (2024.07.01~)	6 Months (2024.04.01~)	9 Months (2024.01.01~)	12 Months (2023.10.01~)
MKIF	1.84	3.78	9.48	11.62
Comparative Index <sup>+</sup>				N/A

<sup>+</sup> There is no comparable index available because MKIF is the only listed infrastructure fund in Korea with publicly available NAV data.

<sup>※</sup> Performance quoted above is historical and does not guarantee future performance.

<sup>※</sup> NAV increase by the follow-on public offering in 3Q 2017, 4Q 2020, 3Q 2021 and 3Q 2023 is not reflected in performance calculation.

#### 2.3.2 Long-term performance <sup>※</sup>

(Unit: %)

Type	1 Year (2023.10.01~)	2 Years (2022.10.01~)	3 Years (2021.10.01~)	5 Years (2019.10.01~)
MKIF	11.62	11.65	11.94	12.09
Comparative Index <sup>^</sup>				N/A

<sup>^</sup> There is no comparison index available because MKIF is the only listed infrastructure fund in Korea with publicly available NAV data.

<sup>※</sup> Performance quoted above is historical and does not guarantee future performance.

<sup>※</sup> NAV increase by the follow-on public offering in 3Q 2017, 4Q 2020, 3Q 2021 and 3Q 2023 is not reflected in performance calculation.



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## 2.4 Profit and Loss summary

The table below sets out the profit and loss incurred by MKIF in its P&L during the Quarter, in comparison with any profit and loss from the previous quarter.

(Unit: KRW million)

Type	Equity (unlisted)	Loans	Dividend Income	Short-term Facilities & Deposit	Other Assets	Total Profit (Loss)
Q3 2024	-	66,998	7,232	121	1	74,352
Q2 2024	-	73,229	-	107	3	73,339

## 3. Details of Assets

### 3.1 Asset portfolio

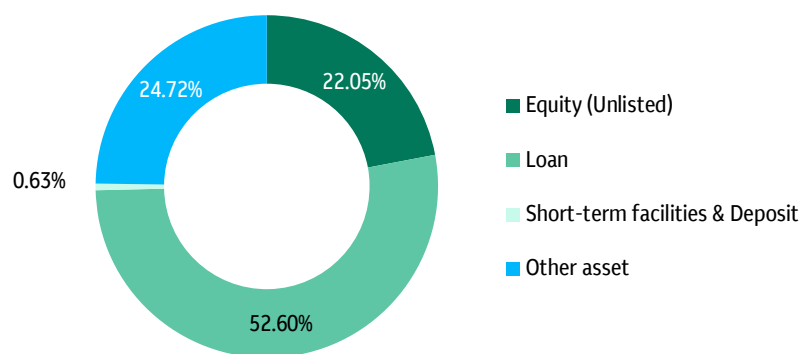
MKIF's investment portfolio consists of equity(unlisted), loans, cash and deposits and other assets.

(Unit: KRW million, %)

Type	Equity (unlisted)	Loans +	Short-term facilities & Deposit	Other assets ^	Total assets
<b>KRW</b>	810,221	1,932,304	23,273	908,202	3,674,000
<b>Composition Ratio</b>	22.05	52.59	0.63	24.73	100

+ Include loans to concession companies

^ Other assets: interest receivable, other receivables, and prepaid expenses



### 3.2 Top ten invested assets

(Unit: KRW million, %)

Rank	Type	Name	Acquisition Value +	Composition Ratio ^
1	Subordinated loan	Youngsan Clean Energy Ltd.*	290,200	7.90
2	Subordinated loan	Green Digital Infra Co., Ltd.	250,000	6.80
3	Subordinated loan	Incheon Bridge Co., Ltd.	241,000	6.56
4	Subordinated loan	BNCT Co., Ltd.	193,000	5.25
5	Equity (unlisted)	CNCITY energy Co., Ltd.	186,666	5.08
6	Subordinated loan	Cheonan-Nonsan Expressway Co., Ltd.	173,138	4.71
7	Subordinated loan	Gyungsu Highway Co., Ltd.	99,633	2.71
8	Equity (unlisted)	Cheonan-Nonsan Expressway Co., Ltd.	93,815	2.55
9	Subordinated loan	Seoul-Chuncheon Highway Co.,Ltd.	87,450	2.38
10	Subordinated loan	MCB Co., Ltd.	79,000	2.15

+ Under K-GAAP and the Act, MKIF recognizes the value of its equity investments in concession companies at their acquisition costs including transaction costs.

^ Ratio refers to the contribution to total assets.

\* Youngsan Clean Energy Ltd. is an investment vehicle that acquired 100% of equity stake in Haeyang Energy Co., Ltd.

### 3.3 MKIF's asset portfolio details

#### 3.3.1 Equity securities (unlisted) (top five assets)

(Unit: Share, KRW million, %)

Name	No. of Shares	Percentage Interest	Acquisition Value (A)	Appraisal Value (B) +	Gain/ Loss (B)-(A)	Composition Ratio ^
CNCITY energy Co., Ltd	2,207,437	48	186,666	186,666	-	5.08
Cheonan-Nonsan Expressway Co., Ltd.	17,550,000	60	93,815	93,815	-	2.55
BNCT Co., Ltd.	13,284,000	30	67,048	67,048	-	1.82
Incheon Bridge Co., Ltd.	7,826,100	64.05	58,053	58,053	-	1.58
Gyungso Highway Co., Ltd.	10,319,853	43.75	52,095	52,095	-	1.42

+ Under K-GAAP and the Act, MKIF records the value of its equity investments in concession companies at their acquisition costs including transaction costs.

^ Ratio refers to the contribution to total assets.

#### 3.3.2 Equity securities (unlisted) (more than 1% of total issued shares)

(Unit: Share, KRW million, %)

Name	No. of Shares	Percentage Interest	Acquisition Value (A)	Appraisal Value (B) +	Gain/ Loss (B)-(A)	Composition Ratio ^
CNCITY energy Co., Ltd	2,207,437	48	186,666	186,666	-	5.08
Cheonan-Nonsan Expressway Co., Ltd.	17,550,000	60	93,815	93,815	-	2.55
BNCT Co., Ltd.	13,284,000	30	67,048	67,048	-	1.82
Incheon Bridge Co., Ltd.	7,826,100	64.05	58,053	58,053	-	1.58
Gyungso Highway Co., Ltd.	10,319,853	43.75	52,095	52,095	-	1.42
Soojungsan Investment Co., Ltd.	1,114,880	100	47,248	47,248	-	1.29
Incheon-Gimpo Expressway Co., Ltd.	11,254,373	22.76	44,161	44,161	-	1.20
Dongbuk Light Rail Transit	7,076,520	30	35,383	35,383	-	0.96
MCB Co., Ltd.	7,955,780	70	33,925	33,925	-	0.92
Kwangju Beltway Investment Co., Ltd.	6,610,000	100	33,050	33,050	-	0.90
Youngsan Clean Energy Ltd.*	32,286,000	100	32,286	32,286	-	0.88
Kwangju Ring Road Co., Ltd.	5,775,000	75	29,495	29,495	-	0.80
New Airport Hiway Co., Ltd.	3,665,273	24.1	25,235	25,235	-	0.69
Green Digital Infra Co., Ltd	23,000,001	100	23,000	23,000	-	0.63
Busan New Port 2nd Rear Road	8,295,138	47.56	18,873	18,873	-	0.51
Seoul East Underground Expressway Co., Ltd	2,976,000	27.6	14,880	14,880	-	0.41
Bomun Clean Energy Ltd.**	8,714,000	100	8,714	8,714	-	0.24
Seoul-Chuncheon Highway Co., Ltd.	3,588,118	18.16	5,062	5,062	-	0.14
Baekyang Tunnel Ltd.	100,000	100	1,231	1,231	-	0.03

Name	No. of Shares	Percentage Interest	Acquisition Value (A)	Appraisal Value (B) +	Gain/Loss (B)-(A)	Composition Ratio ^
Woomyunsan Infracore Co., Ltd. ^^	835,200	36	-	-	-	-

+ Under K-GAAP and the Act, MKIF recognizes the value of its equity investments in concession companies at their acquisition costs including transaction costs.

^ Ratio refers to the contribution to total assets.

\* Youngsan Clean Energy Ltd. is an investment vehicle that acquired 100% of equity stake in Haeyang Energy Co., Ltd..

\*\* Bomun Clean Energy Ltd. is an investment vehicle that acquired 100% of equity stake in Sorabol City Gas Co., Ltd..

^^ Woomyunsan Infracore Co., Ltd. completed its capital reduction on 16 January 2009 and on 16 February 2016. The value of equity investment in Woomyunsan Infracore Co., Ltd. was recognised as zero because the total proceeds of capital reduction paid to MKIF exceeded the acquisition value of the equity investment. For details, refer to MKIF disclosure on 14 January 2016.

### 3.4 Loans to project companies (top five assets)

(Unit: KRW million)

Name	Acquisition Value	Interest Receivable +	Issued Date	Maturity Date	Guarantee	Credit Rating
Youngsan Clean Energy Ltd.* (Subordinated loan)	290,200	55,310	12/07/2021	12/07/2051	N/A	N/A
Green Digital Infra Co., Ltd. (Subordinated loan)	250,000	3,078	09/08/2024	09/08/2028	N/A	N/A
Incheon Bridge Co., Ltd. (Subordinated loan)	241,000	35,566	18/08/2017	18/11/2037	N/A	N/A
BNCT Co., Ltd. (Subordinated loan)	193,000	578,670	25/02/2008	31/12/2032	N/A	N/A
Cheonan-Nonsan Expressway Co., Ltd. (Subordinated loan)	173,138	3,320	20/05/2005	26/05/2029	N/A	N/A

+These values are accumulated interest receivables.

\* Youngsan Clean Energy Ltd. is an investment vehicle that acquired 100% of equity stake in Haeyang Energy Co., Ltd..

### 3.5 Short term facilities and deposit

(Unit: KRW million, %)

Name*	Banks	Deposit amount +	Date of Deposit	Maturity Date	Interest Receivable	Composition Ratio ^
N/A						

\* Each deposit amount exceeding 5% of the Total Assets.

+ This value is the principal.

^ Ratio refers to the contribution to total assets.

### 3.6 Other assets

The other assets are set out in the table below and consist of accrued income.

(Unit: KRW million, %)

Type	Amount	Composition Ratio ^
Interest Receivable and others*	908,202	24.72

\* Other assets under the invested assets composition (ex: accrued dividends, accrued income etc), exceeding 5% of the total assets.

^ Ratio refers to the contribution to total assets.

For more information, refer to Quarterly Business Reports and Documents of Settlement of Accounts on the website of KOFIA (<http://dis.kofia.or.kr>). However, the effective dates of the Quarterly Business Reports and Documents of Settlement of Accounts on the website of KOFIA may be different from the effective dates of this report.

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## 4. Registered Asset Managers

### 4.1 Registered infrastructure asset managers\*

MKAM is licensed under the Act to carry out asset management activities for MKIF. MKAM employs at least two infrastructure asset management professionals who meet certain qualifications as follows.

Name	KOFIA registration number	Title	Management fund other than MKIF		Fund with performance fee scheme	
			Number of fund(s)	Total asset under management	Number of fund(s)	Total asset under management
<b>Jinwook Park</b>	2115000350	Division Director	N/A	N/A	N/A	N/A
<b>Jae Woo Jung</b>	2110000811	Division Director	N/A	N/A	N/A	N/A

\* For more details, refer to current MKIF prospectus disclosed on DART (<http://dart.fss.or.kr>) fund disclosure. The prospectus translated in English can be found in MKIF website ([www.macquarie.com/mkif](http://www.macquarie.com/mkif)).

### 4.2 Change in registered infrastructure asset managers

Period ^	Registered asset managers
	N/A

^ Change in registered asset managers during the past three years.

For more information, refer to ad-hoc disclosures on the website of KOFIA (<http://dis.kofia.or.kr>). However, the effective dates of information displayed on the website of KOFIA may be different from the effective dates of information in this report.

## 5. Cost Summary

### 5.1 Fees to service providers

The table below sets out fees paid by MKIF to its service providers.

(Unit: KRW million, %)

Type	Q2 2024		Q3 2024		Remarks	
	Amount	Ratio+	Amount	Ratio+		
MKIF	Management fee	12,104	0.412	11,920	0.414	
	Sales agent fee	-	-	-	-	
	Custodian fee	146	0.005	145	0.005	
	Administrator fee	92	0.003	91	0.003	
	Total	12,342	0.420	12,156	0.422	
	Other expenses <sup>^</sup>	497	0.017	548	0.019	
	Transaction fee	-	-	-	-	
	Securities transaction tax	-	-	-	-	

+ Ratio refers to fees as a proportion of Net Asset Value.

<sup>^</sup> Other expenses include fund audit fee, fund settlement fee and other recurring expenditures other than transaction fee. Excluding transaction fee.

### 5.2 Total expense ratio

(Unit: annualised, %)

Type	Collective Investment Vehicle		
	Total Expense Ratio*	Commission Ratio	
MKIF	Q2 2024	1.7539	-
	Q3 2024	1.7501	-

\* Total Expense ratio refers to a ratio calculated by dividing the total management fee and other expenses borne by the collective investment vehicle by annual average balance of the fund (before deducting the fees and expenses) and represents the total fees and expenses borne by the investor during the management period.

## 6. Invested Asset Transactions and Debt Facility

### 6.1 Equity transactions

(Unit: number of shares, KRW million)

Buy		Sell		Turnover Ratio+	
Shares	Amount	Shares	Amount	Q3 2024	Annualised rate
25,976,001	37,880	-	-	-	-

+ The Turnover Ratio shows frequency level for the equity transactions. The ratio refers to average disposal amounts divided by average retained equity amounts during the period. Provided that the average equity investment is 10 billion and the average equity disposal amount is 10 billion, turnover ratio is 100%. High turnover ratio will increase fund cost.

^ Additional investment made to Green Digital Infra Co., Ltd. on 9 August 2024 and initial investment made to East Seoul Underpass Co., Ltd. on 30 September 2024.

### 6.2 Equity turnover ratio during the past three quarters

(Unit: %)

Q1 2024	Q2 2024	Q3 2024
-	-	-

### 6.3 Loan sales

(Unit: KRW million)

Name	Type	Date	Amount
	N/A		

### 6.4 Loan injections

(Unit: KRW million)

Name	Type	Date	Amount
Green Digital Infra Co., Ltd.+	Subordinated	2024-08-09	250,000
Incheon-Gimpo Expressway Co., Ltd +	Junior Subordinated	2024-09-19	250
Seoul East Underground Expressway Co., Ltd+	Subordinated	2024-09-30	9,560

+ Initial investment in Green Digital Infra Co., Ltd. made in August 2024 for subordinated loan.

+ Additional investment in Incheon-Gimpo Expressway Co., Ltd. made in September 2024 for junior subordinated loan.

+ Initial investment in Seoul East Underground Expressway Co., Ltd. made in September 2024 for subordinated loan.

## 6.5 Debt facility status

(Unit: KRW million)

Name	Limit of the Facility <sup>+</sup>	Debt facility amounts		
		Cumulative to Q2 2024	Movements in Q3 2024	Cumulative to Q3 2024
Kookmin Bank	20,000	-	-	-
Hana Insurance	20,000	8,000	8,800	16,800
Kyobo Life Insurance	50,000	20,000	22,000	42,000
NongHyup Life Insurance	50,000	25,000	22,000	47,000
Kyongnam Bank	30,000	12,000	13,200	25,200
NongHyup Bank	20,000	8,000	11,000	19,000
National Credit Union Federation of Korea	60,000	27,000	33,000	60,000
<b>Total</b>	<b>250,000</b>	<b>100,000</b>	<b>110,000</b>	<b>210,000</b>

<sup>+</sup> The limit of facility is KRW 250 billion and maturity is 26 January 2029. For details, refer to MKIF disclosure on 26 January 2024. National Credit Union Federation of Korea represents the Central, Gwangan, Pulmu, Samik association.

## 6.6 Corporate bond status

(Unit: KRW million)

Name	Par Value	Interest rate	Issue Date	Maturity Date	Credit Rating
Unsecured Bond Tranche 2-2 (7year) <sup>+</sup>	100,000	3.205	11/06/2018	11/06/2025	AAO
Unsecured Bond Tranche 3 (5year) <sup>^^</sup>	100,000	4.406	12/06/2023	12/06/2028	AAO
Electronic Short-term Bond <sup>^</sup>	110,000	4.710	26/07/2024	24/10/2024	A1
Electronic Short-term Bond <sup>^</sup>	27,300	4.670	09/08/2024	24/10/2024	A1
Electronic Short-term Bond <sup>^</sup>	254,900	4.670	09/08/2024	24/10/2024	A1

<sup>+</sup> MKIF issued KRW 200 billion (KRW 100 billion for Tranche 2-1, KRW 100 billion for Tranche 2-2) of unsecured, fixed-rate bonds to repay the KRW 190 billion of short-term loan executed on 31 May 2018. For more information, please refer to the disclosure on 11 June 2018.

<sup>^^</sup> MKIF issued KRW 100 billion of unsecured, fixed-rate bond to repay Unsecured Bond Tranche 2-1 issued on 11 June 2018. For more information, please refer to MKIF disclosure on 12 June 2023.

<sup>^</sup> MKIF executed the underwriting agreement for issuance of electronic short-term bonds("ESTB") of KRW 392.2 billion on 11 September 2023. Underwriters for ESTB are NH investment & securities, KB securities and Shinhan investment & securities, and outstanding balance is KRW 392.2 billion as of 4Q 2023. Please refer to MKIF disclosure on 11 September 2023 for more details.



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## 7. Major Risks relating to Fund Management and Management Plan

### 7.1 Major risks to fund management including liquidity risk

#### A. Potential risk factors from investment strategies

Potential risk factors	Description
Portfolio company risk	The portfolio company's ability of cash generation, debt repayment, and dividend payment can be affected by factors that company cannot control such as economic circumstance, market conditions, and the construction of competing asset. As a result, portfolio company may underperform than original forecast.
Liquidity risk	MKIF may have insufficient liquidity to fund major investments, operating expenses, and repayment of principal and interest of debts by underperformance of portfolio company or unexpected.
Environmental and social risk	Business activities of portfolio company may have a negative impact on the environment, employees, investors, and other stakeholders.
Risk of industrial accidents	Industrial accidents for workers may happen in the course of business activities of portfolio company

#### B. Risk events such as fund redemption or fund sale during risk events

Not applicable as MKIF is close-end fund

### 7.2 Management plan on major risks

Management plan	Description
Risk Management Committee, Investment Deliberation Committee and decision-making procedure	A due diligence on target portfolio assets including feasibility study and risks analysis is performed for a transaction of fund assets in accordance with Macquarie's internal guideline, the System 7 process. After the Risk Management Committee consisted of representative director, legal manager, independent risk manager, compliance manager, and fund management team head review risk factors and approve remediation method, the transaction is deliberated and approved by the Investment Deliberation Committee in accordance with the Board Charter.

Management plan	Description
Implementation of the Transition Plan	In order to respond to major risks identified through due diligence, the progress of the implementation of risk management plan and transition plans are periodically reviewed. When there are major changes, these are reflected in the existing transition plan.
Liquidity management	In accordance with the PPI Act, the company can borrow up to 30% of its share capital. As of current quarter-end, debt facility size under existing loan agreement and outstanding debt balance is 30% and 28.6% of the share capital respectively complying with the legal limit of borrowing. In addition, the company manages liquidity risk by quarterly review of liquidity, together of cash and borrowing limit, to fund expected operating costs and investment commitment.
Quarterly industrial safety accidents and ESG reports and regular risk management status monitoring	The asset manager reports quarterly industrial safety accidents of assets under management. In addition, at least three years of asset risk management system evaluation is conducted, and risk manager will decide to proceed with an in-depth inspection at annual basis to review the major risks factors of portfolio company and implement necessary measures.

### 7.3 Cross trading

Cross trading	Recent 3 months	Recent 6 months	Recent 9 months	Recent 12 months
Purchase	-	-	-	-
Selling	-	-	-	-

+ There has been no cross trading since last twelve months

### 7.4 Major emergency plan

Major emergency plan	Description
Portfolio company's emergency plan	The asset manager reviews appropriateness of crisis measures for portfolio company's emergency event and reports it to the risk manager. In addition, appropriate insurance is purchased in case of financial loss that may occur in contingencies such as fire or disaster.
Fund's emergency plan	In accordance with Business Resilience Plan (BRP), strategies of critical process, activity or function is documented for scenarios of physical site risk, IT risk, employee risk, supplier risk, and data risk. It is periodically retested through BRP document review and remote working test, etc.

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## 8. Principal Investment by Asset Manager

Fund	Investment amount	Investment return%
MKIF	No principal investment	Not applicable

+ There is no principal investment in MKIF by the asset manager (Macquarie Korea Asset Management Co., Ltd.) as of end of this quarter.

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## 9. Environmental, Social and Governance (ESG)

### Our vision

MKAM, as an affiliate of the Macquarie Group (Macquarie) and in a capacity as a manager and corporate director of MKIF, has adopted ESG framework that Macquarie Asset Management (MAM) applies to its fund management activities to the extent relevant and possible. MAM aims to improve the sustainability performance of its portfolio companies by addressing material ESG issues and opportunities to enhance long-term value for our investors. MAM addresses a broad range of ESG risks and opportunities throughout the entire investment lifecycle from screening and due diligence through to ongoing asset management and exit. MAM also regularly collect a range of ESG data from portfolio companies, allowing us to track and support improvement of their ESG performance. ESG information is communicated to shareholders at least annually in fund reports and fund presentations. MKAM is committed to continuously improving our ESG performance and look forward to continuing to share our progress with investors.

### Macquarie Asset Management (MAM) net zero commitment

In December 2020, we announced a commitment to invest and manage our portfolio in line with global net zero emissions by 2040.

The implementation of our net zero commitment is inherently complex, and we are in the early stages of making progress on our goals. There have been significant developments in this area over the past three years, including new methodologies that were not available in 2020, along with a deeper understanding of the various pathways to net zero and their associated challenges across the sectors and asset classes in which we invest.

In light of these developments, we confirm our commitment to invest and manage our portfolio in line with global net zero scope 1 and 2 greenhouse gas (GHG) emissions by 2040, where we have control or significant influence<sup>+</sup>. Where we do not have control or significant influence, such as in our managed portfolio of public securities, we will continue to support the goals of the Paris Agreement<sup>^</sup> in a manner consistent with our client-guided fiduciary and regulatory responsibilities.

Over the coming months, we will provide more detail on how we are implementing our net zero strategy across our various asset classes. We will also disclose further information on our interim targets, the assumptions we have made and the methodologies we are using\*.

We look forward to working with our investors, portfolio companies, regulators and other stakeholders to achieve these transformational objectives for the benefit of all. We remain grateful for these partnerships and we welcome continued engagement as we seek to play our part in building a more sustainable future for everyone.

<sup>+</sup> MAM generally only has influence over scope 1 and 2 emissions. However, to the extent possible, in line with the Net Zero Asset Managers initiative guidance, MAM intends to support assets where it has control or significant influence to reduce their scope 3 emissions.

<sup>^</sup> The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by maintaining a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. The Intergovernmental Panel on Climate Change concluded the need for net zero emissions by 2050 to remain consistent with 1.5°C.

\* Learn more: Macquarie Asset Management - Our approach to sustainability

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## 10. Notice

Under the Act, MKAM shall prepare this report and upload it on the website of MKIF and KOFIA after confirmation from the Custodian (KSFC).

**For more information on the website:**

MKIF                    [www.mkif.com](http://www.mkif.com)

KOFIA                 <http://dis.kofia.or.kr>

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# Appendix I. MKIF Board of Directors

## Supervisory directors

Name	Career
<b>Hwa-Jin Kim</b>	<ul style="list-style-type: none"><li>• Chairman of Proxy Voting Advisory Committee, Korea Corporate Governance Service</li><li>• President of Seoul Corporate Governance Forum</li><li>• Hyundai Heavy Industries Group independent director</li><li>• Law School professor at Seoul National University</li><li>• A foreign chair-professor at Law school, University of Michigan</li></ul>
<b>Tae-Yeon Nam</b>	<ul style="list-style-type: none"><li>• Kim &amp; Chang</li><li>• Arthur Andersen Seoul Co.</li><li>• International finance division at Ssangyong Investment Securities Co., Ltd.</li><li>• International Bureau of Fiscal Documentation</li><li>• KICPA</li></ul>
<b>Jae Do Moon</b>	<ul style="list-style-type: none"><li>• Professor by special appointment at Seoul National University Graduate School of Engineering Practice</li><li>• Chairman of H2KOREA</li><li>• President &amp; Chairman of the Korea Trade Insurance Corporation</li><li>• Vice Minister of the Ministry of Trade, Industry and Energy</li><li>• Secretary of Trade, Industry and Energy to the President of Korea</li></ul>

## Corporate director - MKAM

Name	Career
<b>Boum Sik Suh</b>	<ul style="list-style-type: none"><li>• Representative Director, Macquarie Korea Asset Management Co., Ltd.</li><li>• Former Managing Director, Macquarie Korea Opportunities Management Limited</li><li>• Joined Macquarie Infrastructure and Real Asset Division (MIRA) in 2003 and held various roles mainly in infrastructure asset investment and transaction advisory in Hong Kong, Singapore, Seoul and Japan</li></ul>
<b>Yong Hwan Kim</b>	<ul style="list-style-type: none"><li>• Country Lead of Macquarie Group Korea</li><li>• Representative Director, Macquarie Korea Asset Management Co., Ltd.</li><li>• Former Representative Director, Macquarie Korea Opportunities Limited prior to the merger with MKAM</li><li>• Joined Macquarie in 2002, previously held senior positions in Macquarie Capital Korea and Macquarie Securities Korea Limited. (Investment Banking Division)</li></ul>
<b>Soojin Lee</b>	<ul style="list-style-type: none"><li>• Executive Director, Macquarie Korea Asset Management Co., Ltd.</li><li>• Former Division Director, Macquarie Korea Opportunities Management Limited</li><li>• GE Real Estate, GE International</li></ul>

## Appendix II. Summary of Financial Statements

### Statements of Financial Position

As of 30 Sep 2023, 30 Jun 2024 and 30 Sep 2024

(Unit: KRW million)

	30 Sep 2024	30 Jun 2024	30 Sep 2023
<b>Assets</b>			
<b>Invested assets</b>	<b>2,765,798</b>	<b>2,482,683</b>	<b>2,497,383</b>
Cash & deposits	23,273	21,535	19,162
Loans receivable	1,932,304	1,688,807	1,708,724
Equity securities	810,221	772,341	769,497
<b>Others</b>	<b>908,202</b>	<b>911,175</b>	<b>802,444</b>
Interest receivables	899,780	902,664	796,533
Other receivables	2,348	2,348	2,349
Prepaid expense	3,202	3,389	1,418
Prepayment	2,872	2,774	2,144
<b>Total assets</b>	<b>3,674,000</b>	<b>3,393,858</b>	<b>3,299,827</b>
<b>Liabilities</b>			
<b>Operational liabilities</b>	<b>800,777</b>	<b>409,347</b>	<b>422,629</b>
Bond	590,777	309,347	302,629
Long-term debt	210,000	100,000	120,000
<b>Others</b>	<b>20,835</b>	<b>21,091</b>	<b>21,209</b>
Payables	3,420	3,419	3,418
Management fee payable	11,920	12,104	10,920
Other liabilities	5,495	5,568	6,871
<b>Total liabilities</b>	<b>821,612</b>	<b>430,438</b>	<b>443,838</b>
<b>Shareholders' equity</b>			
Share capital	2,807,423	2,807,423	2,807,423
Retained earnings (accumulated deficit)	44,965	155,997	48,566
<b>Total shareholders' equity</b>	<b>2,852,388</b>	<b>2,963,420</b>	<b>2,855,989</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,674,000</b>	<b>3,393,858</b>	<b>3,299,827</b>

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## Statements of Income

For the Quarters Ended 30 Sep 2023, 30 Jun 2024 and 30 Sep 2024

(Unit: KRW million)

	Quarter Ended 30 Sep 2024	Quarter Ended 30 Jun 2024	Quarter Ended 30 Sep 2023
<b>Revenue</b>	<b>74,352</b>	<b>73,339</b>	<b>76,060</b>
1. Interest income	67,119	73,336	73,646
2. Dividend Income	7,232	-	2,412
3. Other income	1	3	2
<b>Expenses</b>	<b>19,787</b>	<b>17,974</b>	<b>17,535</b>
1. Management fee	11,920	12,104	10,920
2. Custodian fee	145	146	137
3. Administrator fee	91	92	86
4. Interest expense	6,934	4,861	5,709
5. Other expense	697	771	683
<b>Net income</b>	<b>54,565</b>	<b>55,365</b>	<b>58,525</b>



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# Corporate Directory

## **Manager of MKIF**

### **Macquarie Korea Asset Management Co., Ltd.**

18th Floor, Tower A, Centropolis Building,  
26, Ujeongguk-ro, Jongno-gu, Seoul, 03161, KOREA  
Tel: +82 2 3705 8565  
Facsimile: + 82 2 3705 8596

## **MKIF Custodian**

### **Korea Securities Finance Corp.**

10, Gookjegeumyoongro-8-gil,  
Yeungdeungpo-gu,  
Seoul, 07330, KOREA  
Tel: + 82 2 3770 8800  
Facsimile: + 82 2 3770 8244

## **MKIF Administrator**

### **Samjong KPMG AAS Inc.**

28 Nonhyeon-ro 85-gil, Gangnam-gu,  
Seoul, 06236, KOREA  
Tel: + 82 2 2112 0001  
Facsimile: + 82 2 2112 0939