MACQUARIE SBI INFRASTRUCTURE FUND

State Bank of India

MACQUARIE

Investor Update

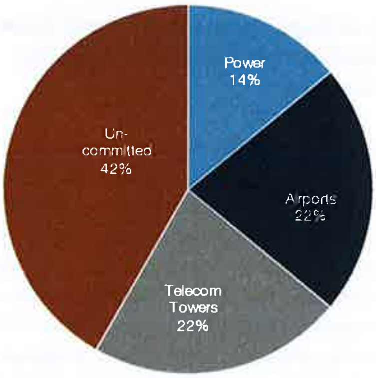
03 April 2012

We are pleased to present to you the Macquarie SBI Infrastructure Fund ("MSIF" or "the Fund") Investor Update for the period from the date of the last Quarterly Investor Report, being 10 February 2012 ("Last Reporting Date") to 03 April 2012. This update provides an overview of the Fund's activities in the intervening period between two consecutive quarterly investor reports and is intended to supplement regular discussions with our investors and other stakeholders.

MSIF Snapshot

Total commitments:	USD 910 m	**Assets in portfolio:**	5
Capital drawn:	USD 514.0m (56.5%)	**Total deals evaluated:**	99
Capital committed[1]:	USD 529.8m (58.2%)	**Active deals:**	3
Uncommitted capital:	USD 380.2m (41.8%)	**Active deals value:**	USD 350 m

MSIF Portfolio[1]



Sector	Investment	Commitment USD m
Power	Adhunik	21.5
	MB Power	86.6
	Soham	19.5
Airports	GMR Airports	200.0
Telecom Towers	Viom	202.2
Total Capital Committed		**529.8**
Capital Uncommitted		**380.2**

Asset Management Update

At the beginning of February 2012, the Supreme Court of India ordered the cancellation of 122 2G telecom licenses allocated to telecom operators in 2008 due to irregularities in the process followed for the issuance of these licenses. Some of Viom Network's customers, most significantly Uninor, were impacted by the cancellations. The Manager is in the process of evaluating the impact of the impending cancellations on the valuation of Viom Networks in MSIF's portfolio. Based on preliminary analysis, the Manager expects a reduction in the valuation of Viom as at 31 March 2012.

The Manager is working with the Board of Viom to monitor key operational and financial developments within the company, as well as introducing several initiatives aimed at strengthening the operations and financial position of the company. This includes a focus on receivables management, operating expenditure management, hiring of the Chief Executive Officer, resolution of customer disputes and management of working capital. A detailed update on the 2G license cancellations, the resulting valuation impact on MSIF's portfolio and the initiatives being undertaken will be provided in the next quarterly Investor Report.

1. Based on amounts committed to assets (converted at exchange rates used at the time of financial closure), excluding transaction costs.

Transaction Pipeline

At the time of preparing this update, the Manager is actively pursuing **three transactions** with a total investment value of approximately **USD 350 million**. A brief description of each of the active opportunities is provided below.

Project Sonaka is an opportunity to invest USD 140 million to acquire a significant minority stake in a roads holding company. The Company has three operational roads and five roads under development, which are expected to be operational within the next three years. The Manager executed a term sheet with the Promoter in February 2012 which, in addition to revised commercial terms, also includes an exclusivity period during which due diligence and closure may occur. The Manager has started Phase I of its due diligence, which includes a traffic study on the 8 roads. Based on findings from Phase I of due diligence, the Manager will consider approaching its Investment Committee with a proposal to carry out Phase II of the due diligence by mid-April 2012.

Project Transco is an opportunity to invest USD 100 million to acquire a significant minority stake in a holding company currently developing a USD 1.1 billion power transmission project. The project involves construction and operation of 1,600 km of high voltage transmission lines. The Company is also bidding for secondary acquisition opportunities, which may require additional equity in the future amounting to USD 200-250 million. A non-binding term sheet is likely to be executed in the near future subject to satisfactory resolution of a small number of key items.

Project Acme is an opportunity to acquire two NHAI roads (each approximately 80 Kms long) located near Bengaluru city in South India for USD 110 million. Construction on both roads is almost complete with commercial operations expected to commence within 60-90 days. The Manager's negotiations with the Promoter are on a non-exclusive basis and involve three other potential investors. The Manager has conducted limited traffic due diligence and based on the findings has recently submitted a non-binding offer. The offer is subject to further due diligence on accounting, tax, legal and other areas.

The Manager is also considering further acquisition of operational roads as "bolt-ons" to the Acme initial portfolio. One such opportunity is currently being pursued (early stage).

Project Enzo was an opportunity to invest into a company with a portfolio of 11 roads under various stages of development. A non-binding term sheet was executed in mid October 2011. Detailed traffic due diligence was conducted on two of the operational roads along with a preliminary review of the remaining nine roads. The valuation of the portfolio was significantly lower than initially expected based on revised traffic assumptions. The Manager and the Promoter could not agree on the revised downward valuation and hence the Manager is no longer actively pursuing this opportunity. Total due diligence incurred by the Fund with respect to this opportunity was USD 31,000.

Investment Environment

India's gross domestic product ("GDP") growth rate dropped to 6.1% for the quarter ended December 2011, compared to a growth rate of 6.9% and 7.7% respectively for the previous two quarters. This is the Indian economy's lowest rate of growth in over three years. The worst performing sector was manufacturing (0.4% growth in the current quarter against 7.8% in the corresponding period last year).

The Union Budget of India was presented in the Indian Parliament on 16 March 2012 and introduced certain measures that have negative implications on the foreign investment climate for India. Relevant highlights include:

- Introduction of General Anti Avoidance Rule ('GAAR") to counter aggressive tax avoidance schemes;
- Introduction of provisions to cover all direct and indirect transfer of shares/ assets of Indian companies under the Indian tax net with retrospective effect (a follow on from the Vodafone judgement); and
- Introduction of Advance Pricing Agreements ("APA"), where the Central Board of Direct Taxes, would be empowered to enter into an APA with any person to determine the arm's length price of an international transaction. The APA would be legally binding on the both the taxpayer and the income tax authorities.

The Manager is working through steps it needs to take to minimize any negative impact on the Fund from the measures described above.

Inflation rates (measured by the monthly Wholesale Price Index) edged up for the first time in five months in February 2012 to 6.95% from a year earlier. With inflation continuing to be higher than the Reserve Bank of India's ("RBI") comfort level and to ease the liquidity crunch impacting the economy, the RBI cut the cash reserve ratio ("CRR") by 0.75% earlier in March. This is expected to result in an additional USD 9.4 billion approximately of liquidity being made available. It is widely expected that RBI will cut interest rates in the coming months to stimulate growth. Meanwhile, listed Indian equities have seen robust net capital inflows of USD 9 billion[2] from foreign institutional investors in 2012 to date.

The Manager's assumptions in evaluating an investment opportunity are conservative and reflect the current economic environment such as lower GDP growth rates and higher interest rates. The Manager expects this to result in valuation mismatches with promoters resulting in protracted negotiations before any transaction achieves closure.

2. Up to 28 Mar 2012

Summary of Key Economic and Financial Market Data

GDP Growth Forecast (March 2013)[1]	7.30% (-)	Risk Free Rate[1,3]	8.31% (↓0.19)
Exchange Rate (INR/USD)[2]	51.1565 (3.0%[5])	Inflation Forecast (March 2013)[1]	7.30% (-)
RBI policy rates[2]		Base Rate[2]	10.00% -10.75% (-)
- Repo rate	8.50% (-)	BSE Sensex [4]	17,404.20 (↓1.9%)
- Reverse repo rate	7.50% (-)		

1. Macquarie Capital and Consensus Economics forecasts as at 29 February 2012; 2. Reserve Bank of India as at 2 April 2012, www.rbi.org.in; 3. Risk free rate is calculated as the average of the annualised closing yields on the 10-year government bond rates over the last three months; 4. www.bseindia.co.in as at 2 April 2012; 5. Represents depreciation in INR against USD.

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