



Report to Parliament

Queensland Treasury Corporation and Queensland Treasury

United States of America Financial Relations and Investment Opportunities

3 - 7 October 2016

**The Honourable Curtis Pitt MP
Treasurer
Minister for Aboriginal and Torres Strait Islander Partnerships
Minister for Sport**

Overview

Since its establishment, QTC has conducted an annual roadshow program to meet with institutional investors in both domestic and offshore markets. The principal objectives of this program are to build trusted relationships with existing investors so that they continue to invest in QTC's debt securities and to diversify QTC's investor base by meeting with new investors so that QTC can continue to fund the State at the lowest possible cost.

Roadshow programs have been expanded to include meetings with potential investors looking for opportunities to invest directly into the Queensland economy.

QTC's investors include central banks, sovereign wealth funds, domestic and international commercial banks, fund managers and asset managers.

New investors may choose to invest in QTC if the credit quality, currency and debt instruments fit within their investment mandate, or following the meetings, make internal requests to change their mandate, which will allow for future investment.

The US-based meetings provided the opportunity for investors to better understand the quality of the State's credit, Queensland's fiscal and economic outlook, and obtain information about QTC's funding programs and expected borrowing requirements for fiscal 2016-17.

Investors were interested in understanding the potential drivers behind investment returns over the medium-to long-term, and how the Government's policies will help to minimise volatility in these returns.

Audiences sought comfort from the Government's senior fiscal policy maker that their investments in QTC bonds are underpinned by strong fiscal management and economic growth policies.

The discussion included an overview of the 2016-17 Queensland Budget and the Government's economic plan with three clear priorities aimed at growing our \$300 billion economy:

1. Growing Innovation through our Advance Queensland strategy to build new industries, broaden existing ones, and create new jobs
2. Attracting Investment through a campaign to lure interstate and overseas businesses to Queensland and giving existing businesses incentives to grow; and
3. Building the infrastructure the State needs through a \$40 billion capital program over the next four years.

The keynote addresses focused on (at a high-level):

- the State's debt action plan and overall fiscal strategy
- the State's economic outlook and strategies to continue to grow and diversify the economy and rebalance away from the LNG investment
- the importance of the Government's strategy of, 'Growing Innovation', 'Attracting Investment' and 'Building Infrastructure' is to the future prosperity of Queensland
- the economic and fiscal challenges faced by the Government in terms of a slow-down in the Chinese economy and how the Government is managing them
- how Queensland will manage, and finance, its infrastructure and services spending and what this means for Queensland's fiscal position in coming years (Building Queensland, Queensland Infrastructure Plan and Market-Led Proposals).

Participants

- The Hon Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport
- Mr Jim Murphy, Under Treasurer
- Mr Jason Humphreys, Chief of Staff, Office of the Treasurer
- Mr Philip Noble, Chief Executive, Queensland Treasury Corporation
- Mr Richard Jackson, Executive Director, Queensland Treasury Corporation
- Damien Frawley, Chief Executive CEO, Queensland Investment Corporation


Summary of key findings

- The Treasurer was well received by existing and potential investors in QTC bonds and investors looking for broader direct investment opportunities.
- Fixed income investors were particularly pleased with the continuing positive performance of QTC bonds over a period of time, with the Government's fiscal strategy seen as a significant contributing factor.
- Investors were positive about the government's strategy to manage the State's finances and its Debt Action Plan.
- Investors in QTC's fixed income securities were also positive about the government's proposed lower borrowings now and in the future.
- Investors recognised that Queensland has a diverse economy, and that natural resources only account for 10 per cent of economic output.
- It was clear investors were particularly interested in the Government's approach to strong economic management and policies focused on Queensland's key export sectors including resources and agriculture in the non-services sector and tourism and education in the services sector, the State Infrastructure Plan and how the government is further diversifying and growing the State's economy. These policy initiatives and improved economic performance were seen as investment positives.
- Investors also viewed the Government's strategy of 'Growing Innovation', 'Attracting Investment' and 'Building Infrastructure' as positive for the future of Queensland.
- Investors were interested to learn more about the outlook of Queensland's LNG exports, as a key contributor to the State's future growth.
- Investors viewed the lower AUD as impacting positively on the State's fiscal position, and recognised that although resource prices had dropped since the Budget was released, the impact on revenue had been largely offset by the drop in the AUD against the USD.
- There was also (positive) recognition that markets may have seen the low in general commodity prices in the current cycle, particularly with the recent significant rally in metallurgical coal prices.
- Many investors have a long term investment horizon and a broad range of sectoral interest within their investment mandates.

- Meeting participants were positive about the Government's State Infrastructure Plan and the Market-led proposals initiative and several expressed a desire for further engagement and exploration of mutually beneficial investment opportunities.
- Meeting participants were encouraged by the State's economic growth forecasts and that Queensland is forecast to have the strongest growth of any Australian State or Territory in both 2015-16 and 2016-17.
- Participants also found encouraging the strength of the Queensland economy, brought about through its diversity, as a platform for long term investment in Queensland.
- Investors understood the significance of Australia's Northern Australia strategic initiative, the key role that Queensland is playing, how this will increase investment opportunities in the State and the likely positive impacts on the Queensland economy.

MONDAY 3 OCTOBER 2016

TRAVEL TO NEW YORK

0530-0735	→QF799 Cairns to Brisbane with Qantas [Flight time 2h5m]	Treasurer
1000-0600	→QF0015 Brisbane to LAX with Qantas [Flight time 13h]	Treasurer Under Treasurer Jason Humphreys Philip Noble Richard Jackson (Delegation)
0820-1640	→QF0011 LAX to JFK, New York with Qantas [Flight time 5h35m]	Delegation
2000-2200	US Economic Briefing Dinner: Wolfgang Steak house	Delegation Citi rep
	Lotte New York Palace, New York	

TUESDAY 4 OCTOBER 2016


NEW YORK

1000-1100	Investor Meeting with Jane St Capital	Delegation
1230-1400	Lunch at Citi Offices	Delegation
1430-1530	Investor meeting with Prudential	Delegation
1600-1700	Investor meeting with AFLAC (Insurance)	Delegation
1830-2100	QTC Fixed Interest Distribution Group Dinner 21 Club	25 attendees
	Lotte New York Palace, New York	

WEDNESDAY 5 OCTOBER 2016


NEW YORK – BOSTON – NEW YORK

0820-0934	→ UA1464 Newark Airport, New York to Boston with United Airlines [Flight time 1h14m]	Delegation
1030-1130	Meeting with Cocoon Biotech	
1200-1330	Group Investor Lunch Hosted by Citi, American Australian Association and Austrade Venue: Boston Harbor Hotel, 70 Rowes Wharf, Boston MA 02110	Boston Harbour hotel 10 investors 20 attendees total

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1600-1720	→ AA2146 Boston to La Guardia Airport, New York with American Airlines [Flight time 1h20]	Delegation
	Lotte New York Palace, New York	

THURSDAY 6 OCTOBER 2016

NEW YORK

0900-1000	Meeting with Bank America Merrill Lynch	Delegation
1030-1130	Investor Meeting with TIAA	Delegation
1230-1400	QLD delegation only Lunch hosted by QIC Aretsky's Patroon, The Airplane Room, 160 East 46th Street, New York City	Treasurer Under Treasurer Jason Humphreys Damian Frawley CEO, QIC Daniel Cheverton, QIC
1930-2130	QIC hosted: Dinner and Meeting with Forest City Senior Management at Brooklyn Nets Stadium, Barclays Centre, 620 Atlantic Avenue, Brooklyn 11217	Treasurer Under Treasurer Jason Humphreys Damian Frawley CEO, QIC Daniel Cheverton, QIC
	Lotte New York Palace, New York 455 Madison Avenue at 50 th Street, New York	T +1 212 303 6033

FRIDAY 7 OCTOBER 2016

FLY NEW YORK TO CAIRNS/BRISBANE

0730-0900	QIC hosted meeting: Blackrock Real Assets Group, 55 E 52nd St, New York, NY 10055	Treasurer Under Treasurer Jason Humphreys
1450-1850	→ CX831 JFK, New York to Hong Kong with Cathay Pacific [Flight time 16h]	Treasurer
2120-0630 (+2)	→ CX103 Hong Kong to Cairns with Cathay Pacific (arrive Sunday 0630) [Flight time 7h10m]	Treasurer
1810-2105	→ QF12 JFK, New York to LAX with Qantas [Flight time 5h55m]	Under Treasurer Jason Humphreys
2320-0610 (+2)	→ QF16 LAX to Brisbane with Qantas (arrive Sunday 0610) [Flight time 13h50m]	Under Treasurer Jason Humphreys

Investor Meeting:

Jane St.

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director

Meeting notes

Issues discussed included:

Queensland economic and fiscal outlook, particularly how our diversified economy means we are forecast to have the strongest economic growth of any State out to 2019-20.

Queensland's economic growth is forecast to be 4% in 2016-17 and 3½% in 2017-18. Much of this growth is underpinned by Queensland's trade sector performance, reflecting the ramp-up in LNG exports, but also gains in services exports such as tourism and education.

In the 2016-17 Budget we are forecasting a surplus of \$867 million – this will be the largest surplus for a decade.

QTC's borrowing program and strategy were discussed.

The significance of the Government's \$40 billion capital program over four years, Queensland's State Infrastructure Plan and Market Led Proposals were also discussed.

Lunch: Citi

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff (no bio)
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director

Issues discussed included:

Meeting summary

Introduction to Citi's global head of structured debt and project & infrastructure finance.

Queensland economic and fiscal outlook, particularly how our diversified economy means we are forecast to have the strongest economic growth of any State out to 2019-20.

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In the 2016-17 Budget we are forecasting a surplus of \$867 million – this will be the largest surplus for a decade.

QTC's borrowing program and strategy were discussed.

The significance of the Government's \$40 billion capital program over four years, Queensland's State Infrastructure Plan and Market Led Proposals were also discussed.

Focus on global perspectives on infrastructure finance trends in the public sector and public private partnerships.

Investor Meeting: Prudential

Attendees

- Hon Curtis Pitt, MP, Treasurer
- Jason Humphreys, Chief of Staff
- James Murphy, Under Treasurer
- Philip Noble, CEO, QTC
- Richard Jackson, Executive Director

Meeting summary

Issues discussed included:

Queensland economic and fiscal outlook, particularly how our diversified economy means we are forecast to have the strongest economic growth of any State out to 2019-20.

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In the 2016-17 Budget we are forecasting a surplus of \$867 million – this will be the largest surplus for a decade.

QTC's borrowing program and strategy were discussed.

The significance of the Government's \$40 billion capital program over four years, Queensland's State Infrastructure Plan, Market Led Proposals, etc. were also discussed as being critical to ensuring the economy is equipped to grow.

Investor Meeting: AFLAC (American Family Life Assurance Company)

Attendees

- Hon Curtis Pitt, MP, Treasurer
- Jason Humphreys, Chief of Staff
- James Murphy, Under Treasurer
- Philip Noble, CEO, QTC
- Richard Jackson, Executive Director, QTC

Meeting summary

Issues discussed included:

Credit outlook for the State of Queensland and QTC.

QTC's borrowing program and strategy.

Queensland economic and fiscal outlook, particularly how our diversified economy means we are forecast to have the strongest economic growth of any State out to 2019-20.

International and national economic trends.

Queensland's economic growth is forecast to be 4% in 2016-17 and 3½% in 2017-18. Much of this growth is underpinned by Queensland's trade sector performance, reflecting the ramp-up in LNG exports, but also gains in services exports such as tourism and education.

In the 2016-17 Budget we are forecasting a surplus of \$867 million – this will be the largest surplus for a decade.

QTC's borrowing program and strategy were discussed.

The significance of the Government's \$40 billion capital program over four years, Queensland's State Infrastructure Plan, Market Led Proposals, etc. were also discussed as being critical to ensuring the economy is equipped to grow.

QTC Fixed Income Distribution Group dinner: New York

Audience QTC Fixed Income Distribution Group (FIDG) representatives. This includes executive level staff, sales staff, debt capital markets, analysts and economists.

Meeting summary Keynote address by Treasurer communicating Queensland's economic and fiscal outlook to representatives of the global banks responsible for the distribution of QTC bonds.

Considerable discussion around the State's future borrowing requirements, infrastructure plans, development of key exports in both the non-services and services sectors and credit outlook.

A funding update was also provided by QTC.

Wednesday, 5 October, Boston

Investor Meeting: Cocoon Biotech

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director, QTC

**Meeting
summary**

Cocoon Biotech, Inc., was founded in 2013 to bring the freedom of living a healthy productive life to patients worldwide initially through treatments for arthritis.

Issues discussed included:

The company's aspirations in expanding globally.

How the Queensland Government could possibly assist with the establishment of certain operations in Queensland in line with its initiative of attracting quality biotech companies to create 'value-add' employment opportunities in the State.

Investor Lunch hosted by Citi**Attendees**

Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff (no bio)
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director, QTC

**Meeting
summary**

Guests included representatives of the Australian American Association, Austrade and other investors

Keynote address provided by Treasurer.

Issues discussed included:

Queensland's improved economic and fiscal outlook

Queensland's Infrastructure Plan

Queensland's infrastructure requirements

Market-led Proposals

Responsible fiscal management

The underlying strength of the Queensland economy and its diversification.

Thursday, 6 October

Meeting: Bank of America

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director, QTC

Meeting summary Issues discussed included:
Discussion focused on BAML's experience in funding private and public infrastructure assets in the United States and other global jurisdictions.
Queensland's improved economic and fiscal outlook
Queensland's Infrastructure Plan
Queensland's infrastructure requirements
Market-led Proposals
Responsible fiscal management
The underlying strength of the Queensland economy and its diversification.

Investor Meeting: TIAA (Teachers Insurance and Annuity Association)

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Philip Noble, CEO, QTC
Richard Jackson, Executive Director, QTC

Meeting summary Issues discussed included:
Queensland's improved economic and fiscal outlook.
Credit outlook for the State of Queensland and QTC.
QTC's borrowing program and strategy.
Queensland's Infrastructure Plan
Market-led Proposals
Responsible fiscal management
The underlying strength of the Queensland economy and its diversification.

Investor Lunch: Hosted by QIC

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Damien Frawley, CEO, QIC
Daniel Cheverton ,QIC

Meeting summary This was an opportunity for the Treasurer to meet QIC business partners and other contacts in the New York business and financial communities and to promote the Queensland economy and investment opportunities. There were 24 attendees including representatives from QIC clients.

The Treasurer provided a presentation on the 2016-17 Queensland Budget and Queensland's improved economic and fiscal outlook. Queensland's Infrastructure Plan, Market-led Proposals and our responsible fiscal management. The underlying strength of the Queensland economy and its diversification were also highlighted.

There was also a roundtable discussion on economic issues and investment opportunities and a Questions and Answers session for attendees.

Dinner Function Hosted by QIC and Forest City Enterprises

Attendees Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Damien Frawley, CEO, QIC
Daniel Cheverton ,QIC

Meeting summary Forest City Enterprises (FCE) hosted at a pre-season basketball game between the Brooklyn Nets and the Detroit Pistons at the Barclays Centre. QIC is in a US real estate joint venture with FCE. FCE was the developer of the Barclays Center.

The Treasurer discussed FCE's learnings from the development of the facility. There was also discussion about FCE's residential development experience, including affordable housing and the relationship between different tiers of government, government planning regulations and private sector involvement in delivering housing options.

The evening was an opportunity to build a relationship with a key QIC partner and discuss opportunities for potential further cooperation between QIC and FCE, which would benefit the Queensland Government as QIC shareholder

Friday, 7 October

Investor Meeting: BlackRock Real Assets Group

Attendees

Hon Curtis Pitt, MP, Treasurer
Jason Humphreys, Chief of Staff
James Murphy, Under Treasurer
Damien Frawley, CEO, QIC
Daniel Cheverton ,QIC

**Meeting
summary**

The meeting provided an opportunity for the Treasurer to promote the Queensland economy and investment in Queensland as well as discuss innovative financing models around infrastructure.

BlackRock outlined some of the partnership work that they are doing with governments around the world.
