

Fund Update: 30 June 2022

# Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)

ARSN: 612 467 580

Ticker: MICH

## Fund Facts

Portfolio Manager	Gerald Stack		
Structure	ASX-quoted Global Infrastructure Fund, A\$ Hedged		
Inception Date	19 July 2016		
Management Fee <sup>1</sup>	1.05%		
Fund Size	AUD \$868.3 million		
Distribution Frequency	Semi-annually		
Performance Fee <sup>1</sup>	10% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (S&P Global Infrastructure Net Total Return Index (A\$ Hedged)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.		
iNAV tickers	Bloomberg Thomson Reuters IRESS	MICH AU Equity MICH.AX MICH.AXW	MICHIV Index MICHAUiv.P MICH-AUINAV.NGIF

<sup>1</sup>All fees are inclusive of the net effect of GST.

## Fund Features

- ASX quoted version of Magellan Infrastructure Fund
- Fund is actively managed
- Minimum administration for investors; no paperwork needed to trade
- Units can be bought or sold on the ASX like any other listed security
- Efficient and live pricing
- Provision of liquidity by the Fund
- Settlement via CHESS
- Magellan has significant investment alongside unit holders

## 3 Year Rolling Returns (measured monthly)<sup>^^</sup>

Against S&P Global Infrastructure Net Total Return Index (A\$ Hedged)	1 Year	Since Inception
No of observations	12	36
Average excess return (% p.a.)	0.2	2.6
Outperformance consistency	50%	83%

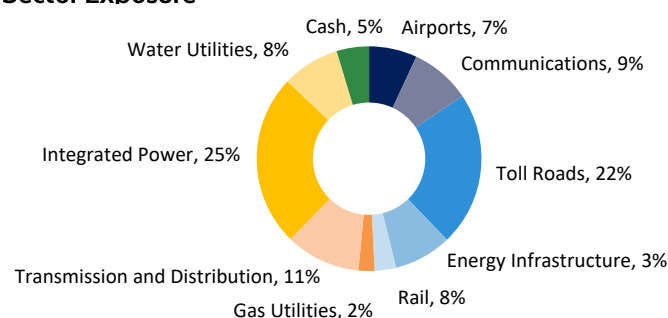
## Fund Performance<sup>^</sup>

	Fund (%)	Index (%) <sup>+</sup>	Excess (%)
1 Month	-4.5	-6.6	2.1
3 Months	-4.8	-4.9	0.1
1 Year	6.5	9.4	-2.9
3 Years (p.a.)	1.7	2.4	-0.7
5 Years (p.a.)	5.6	4.2	1.4
Since Inception (p.a.)	6.2	5.3	0.9

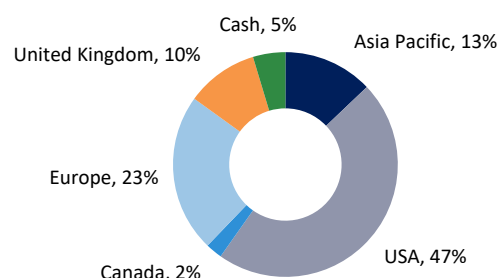
## Top 10 Holdings

	Sector <sup>#</sup>	%
Transurban Group	Toll Roads	8.1
Vinci SA	Toll Roads	6.1
Dominion Energy Inc	Integrated Power	5.1
United Utilities Group Plc	Water Utilities	4.6
American Tower Corporation	Communications	4.5
Sempra Energy	Integrated Power	4.5
Crown Castle International	Communications	4.2
Atlantia SpA	Toll Roads	4.1
Atlas Arteria	Toll Roads	3.9
Eversource Energy	Transmission and Distribution	3.8
TOTAL:		48.9

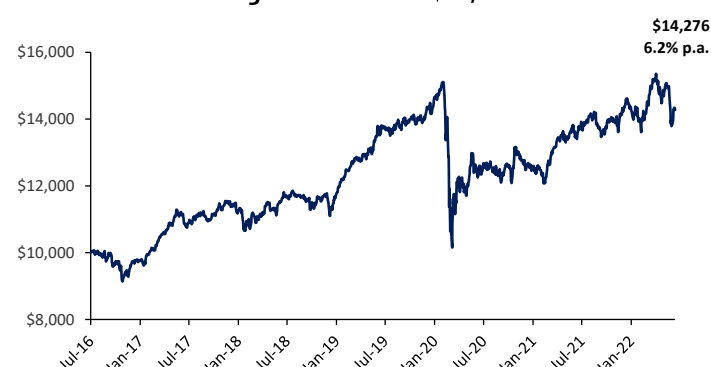
## Sector Exposure<sup>#</sup>



## Geographical Exposure<sup>#</sup>



## Performance Chart growth of AUD \$10,000<sup>^</sup>


<sup>^</sup> Calculations are based on NAV prices with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 19 July 2016.

<sup>+</sup> 3-year returns are calculated and rolled monthly in AUD, with the outperformance consistency indicating the percentage of positive excess returns since inception.

<sup>#</sup> The index is the S&P Global Infrastructure Net Total Return Index (A\$ Hedged).

<sup>#</sup> Sectors are internally defined. Geographical exposures are by domicile of listing. Cash exposure includes profit/loss on currency hedging. Exposures may not sum to 100% due to rounding.

## Fund Commentary

The portfolio recorded a negative return in the June quarter. The stocks that detracted the most were the investments in Aena of Spain and Norfolk Southern and CSX, two railroad companies from the US. Aena slid after the world's largest airport operator, despite a strong traffic recovery, reported disappointing earnings for the first quarter on the back of higher energy prices. Norfolk Southern and CSX slid on rising talk that tighter monetary policy could send the US economy into a recession, which would hurt railroad volumes, even though railroaders overall reported encouraging results for the first quarter. Norfolk Southern, for instance, posted operating revenue of US\$2.9 billion, an increase of 12%.

Stocks that contributed the most included the investments in Atlantia of Italy and Atlas Arteria and Transurban of Australia. Atlantia surged after the Benetton family, the largest shareholder in the motorway and airport infrastructure company with a 33% stake, announced a takeover of 23 euros a share to take the company private. Atlas Arteria, which operates four toll roads across France, Germany and the US, rose after Australian-based IFM Investors took a stake in the company and commenced discussions over a potential take-private transaction. Transurban rose as traffic numbers recovered to pre-pandemic levels and the tollway operator likewise benefited from the inflation protection tollways offer investors.

*Stock contributors/detractors are based in local currency terms.*

## Stock Story: Atlantia



During 2021, Italian infrastructure group Atlantia agreed to sell its 88% stake in tollway-operator Autostrade per l'Italia for an estimated 8 billion euros. This asset was previously considered the key asset within Atlantia's business.

This sale followed a period in which the company had found itself facing off against the Italian government due to a tragic event. In 2018, the Morandi Bridge in Genoa collapsed, killing 43 people. The bridge was managed by Autostrade under its concession agreement. Conflict with the government escalated quickly, and Rome threatened to revoke Autostrade's concession. While we considered that Atlantia at its core was a stable, quality infrastructure operation, the risks during this period created so much uncertainty we no longer considered the company a conservative and reliable infrastructure investment.

The sale of Autostrade, however, meant the quality of Atlantia's remaining assets became the focus. Furthermore, the company would now be receiving significant proceeds from the sale allowing management to undertake targeted investment opportunities and a buyback to return capital to shareholders.

Post the sale of Autostrade, the key assets for Atlantia include toll roads, airports and adjacent mobility businesses. The Abertis Group, an important operator in global toll road markets, is jointly owned by Atlantia and Spanish construction company ACS. This group controls a diversified portfolio of motorway concessions that make Atlantia responsible for the development, maintenance and operation of about 7,800 kilometres of tollways across four continents, operating in countries such as Brazil, Chile, France, India, Italy, Mexico, Spain and the US. Atlantia also holds a portfolio of toll road assets separate from its operations in Abertis, providing it with additional exposure to the long-term growth characteristics of these assets.

Another important asset for the Atlantia group is Aeroporti di Roma, which operates Rome's main airports. This is operated under a long-term agreement extending to 2046 and will provide an attractive long-term exposure to the global aviation market, along with the post-covid recovery in traffic.

Atlantia has also developed adjacent mobility businesses such as Telepass, which operates electronic-tolling and other transport-payment systems such as car parks and restricted traffic zones in Europe. Atlantia in January this year bought Siemens's road traffic unit for 950 million euros. Atlantia took interest because Yunex Traffic, which makes traffic lights and associated software systems, fitted with Atlantia's strategy to expand its technology product offerings. While Magellan does not consider these business to be pure infrastructure, assets such as Telepass have proven to be an attractive opportunity for the business over time.

We weren't the only investors who noted the strength of Atlantia's assets post the Autostrade sale. Private-equity

investors and strategic buyers soon circled. The largest shareholder on the Atlantia register, the Benetton-backed Edizione, in April this year was drawn to make an offer. Edizione teamed with US-based buyout specialist Blackstone Group to make a 19-billion-euro bid for the remaining shares of the company.

While the buy-out offer for Atlantia has not reached a conclusion, the situation demonstrates the widespread appeal of high-quality infrastructure assets that provide long-term, stable and growing cash flow streams to investors.

*Sources: Dunn & Bradstreet, Bloomberg and company filings.*

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