Magellan Infrastructure Funds

MAGELLAN INFRASTRUCTURE FUND | APIR: MGE0002AU
MAGELLAN INFRASTRUCTURE FUND (UNHEDGED) | APIR: MGE0006AU
MAGELLAN INFRASTRUCTURE FUND (CURRENCY HEDGED)(MANAGED FUND) | TICKER: MICH

MAGELLAN ASSET MANAGEMENT

AS AT 31 MARCH 2023

PORTFOLIO MANAGER **GERALD STACK**

INVESTMENT PHILOSOPHY

To prudently invest in outstanding infrastructure and utilities companies at attractive prices that exhibit highly predictable cashflows.

OBJECTIVES

To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.

PORTFOLIO CONSTRUCTION

Relatively concentrated portfolio of typically 20 to 40 investments.

Typical cash and cash equivalents exposure between 0 - 20%.

INVESMENT RISKS

All investments carry risk. While it is not possible to identify every risk relevant to an investment in a fund, we have provided details of risks in the relevant Product Disclosure Statement. You can view the PDS for the relevant fund on Magellan's website www.magellangroup.com.au

MAGELLAN INFRASTRUCTURE FUNDS: KEY PORTFOLIO INFORMATION

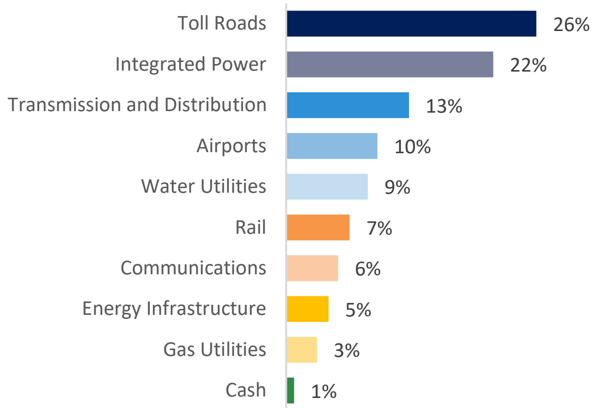
TOP 10 HOLDINGS

STOCK	SECTOR[1]	%
Transurban Group	Toll Roads	7.7
Vinci SA	Toll Roads	7.6
National Grid Plc	Transmission and Distribution	5.8
Aena SME SA	Airports	5.6
Ferrovial SA	Toll Roads	5.5
United Utilities Group Plc	Water Utilities	4.7
Sempra Energy	Integrated Power	4.5
Atlas Arteria	Toll Roads	4.0
Norfolk Southern Corporation	Rail	3.8
Evergy Inc	Integrated Power	3.6
	TOTAL:	52.8

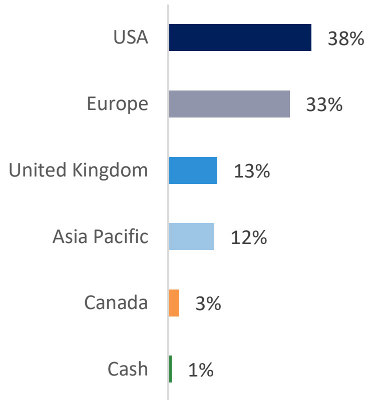
Holdings based on the Magellan Infrastructure Fund. Stock weights held in other Magellan Infrastructure Funds may slightly vary.

Exposures based on the Magellan Infrastructure Fund. Exposures in other Magellan Infrastructure Funds may slightly vary.

SECTOR EXPOSURE[1]



GEOGRAPHICAL EXPOSURE[1]



CALENDAR YEAR PERFORMANCE[2]

	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)
Magellan Infrastructure Fund	3.2	-5.9	15.2	-11.7	25.5	-0.4	17.4	6.7	10.6	22.4	17.8	15.1	11.2	11.8	24.2	-34.1
MICH	3.2	-6.0	15.2	-11.2	25.5	-0.4	17.5	-	-	-	-	-	-	-	-	-
Global Infrastructure Benchmark (A$ Hedged)*	3.2	1.3	13.7	-11.9	25.3	-6.7	14.4	14.1	-5.4	22.9	18.5	9.1	4.7	5.7	10.0	-27.5
Magellan Infrastructure Fund (Unhedged)	5.4	-1.3	19.2	-14.9	25.5	4.8	14.1	3.7	14.6	23.3	-	-	-	-	-	-
Global Infrastructure Benchmark (A$)**	5.0	6.2	17.9	-14.8	25.9	-0.4	10.2	12.0	-1.2	24.8	-	-	-	-	-	-

Past performance is not a reliable indicator of future performance.

[1] Sectors are internally defined. Geographical exposures are by domicile of listing. Exposures may not sum to 100% due to rounding.

[2] Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD. Calendar year returns exclude any initial part-year returns. Magellan Infrastructure Fund inception date is 1 July 2007 (inclusive), MICH inception date is 19 July 2016 (inclusive), Magellan Infrastructure Fund (Unhedged) inception date is 1 July 2013 (inclusive).

* S&P Global Infrastructure Net Total Return Index (Hedged to AUD) spliced with UBS Developed Infrastructure and Utilities Net Total Return Index (Hedged to AUD) prior to 1 January 2015. Note: as the UBS Developed Infrastructure and Utilities Net Total Return Index (Hedged to AUD) ceased to be published from 31 May 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Net Total Return Index (Hedged to AUD).

** S&P Global Infrastructure Net Total Return Index (AUD) spliced with UBS Developed Infrastructure and Utilities Net Total Return Index (AUD) prior to 1 January 2015. Note: as the UBS Developed Infrastructure and Utilities Net Total Return Index (AUD) ceased to be published from 31 May 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Net Total Return Index (AUD).

MAGELLAN INFRASTRUCTURE FUND | ARSN 126 367 226

TICKER	FUND SIZE	NAV PER UNIT	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES[3]	INCEPTION DATE
-	AUD $2,287.2 million	$1.2925 per unit	0.15% /0.15%	1.06%, and performance fee of 10% of dual hurdle excess return^	1 July 2007

PERFORMANCE[4]

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (% p.a.)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	7 YEARS (% p.a.)	10 YEARS (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY+
Magellan Infrastructure Fund	1.5	3.2	-5.4	6.9	4.9	5.4	8.6	7.1	87%
Global Infrastructure Benchmark (A$ Hedged)*	1.7	3.2	-2.5	13.3	5.4	6.0	7.2	5.3	
Excess	-0.2	0.0	-2.9	-6.4	-0.5	-0.6	1.4	1.8	

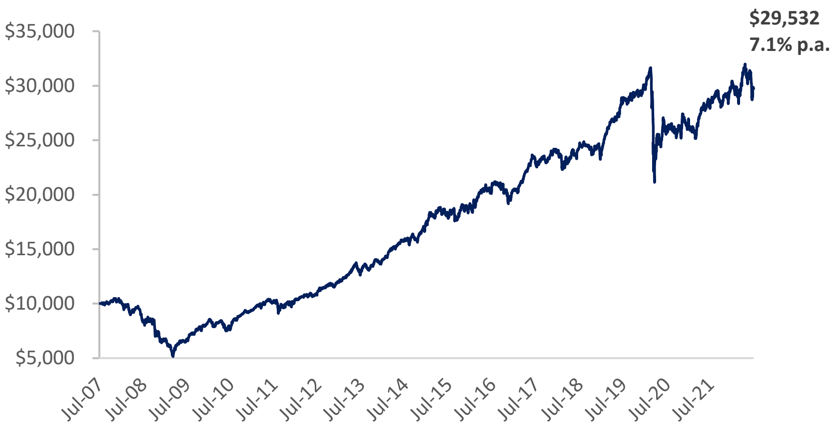
CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)
Magellan Infrastructure Fund	3.2	-5.9	15.2	-11.7	25.5	-0.4	17.4	6.7	10.6	22.4	17.8	15.1	11.2	11.8	24.2	-34.1
Global Infrastructure Benchmark (A$ Hedged)*	3.2	1.3	13.7	-11.9	25.3	-6.7	14.4	14.1	-5.4	22.9	18.5	9.1	4.7	5.7	10.0	-27.5
Excess	0.0	-7.2	1.5	0.2	0.2	6.3	3.0	-7.4	16.0	-0.5	-0.7	6.0	6.5	6.1	14.2	-6.6

Past performance is not a reliable indicator of future performance.

^ 10.0% 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 (Hedged to AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

+ Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

PERFORMANCE CHART GROWTH OF AUD $10,000[4]



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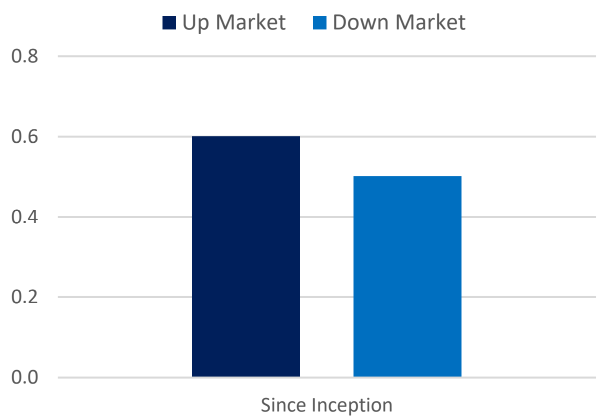
MARKET CAPTURE[5]



[3] Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

[4] Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

[5] Market Capture is calculated after fees measured against the monthly return of the MSCI World Net Total Return Index (Hedged to AUD). Down market capture shows if a fund has outperformed a benchmark during periods of market weakness, and if so, by how much. Up market performance shows if a fund has outperformed a benchmark during periods of market strength, and if so, by how much.

* S&P Global Infrastructure Net Total Return Index (Hedged to AUD) spliced with UBS Developed Infrastructure and Utilities Net Total Return Index (Hedged to AUD) prior to 1 January 2015. Note: as the UBS Developed Infrastructure and Utilities Net Total Return Index (Hedged to AUD) ceased to be published from 31 May 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Net Total Return Index (Hedged to AUD).

MAGELLAN INFRASTRUCTURE FUND (UNHEDGED) | ARSN 164 285 830

TICKER	FUND SIZE	NAV PER UNIT	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES[3]	INCEPTION DATE
-	AUD $1,004.4 million	$1.8919 per unit	0.15% / 0.15%	1.06%, and performance fee of 10% of dual hurdle excess return^	1 July 2013

PERFORMANCE[4]

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (% p.a.)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	7 YEARS (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY⁺
Magellan Infrastructure Fund (Unhedged)	3.2	5.4	4.9	5.3	7.0	6.8	10.4	74%
Global Infrastructure Benchmark (A$)**	3.0	5.0	7.4	11.3	7.9	7.8	9.2	
Excess	0.2	0.4	-2.5	-6.0	-0.9	-1.0	1.2	

CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan Infrastructure Fund (Unhedged)	5.4	-1.3	19.2	-14.9	25.5	4.8	14.1	3.7	14.6	23.3	13.4
Global Infrastructure Benchmark (A$)**	5.0	6.2	17.9	-14.8	25.9	-0.4	10.2	12.0	-1.2	24.8	10.6
Excess	0.4	-7.5	1.3	-0.1	-0.4	5.2	3.9	-8.3	15.8	-1.5	2.8

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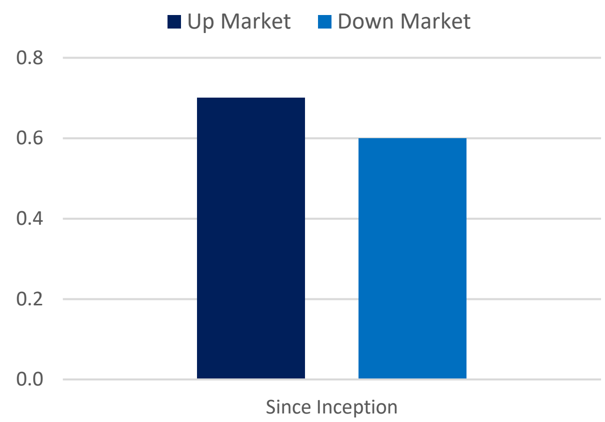
^ 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (S&P Global Infrastructure Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

⁺ Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

PERFORMANCE CHART GROWTH OF AUD $10,000[4]

MARKET CAPTURE[5]



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MAGELLAN INFRASTRUCTURE FUND (CURRENCY HEDGED) (MANAGED FUND) (ASX: MICH)| ARSN 612 467 580

TICKER	FUND SIZE	NAV PER UNIT	MANAGEMENT AND PERFORMANCE FEES[3]	INCEPTION DATE
MICH	AUD $767.4 million	$2.8465 per unit	1.06%, and performance fee of 10% of dual hurdle excess return^	19 July 2016

PERFORMANCE[4]

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (% p.a.)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY+
MICH	1.5	3.2	-5.4	7.0	5.1	5.4	67%
S&P Global Infrastructure Index A$ Hedged Net Total Return	1.7	3.2	-2.5	13.3	5.4	5.1	
Excess	-0.2	0.0	-2.9	-6.3	-0.3	0.3	

CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (part year)
MICH	3.2	-6.0	15.2	-11.2	25.5	-0.4	17.5	-2.8
S&P Global Infrastructure Index A$ Hedged Net Total Return	3.2	1.3	13.7	-11.9	25.3	-6.7	14.4	-0.4
Excess	0.0	-7.3	1.5	0.7	0.2	6.3	3.1	-2.4

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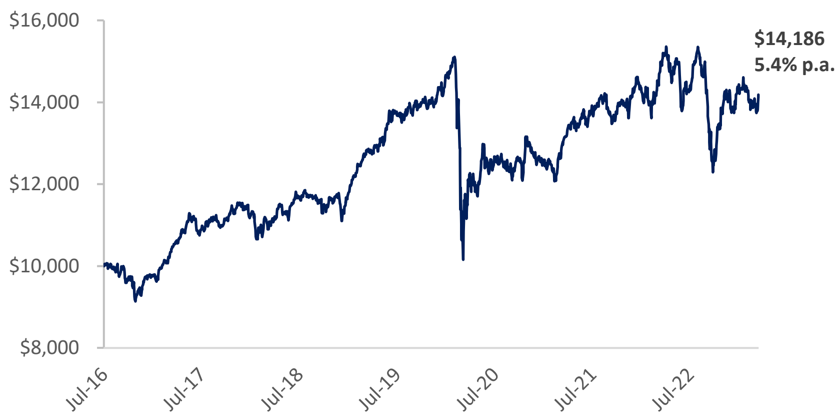

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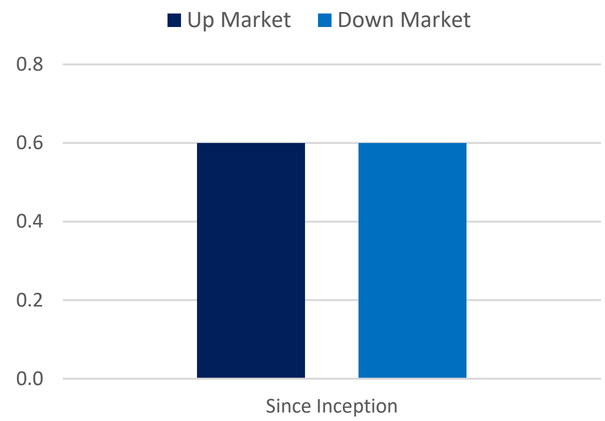

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Fund Commentary

The portfolio recorded a positive return in the March quarter as inflation and 10-year bond rates pulled back on recession concerns. The stocks that contributed the most were Spanish airport operator Aena, French toll road and airport group Vinci and Australian toll road company Transurban. Aena jumped as its traffic levels exceeded 2019 levels and as 2022 earnings and 2023 guidance exceeded consensus. Vinci's share price lifted as earnings came in ahead of consensus and as airport passenger traffic continued to rebound across its portfolio. Transurban rose as its second quarter traffic in two of its key markets, Sydney and Brisbane, exceeded 2019 levels.

The stocks that detracted the most were the investments in US rail company Norfolk Southern, US utilities Dominion Energy and Eversource Energy. Norfolk Southern fell on increased social licence risk after a train derailment made international news. Dominion fell as they failed to provide any further detail on their restructuring plans at their annual results presentation (despite the result being in line). Eversource fell as its JV partner for its offshore Sunrise wind project took an impairment and as the New England regulator launched an investigation into bill increases.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.

Outlook

Notwithstanding our expectations for greater volatility in the short to medium term driven by inflation and interest rates, we are confident that the underlying businesses we have included in our defined universe and in our investment strategy will prove resilient over the longer term. We regard the businesses we invest in to be of high quality and, while short-term movements in share prices reflect issues of the day, we expect that share prices in the longer term will reflect the underlying cash flows leading to investment returns consistent with our expectations.

The strategy seeks to provide investors with attractive risk-adjusted returns from infrastructure securities. It does this by investing in a portfolio of listed infrastructure companies that meet our strict definition of infrastructure at discounts to their assessed intrinsic value. We consider the strategy can provide investors with returns that exceed inflation over the longer term. We believe that infrastructure assets, with requisite earnings reliability and a linkage of earnings to inflation, offer attractive, long-term investment propositions. Furthermore, we believe the resilient nature of earnings and the structural linkage of those earnings to inflation means that investment returns typically generated by infrastructure stocks are different from standard asset classes and offer investors diversification when included in an investment portfolio. In our view, the current uncertain economic and investment climate, and the historically reliable financial performance of infrastructure investments makes them attractive, and an investment in listed infrastructure has the potential to reward patient investors with a long-term time frame.

Stock Story: Ferrovial

(Ben McVicar- Portfolio Manager)

ferrovial

In the US and Canada, despite these countries being viewed as bastions of free enterprise, private ownership of toll roads and airports is uncommon, notwithstanding long-held investor expectations that the market would follow trends seen in other places like Europe or Australia. For investors this has left these markets as outliers for the size of their economies, and with limited opportunity for private investment in these key transport assets. Despite the constraints, one company that has developed a foothold in this market is Ferrovial.

Ferrovial is a multinational company that focuses on toll roads and airports, as well as having construction and services businesses. Within the infrastructure part of the business, its North American toll roads represent the most important part of its operation with assets like its flagship investment in the 407 ETR in Toronto, as well as its managed lanes in the United States; and airports, with investments in major hub airports like Heathrow in London and JFK in New York.

The 407 ETR in Canada is arguably one of the most attractive toll road concessions in the market, where Ferrovial holds a 43.23% stake in the asset. The road provides a route across Toronto to the north of the city with the main competing route being the 401 highway, which is often regarded as the busiest road in North America and suffers from major congestion issues. In addition, the 407 ETR operates under a long-term contract that extends to 2098, and toll price increases that have few restrictions – with no specific cap on toll prices so long as traffic remains above specified levels. The pricing flexibility is key and stands in contrast to many toll roads that have more restrictive pricing clauses embedded in their contracts. We believe traffic conditions should remain favourable given positive migration dynamics, a solid economic outlook, and its role as a transit route across the high-population areas of Toronto, which has Lake Ontario to the southern side limiting the ability for an effective competing route to be built. This ongoing traffic growth across the city provides not only a growing market, but with the major congestion on the competing 401 Highway, our view is this should also drive more cars onto the 407 ETR.

The 407 ETR is a key investment attraction within Ferrovial; however, the company has been growing its business throughout the United States by developing its high-occupancy toll lanes ("HOT" lanes) or managed lanes. The distinguishing feature of these HOT lanes is they operate using dynamic pricing. This means that to guarantee and maintain a minimum average speed, the tolls are automatically adjusted higher as the speed of vehicles drops towards the minimum threshold. Users are charged based on their marginal willingness to pay, rather than a cap set by the concession grantor. While this can lead to high tolls at certain periods, some feedback suggests customer satisfaction is higher when tolls are higher, as it means the competing free road is heavily congested and therefore the time savings are even greater.

The company operates a portfolio of these managed lanes including key assets in the fast-growing region of Dallas-Fort-Worth, Texas; Charlotte, North Carolina; and in a highly congested yet affluent area of Virginia that serves traffic heading to Washington D.C. Further, the company has flagged ongoing potential opportunity for new developments in Georgia where the company has submitted bids for a prospective managed lane project. We believe that the success of Ferrovial's HOT lanes and its innovative, world-leading dynamic pricing model demonstrates the company's strong IP and competitive advantage.

Ferrovial's primary airport holding is a 25% stake in Heathrow. Heathrow operates under a "single till" model meaning the entire operation is subject to price regulation. This model is less attractive than a "dual till" model that allows for the separation of the regulated aeronautical business from commercial operations (such as retail or property developments). However, the single till model does provide strong inflation protection. In addition to some smaller holdings in the airport sector, the company is also undertaking a major project in New York, with the development of a new JFK International Terminal 1 called New Terminal One (NTO), which is expected to see Ferrovial invest US$1.1 BN to develop a new 38-year concession that will see NTO take over from Terminals 1, 2 and 3.

Ferrovial also operates a construction business. While we do not view this business as particularly advantaged or attractive, the size of the business is minor in the context of Ferrovial and we consider it an acceptable risk to gain access to such high-quality toll road assets, particularly the 407 ETR and US-managed HOT lanes.

While Ferrovial is currently based in Spain, given its ongoing strategy to grow and develop its US business, the company is undertaking a process intended to see it ultimately become dual listed in the US, enhancing liquidity and access to capital that should allow it to continue to capitalise on its world-leading position that it has established in this market.