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Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

### **Magellan 2020 InReview**

We are pleased to provide the following Quarterly Stocks in Focus for the Magellan Global Fund and the Magellan Infrastructure Fund.

Last year we produced our inaugural hard-copy magazine 'InReview', but due to the logistical challenges posed by covid-19, this year's InReview is digital. Magellan's InReview 2020 site is available here:

<https://2020.magellaninreview.com.au/>

*Authorised by*

Marcia Venegas | Company Secretary

# Quarterly Stocks in Focus

## Magellan Infrastructure Fund (ARSN: 126 367 226)

AS AT 30 JUNE 2020



**MAGELLAN**  
EXPERTS IN GLOBAL INVESTING

American Water Works, the largest listed water utility in the US, provides regulated and market-based drinking water, wastewater and other related services to more than 14 million people in 46 US states and Ontario, Canada. American Water's assets include 51,000 miles (82,000 kilometres) of pipes, 621 water-treatment plants, 1,000 wells, 130 wastewater plants, 1,300 water-storage facilities and 1,400 pumping stations.



Atmos Energy is a US-based regulated natural gas company that provides distribution, transmission and storage services to more than three million residential, commercial, government and industrial customers in eight US states. As such, Atmos is the largest gas utility in the US.



Enbridge of Canada owns and operates the world's largest crude oil and liquids transportation system across Canada and the US. Enbridge's assets are dominated by a petroleum pipeline network that transports more than two million barrels of crude oil per day. The company owns a network of natural-gas-related transmission and midstream assets in North America and owns Canada's largest natural gas distribution utility.



Eversource Energy is a US-based company that through six subsidiaries provides regulated electricity, natural gas and water services to more than four million people in the northeastern states of Connecticut, Massachusetts and New Hampshire.



Koninklijke Vopak is the world's largest independent tank storage provider. It specialises in the storage and handling of liquid chemicals, gases and oil products. Vopak operates 66 terminals in 23 countries with a combined storage capacity of more than 34 million cubic metres.



Red Electrica is a Spanish-based utility and operates the national electricity transmission grid of Spain where revenues are price regulated and earnings are generally highly predictable and reliable. Red Electrica also holds assets in Brazil, Chile, Portugal, and Peru.



Sempra is a US-based energy infrastructure company that serves more than 40 million customers across North, Central and South America. Sempra's assets are anchored by the US's largest natural gas and electricity utility – in terms of coverage area and customers served – and include natural gas and power assets in Chile, Mexico and Peru.



Snam is an Italian-based gas utility with over 41,000 kilometres of gas pipelines and gas storage capacity of over 20 billion cubic meters. Snam's assets extend beyond Italy to neighbouring countries including France, Austria and Greece.



Vinci is a France-based toll road and airport operator. Its assets include over 4,000 kilometres of toll roads across France. Vinci Airports handled more than 240 million passengers in 2019 across its global portfolio of more than 40 airports including London Gatwick Airport, Portugal's Lisbon International Airport and Japan's Kansai International Airport.



Xcel Energy is a regulated electricity and gas utility with a 'rate base' (the value of assets on which it can earn a return) of about US\$25 billion. The utility operates four key companies across eight states in the US: NSPM (Minnesota, North and South Dakota), PSCo (Colorado), SPS (Texas and New Mexico) and NSPW (Wisconsin and Michigan). Xcel Energy is the mandated monopoly provider of electricity and gas services in these regions.



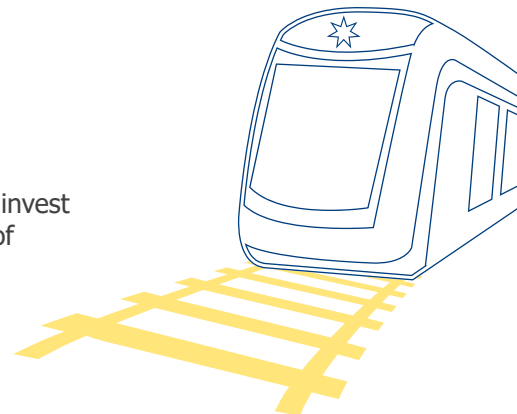
# MAGELLAN

## Experts in global investing

Magellan Asset Management Limited ('Magellan') are experts in global investing and invest in a portfolio(s) of outstanding global companies to grow and safeguard the wealth of clients.

Magellan has a highly experienced team of investment professionals that oversees over A\$97 billion\* in clients assets.

\*As at 30 June 2020.



## Ever thought of investing in essential services?

Infrastructure and utility stocks have been around a long time – the oldest listed utility, Consolidated Edison of the US, traces its listing to 1824. Yet it wasn't until the 1990s that the asset class became a viable option for everyday investors.

More than 350 infrastructure and utility companies are listed on global stock markets, representing a market cap in excess of US\$3 trillion; about two times the market value of the Australian stock market\*. There are sound reasons why people should include these stocks in a diversified portfolio. They might be surprised just how much infrastructure and utility companies support their daily lives.

### Listed infrastructure aims to deliver investors:

- ★ Reliable and consistent earnings
- ★ Downside protection in times of crisis
- ★ Strong inflation protection

\*As at 30 June 2020.

## SUPPORTING YOU EVERY MINUTE OF EVERY DAY

Investing in infrastructure is about investing in the companies that provide essential services to society. We are so used to these services in our lives that perhaps we underestimate the range of essential services that are provided the world over, every minute of every day.

### Stocks considered for the strategy are mainly drawn from two sectors:

Regulated utilities, which includes energy and water utilities. We estimate that utilities comprise about 60% of the potential investment universe for the strategy. Utilities are typically regulated by a government-sponsored entity. Such regulation requires the utility to provide an essential service while efficiently allowing the utility to earn a fair rate of return on the capital it has invested.

Infrastructure, which includes airports, ports, railroads, toll roads, communications assets and energy infrastructure (oil and gas pipelines and storage) where there is no material commodity price exposure.




## Access the world's best infrastructure and utility companies by investing in one of Magellan's infrastructure funds

Magellan offers highly-rated listed and unlisted infrastructure funds. The listed options are active ETFs and easily purchased on the ASX. The funds contain what Magellan considers to be the world's best infrastructure and utility companies, those likely to generate the inflation-protected, stable-yet-solid returns offered by the asset class.

Magellan Infrastructure Fund	Unlisted	20-40 companies	20% max cash level	Distribution semi-annually	1.05% Management costs	Performance fee*
Magellan Infrastructure Fund (unhedged)						
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)(ASX:MICH)	Listed on the ASX					

\*10.0% of the excess return of the Units of the Fund above the higher of the Index Relative Hurdle (S&P Global Infrastructure Index A\$ Hedged Net Total Return) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). The Index Relative Hurdle for Magellan Infrastructure Fund (Unhedged) is (S&P Global Infrastructure Index A\$ Unhedged Net Total Return). Additionally, the Performance Fees are subject to a high water mark.

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**Important Information:** Units in the fund(s) referred to herein are issued by Magellan Asset Management Limited (ABN 31 120 593 946, AFS Licence No 304 301). Past performance is not necessarily indicative of future results and no person guarantees the future performance of the fund(s), the amount or timing of any return from the fund(s), or that the investment objectives of the fund(s) will be achieved. This material has been provided for general information purposes and must not be construed as investment advice. It does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should consider obtaining professional investment advice tailored to their specific circumstances and should read the relevant Product Disclosure Statement (PDS) applicable to the fund(s) prior to making any investment decisions. The PDS for the fund(s) is available at [www.magellangroup.com.au](http://www.magellangroup.com.au) or can be obtained by calling 02 9235 4888. Any trademarks, logos, and service marks contained herein may be the registered and unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication, or otherwise, any licence or right to use any trademark displayed without the written permission of the owner. No part of this material may be reproduced or disclosed, in whole or in part, without the prior written consent of Magellan Asset Management Limited.

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# Quarterly Stocks in Focus

## Magellan Global Fund (ARSN: 126 366 961)

AS AT 30 JUNE 2020



**MAGELLAN**  
EXPERTS IN GLOBAL INVESTING



Alibaba is the largest e-commerce marketplace operator in China, with 820 million monthly users and more than 65% market share in online shopping in China. The company, which recorded US\$56 billion in revenue in fiscal 2019, has leveraged its strong network effects and data insights to expand into adjacent industries and has developed leading positions in cloud computing, financial services, grocery, logistics, digital media and local services. Alibaba is well positioned to benefit from a rise in Chinese consumer spending and increased online penetration in rural China.

### Alphabet

Alphabet generated US\$162 billion in sales in 2019, the majority from Google Search, which represents about 90% of the global search market ex-China. Alphabet's Android is the dominant mobile operating system as it has more than 2.5 billion devices and over 80% global market share. The majority of Android devices are preloaded with Google's services. Nine of these – Search, Maps, YouTube, Chrome, Android, Google Play, Gmail, Drive and Photos – have more than one billion users a month. Google Cloud Platform, which generated US\$9 billion of revenue in fiscal 2019, is one of the few hyperscale enterprise cloud businesses globally.



Crown Castle International of the US owns more than 40,000 communications towers that provide co-location space to wireless carriers. The company, which earned US\$5.8 billion in revenue in fiscal 2019, is well poised to benefit from growth in mobile data traffic, which is forecast to increase tenfold in the next five years.



Facebook is the world's largest social platform as more than 2.9 billion users touch at least one of its services each month. Facebook's main property attracts more than 2.5 billion users each month, while the company's other properties – WhatsApp, Messenger and Instagram – attract 1.5 billion, 1.5 billion and 1.0 billion users each month respectively. Facebook generated more than US\$70 billion in revenue in 2019, the vast majority of which came from selling advertising, primarily on user 'Feeds'.



Microsoft is the world's largest software company, recording more than US\$125 billion in annual sales. Business customers are Microsoft's largest source of sales. The company owns the Windows operating system, which runs on more than 90% of PCs globally. Microsoft Office has almost 90% market share. Microsoft's largest cloud businesses, Azure and Office 365, are growing rapidly.



Novartis is a leading global pharmaceutical company engaged in the research, development and marketing of innovative pharmaceutical products. The Swiss-based company, which earned US\$47 billion in revenue in fiscal 2019, is a global leader in key therapeutic areas including immunology, targeted oncology, neuroscience and cardiology. Novartis owns the leading global Innovative Medicines business and controls Sandoz, which is a leading manufacturer of generic and biosimilar pharmaceuticals.



RB is a UK-based, multinational consumer-packaged-goods company that focuses on infant formula, consumer health, hygiene and home categories. The company formerly called Reckitt Benckiser has operations in about 60 countries and sells products in another 140 countries. RB, which earned 12.9 billion pounds in revenue in fiscal 2019, competes selectively in high-margin, fast-growing category niches and derives most of its earnings from about 20 'power brands' that include Dettol home disinfectants, Finish dishwashing tablets, and Strepsils and Mucinex cold and flu medications.



SAP is a leading provider of enterprise application software with more than 27 billion euros in annual sales. SAPs software is used to run the businesses of over 440,000 customers around the world, including over 90% of the Forbes Global 2000. The company has also been investing in the cloud, which contributes 25% of its revenue.



Starbucks, in serving 100 million people a week across its 32,000 outlets in 82 countries, is the world's largest chain of specialty coffee houses. The company, which earned revenue of US\$27 billion in 2019, has built a strong brand. Starbucks remains focused on growth, having opened about 2,000 stores in fiscal 2019, including 600 in China. The company has an opportunity to grow its consumer-product-goods business through an alliance with Nestlé.



Tencent owns WeChat, China's leading social network and communications platform that has 1.2 billion monthly active users. Tencent, which recorded US\$53.3 billion of revenue in 2019, has leveraged WeChat's popularity to build leading positions in online gaming, digital payments and fintech, cloud computing and digital entertainment within China.

### BRANDS



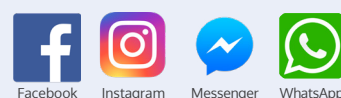
### BRANDS



### BRANDS



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Magellan has a highly experienced team of investment professionals that oversees over A\$97 billion\* in clients assets.

\*As at 30 June 2020.

## Why global investing?

A key question for many Australian investors is whether or not they should have the vast majority of their equity investments in Australian shares when 97% of the world's listed companies are found overseas. Clearly, by having limited exposure to global equities, Australian investors are restricting their investment opportunities. To benefit from the key investment trends that are likely to prevail over the next decade and beyond, we believe investors will need to boost their exposure to global businesses. Some of the key trends that we expect to be powerful forces in the years ahead include cloud computing, digital platforms, e-commerce, the cashless economy, the reach of global brands, the Chinese consumer, driverless cars, healthcare for an ageing population and artificial intelligence.

At Magellan, we invest in a concentrated portfolio of what we consider as the world's best businesses that are positioned to thrive in the years ahead.

## PROTECTING INVESTOR CAPITAL

At Magellan, we believe that conservative investors sleep well. All our investments are made in accordance with our investment philosophy, that is, to invest in outstanding businesses that have attractive underlying business economics because they are protected by sustainable long-term competitive advantages, or in Warren Buffett's words, an "economic moat". In our opinion, investing in terrific businesses at appropriate prices is a low-risk investment style and will produce more certain investment returns over time than many other approaches. The core of our investment philosophy is to minimise the risk of a permanent capital loss. We seek to construct our investment portfolio with a meaningful margin of safety and with risk characteristics that we believe should enable the portfolio to have materially less downside in the event of large market corrections.

## Access the world's best companies by investing in one of our global funds

Magellan offers a range of highly rated listed and unlisted global equity funds, where the listed options are active ETFs easily purchased on the ASX.

Magellan Global Fund	Unlisted	20-40 companies	Typically 0-20% cash level	Annual distribution	1.35% Management costs	Performance fee*	Unhedged
Magellan Global Equities Fund (Managed Fund)(ASX:MGE)	Listed on the ASX						
Magellan High Conviction Fund	Unlisted	8-12 companies	Typically 0-50% cash level	Target cash yield of 3% per annum paid semi-annually	1.50% (Class A, ASX:MHH) 0.78% (Class B) Management costs	Performance fee*	Active Currency Hedged
Magellan High Conviction Trust (ASX:MHH)	Listed on the ASX						
Magellan Global Trust (ASX:MGG)	Listed on the ASX	15-35 companies		Target cash yield of 4% per annum paid semi-annually	1.35% Management costs		

### Do you want currency hedging?

Magellan Global Fund (Hedged)	Unlisted	20-40 companies	Typically 0-20% cash level	Annual distribution	1.35% Management costs	Performance fee*	Hedged
Magellan Global Equities Fund (Currency Hedged)(Managed Fund)(ASX:MHG)	Listed on the ASX						

\*10.0% of excess return over the higher of the Index Relative Hurdle (MSCI World Net Total Return Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Magellan High Conviction Fund and Magellan High Conviction Trust: 10% (20% for Class B units) of the excess return above the Absolute Return performance hurdle of 10% per annum. The performance fee for Class B Units is subject to a cap of 2.22% per annum. Additionally, the performance fees are subject to a high water mark.



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