MFG Core Infrastructure (USD)

MFG 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

Diversified rules-based portfolio applying our proprietary infrastructure classification.

Valuation driven benchmark-unaware strategy.

Highly defensive, inflation-linked exposure.

MAGELLAN CORE INFRASTRUCTURE (USD)

TOTAL STRATEGY ASSETS	TOTAL INFRASTRUCTURE ASSETS[1]	INCEPTION DATE
USD $5,219.7 million	USD $11,071.0 million	18 January 2012

USD PERFORMANCE[2]

	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY[3]
Composite (Gross)	4.8	-6.7	9.7	6.7	8.0	9.2	95%
Composite (Net)	4.7	-7.2	9.1	6.2	7.3	8.5	90%
Global Infrastructure Benchmark[4]	3.7	-4.3	14.7	5.0	5.5	6.2	
Excess (Gross)	1.1	-2.4	-5.0	1.7	2.5	3.0	
MSCI World NTR Index[+]	7.7	-7.0	16.4	8.0	8.9	9.8	

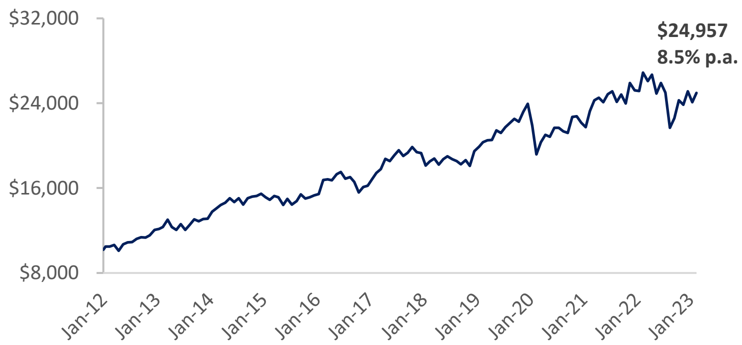
CALENDAR YEAR RETURNS[2]	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)*
Composite (Gross)	4.8	-7.5	14.4	-1.3	29.0	-6.1	21.2	7.2	-0.1	17.4	14.0	16.4
Composite (Net)	4.7	-8.0	13.8	-1.8	28.2	-6.7	20.4	6.5	-0.8	16.6	13.2	15.6
Global Infrastructure Benchmark[4]	3.7	-1.0	11.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	14.4	7.0
Excess (Gross)	1.1	-6.5	3.4	5.2	3.2	4.3	2.1	-4.2	12.1	3.3	-0.4	9.4
MSCI World NTR Index[+]	7.7	-18.1	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	26.7	13.0

Past performance does not predict future returns.

USD 5 YEAR RISK MEASURES[5]

	Against Global Equities	Against Global Infrastructure Benchmark[4]
Upside Capture	0.7	0.9
Downside Capture	0.6	0.8
Beta	0.7	0.8
Correlation	0.8	0.9

PERFORMANCE CHART GROWTH OF USD $10,000 (NET)[2]



Past performance does not predict future returns.

[1] Comprised of all Infrastructure strategies.

[2] Returns are for the Global Core Infrastructure Composite and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. Refer to the GIPS Disclosure section below for further information. Strategy inception is 18 January 2012. Composite (Net) returns are net of fees charged to clients and have been reduced by the amount of the highest fee charged to any client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request.

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

[4] The Benchmark or Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Index Net Total Return and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure Index Net Total Return. Note: the UBS Developed Infrastructure and Utilities Index Net Total Return ceased to be published from 31 May 2015, replaced on 1 January 2015 with the S&P Global Infrastructure Index Net Total Return.

[5] Risk measures are for the Global Core Infrastructure Hedged to AUD Composite before fees. The Global Equities Index is the MSCI World NTR Index.

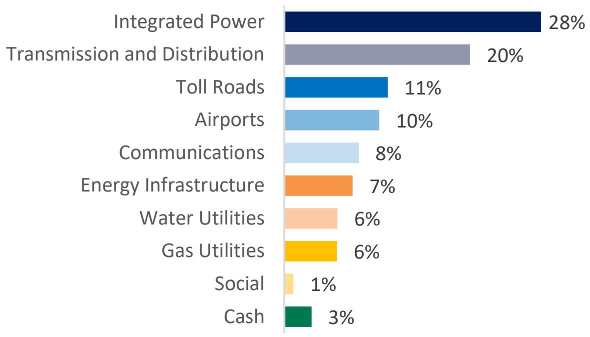
[+]All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.mfgam.com.au/funds/benchmark-information/

[*]Part year return.

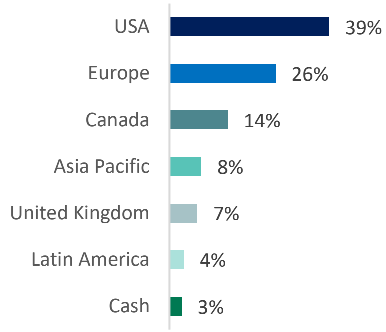
TOP 10 HOLDINGS[6]

STOCK	SECTOR	%
National Grid Plc	Transmission and Distribution	3.0
Aena SME SA	Airports	3.0
Vinci SA	Toll Roads	3.0
Transurban Group	Toll Roads	2.9
Cellnex Telecom SA	Communications	2.9
Enbridge Inc	Energy Infrastructure	2.9
TC Energy Corporation	Energy Infrastructure	2.8
Ferrovial SA	Toll Roads	2.8
Fortis Inc	Transmission and Distribution	2.6
Snam SpA	Gas Utilities	2.3
	TOTAL:	28.2

SECTOR EXPOSURE[6]



GEOGRAPHICAL EXPOSURE[6]



[6] The data is based on a representative portfolio for the strategy. Refer to the GIPS Disclosure below for further information. Sectors are internally defined. Geographical exposure is by domicile of listing. Exposures may not sum to 100% due to rounding.

Strategy Commentary

The strategy recorded a positive return for quarter ended March 31 as inflation and 10-year bond rates pulled back on recession concerns.

Stocks contributing most over the period included Aena, Cellnex and Vinci. Aena jumped as its traffic levels exceeded 2019 levels and as 2022 earnings and 2023 guidance exceeded consensus. Cellnex increased over the period due to declining bond yields that impact the valuation of the company more than average given the longer duration of its cashflows. Vinci's share price lifted as earnings came in ahead of consensus and as airport passenger traffic continued to rebound across its portfolio.

Some of the largest stock detractors over the month were Dominion Energy, Elia Group and Duke Energy. US-based utility, Dominion Energy, declined after management underwhelmed investors with limited information about its planned business restructure. Elia Group declined as a combination of factors, including concerns over funding a significant capex pipeline and uncertainty regarding Germany's plan to merge the country's transmission companies impacted investor confidence. Duke Energy fell after the release of its 4Q result which included a $1.3bn write-down of its renewables portfolio that management ear-marked for sale later in the calendar year.

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. 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.

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.

IMPORTANT INFORMATION

This material is being furnished to you to provide summary information regarding Magellan Asset Management Limited trading as MFG Asset Management ('MFG Asset Management') and an investment fund or investment strategy managed by MFG Asset Management ('Strategy'). This material is not intended to constitute advertising or advice of any kind and you should not construe the contents of this material as legal, tax, investment or other advice. In making an investment decision, you must rely on your own examination of any offering documents relating to the Strategy.

The investment program of the Strategy presented herein is speculative and may involve a high degree of risk. The Strategy is not intended as a complete investment program and is suitable only for sophisticated investors who can bear the risk of loss. The Strategy may lack diversification, which can increase the risk of loss to investors. The Strategy's performance may be volatile. Past performance is not necessarily indicative of future results and no person guarantees the future performance of the Strategy, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of MFG Asset Management. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of an MFG Asset Management financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. The Strategy will have limited liquidity, no secondary market for interests in the Strategy is expected to develop and there are restrictions on an investor's ability to withdraw and transfer interests in the Strategy. The management fees, incentive fees and allocation and other expenses of the Strategy will reduce trading profits, if any, or increase losses.

No representation or warranty is made with respect to the correctness, accuracy, reasonableness or completeness of any of the information contained in this material. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. This material may include data, research and other information from third party sources. MFG Asset Management makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. MFG Asset Management will not be responsible or liable for any losses, whether direct, indirect or consequential, including loss of profits, damages, costs, claims or expenses, relating to or arising from your use or reliance upon any part of the information contained in this material including trading losses, loss of opportunity or incidental or punitive damages.

No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful. This material does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or not authorized or in which the person making such offer or solicitation is not qualified to do so. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of MFG Asset Management. Further information regarding any benchmark referred to herein can be found at www.mfgam.com.au/funds/benchmark-information/. Any third-party trademarks contained herein are the property of their respective owners and MFG Asset Management claims no ownership in, nor any affiliation with, such trademarks. Any third-party trademarks that appear in this material are used for information purposes and only to identify the company names or brands of their respective owners. No affiliation, sponsorship or endorsement should be inferred from the use of these trademarks.

United Kingdom - This material does not constitute an offer or inducement to engage in an investment activity under the provisions of the Financial Services and Markets Act 2000 (FSMA). This material does not form part of any offer or invitation to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any shares, units or other type of investment product or service. This material or any part of it, or the fact of its distribution, is for background purposes only. This material has not been approved by a person authorised under the FSMA and its distribution in the United Kingdom and is only being made to persons in circumstances that will not constitute a financial promotion for the purposes of section 21 of the FSMA as a result of an exemption contained in the FSMA 2000 (Financial Promotion) Order 2005 as set out below. This material is exempt from the restrictions in the FSMA as it is to be strictly communicated only to 'investment professionals' as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (FPO).

United States of America - This material is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of MFG Asset Management to create legal relations on the basis of information provided herein. Where performance figures are shown net of fees charged to clients, the performance has been reduced by the amount of the highest fee charged to any client employing that particular strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request and also may be found in Part II of MFG Asset Management's Form ADV.

The Global Infrastructure Benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Net Total Return Index and from 1 January 2015 the benchmark is S&P Global Infrastructure Net Total Return Index. The benchmark changed because UBS discontinued their index series. The UBS Developed Infrastructure & Utilities Net Total Return Index is a market capitalisation weighted index that is designed to measure the equity performance of listed Infrastructure and Utility stocks. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The S&P Global Infrastructure Net Total Return Index is a market capitalisation weighted index that is designed to track 75 companies from around the world diversified across three infrastructure sectors energy, transportation and utilities. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) DISCLOSURE

Magellan Asset Management Limited, doing busimess as MFG Asset MAnagement in jurisdictions outside Australia and New Zealand, (MFG Asset Management) claims compliance with the Global Investment Performance Standards (GIPS®)

For the purpose of complying with GIPS, the Firm is defined as all discretionary portfolios managed by MFG Asset Management, excluding brands managed by subsidiaries operating as distinct business entities. MFG Asset Management is a wholly-owned subsidiary of the publicly listed company Magellan Financial Group Limited. MFG Asset Management is based in Sydney, Australia. Total Firm assets is defined as all assets managed by MFG Asset Management, excluding assets managed by subsidiaries operating as distinct business entities.

The Global Core Infrastructure composite is a global strategy investing in strictly defined or "pure" infrastructure companies (typically 80-100). The filtered investment universe is comprised of stocks that 1. generate reliable income streams, 2. benefit from inflation protection and have an appropriate capital structure. The investment objective of the strategy is to minimise the risk of permanent capital loss; and achieve superior risk adjusted investment returns over the medium to long-term. The composite was created in February 2012.

To achieve investment objectives, the composite may also use derivative financial instruments including, but not limited to, options, swaps, futures and forwards. Derivatives are subject to the risk of changes in the market price of the underlying securities instruments, and the risk of the loss due to changes in interest rates. The use of certain derivatives may have a leveraging effect, which may increase the volatility of the composite and may reduce its returns.

A copy of the composite's GIPS compliant presentation and/or the firm's list of composite descriptions are available upon request by emailing client.reporting@magellangroup.com.au

The representative portfolio is an account in the composite that closely reflects the portfolio management style of the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

USD is the currency used to calculate performance.