

MFG Core Infrastructure

Strategy Update: 31 December 2013

Portfolio Manager
Dennis Eagar/Gerald Stack
Inception date
19 December 2009

Total Infrastructure Assets¹
USD \$3,350.5 million / GBP £2,022.9 million
Composite Size²
USD \$390.3 million / GBP £235.7 million

AUD Hedged Gross Performance²

	Composite %	Index % ³	Excess Return %
1 Month	1.7	1.4	0.3
3 Months	4.9	3.7	1.2
6 Months	7.1	7.7	-0.6
1 Year	16.7	18.5	-1.8
2 Years (p.a.)	16.5	13.7	2.8
3 Years (p.a.)	16.2	10.6	5.6
4 Years (p.a.)	16.1	9.3	6.8
Since Inception (p.a.)	16.5	9.5	7.0
Since Inception	85.3	44.2	41.1

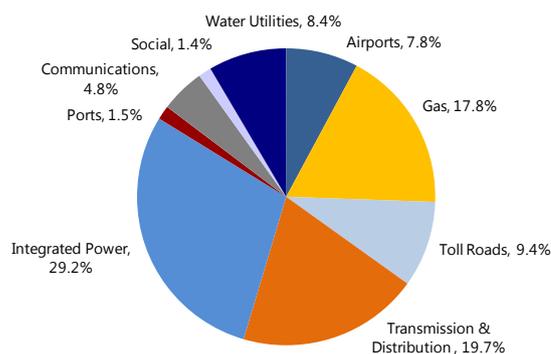
Top 10 Holdings⁴

	Sector	% of Strategy
SES GDR	Communications	3.3
Enbridge Inc	Gas Utilities	3.2
Abertis	Toll Roads	3.1
Snam Rete Gas SpA	Gas Utilities	3.1
TransCanada Corp	Gas Utilities	3.1
National Grid PLC	Transmission and Distribution	3.1
Transurban Group	Toll Roads	2.9
Power Assets Holdings	Integrated Power	2.9
Atlantia SpA	Toll Roads	2.6
United Utilities Group Plc	Water Utilities	2.4

AUD Hedged Gross Performance - Calendar Year²

	Composite %	Index % ³	Excess Return %
2009 (part year)	1.9	0.9	1.0
2010	15.9	5.7	10.2
2011	15.6	4.7	10.9
2012	16.3	9.1	7.2
2013	16.7	18.5	-1.8

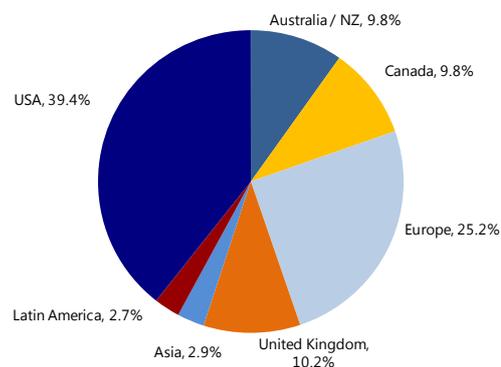
Industry Exposure⁴



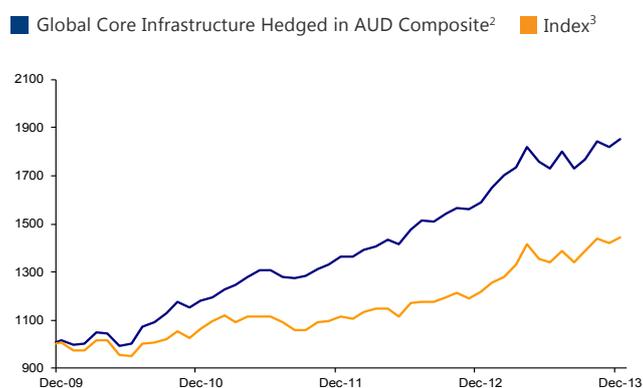
AUD Hedged Risk Measures Since Inception²

Upside Capture	1.1
Downside Capture	0.5
Beta	0.8
Information Ratio (p.a.)	1.7
Tracking Error (p.a.)	4.2%
Worst Drawdown - Composite	-5.2%
Worst Drawdown - Index ³	-6.4%

Geographical Exposure⁴



Performance Chart Growth of AUD \$1,000



¹ Comprised of the total Firm Infrastructure assets, comprising the Select Infrastructure strategy and Core Infrastructure strategy.

² Returns and risk measures are for the Global Core Infrastructure Hedged in AUD Composite. *Refer overleaf for further information.

³ Index: UBS Developed Infrastructure & Utilities Net Total Return Index (Hedged to AUD). Source: UBS

⁴ Representative Portfolio. ^Refer overleaf for further information.

Performance and Activity

During the December 2013 quarter, the MFG Core Infrastructure Strategy (the Strategy) returned 5.6% before fees, compared with the benchmark UBS Developed Infrastructure & Utilities Index's return of 3.7%. In 2013, the Strategy returned 19.1%, this compares with 18.5% for the benchmark.

In equilibrium, we expect the Strategy to deliver returns of OECD inflation plus 4-5%; 2013's high absolute return is a reflection of the fact that many of the Strategy's holdings were over-sold in previous periods.

There were mixed results from the sector exposures held by the Strategy over the quarter. In aggregate, its toll road investments rose more than 8%, in local currency terms, on the back of very strong performance from European inter-urban toll road companies. The communications and gas utilities sectors also made strong gains, generated total shareholder returns of +8.1% & +7.5% respectively. Offsetting these gains were negative returns from the water utility sector and from the Strategy's Hong Kong energy utility investment.

In terms of stocks not held by the Strategy, the December quarter saw Japanese infrastructure equities decline, in contrast to Korean utilities, which rose strongly. Chorus Ltd, the recently-listed New Zealand utility, lost almost half its value during the quarter.

Portfolio

During the quarter, two stocks exited the Strategy as a result of corporate activity. Italian toll road operator NV Energy was taken over by MidAmerican Energy, while Gemina was de-listed following its merger with Atlantia (also held by the Strategy).

As a result of the rules-based method of determining the weights of each stock in the Strategy (which limits exposures to individual stocks, sectors and geographic regions), the removal of these stocks did not materially change the total exposures of the fund. Utilities continue to make up approximately three-quarters of the fund, while the US (41%) and Europe ex UK (28%) being the primary market exposures.

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Performance is compared to the UBS Developed Infrastructure & Utilities Index Net Total Return (Hedged to AUD) which 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 index is hedged to Australian dollars.

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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 list of composites and descriptions, as well as policies for valuing investments, calculating performance, and preparing compliant presentations are available upon request by emailing data@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.

Industry and Geographical Exposures are calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio

