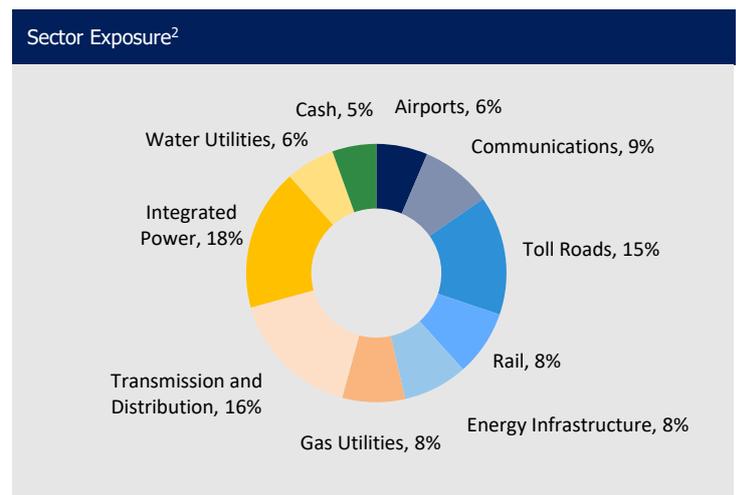


MFG Global Select Infrastructure (USD)

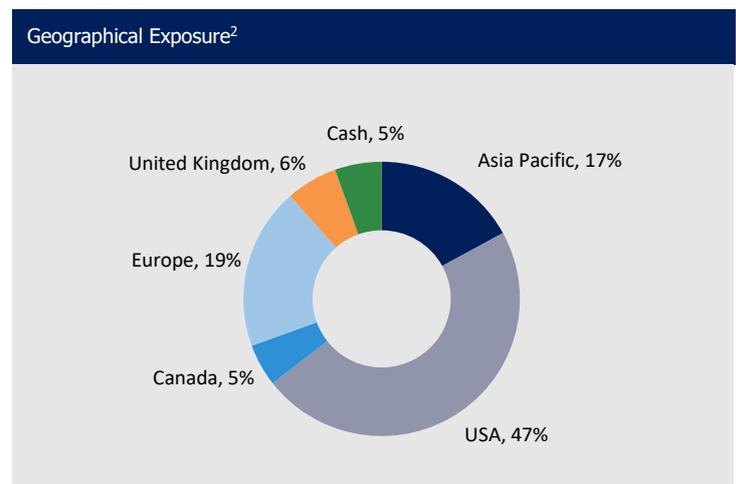
Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Select Infrastructure Assets ¹
Gerald Stack	2 May 2013	USD \$7,145.8 million	USD \$13,833.1 million

Objective	Approach
Capital preservation in adverse markets	Concentrated 20-40 stock portfolio applying our proprietary infrastructure classification
Return of CPI plus 5-6%p.a. (pre-fees) through the economic cycle	Valuation driven benchmark-unaware strategy
	Highly defensive, inflation-linked exposure

Top 10 Holdings ²	Sector ²	%
Transurban Group	Toll Roads	6.6
Atmos Energy Corporation	Gas Utilities	5.2
Enbridge Inc	Energy Infrastructure	5.0
Sempra Energy	Integrated Power	4.6
Vinci SA	Toll Roads	4.6
Crown Castle International	Communications	4.5
American Tower Corporation	Communications	4.4
Eversource Energy	Transmission and Distribution	4.4
Xcel Energy Inc	Integrated Power	4.0
Norfolk Southern Corporation	Rail	3.9
TOTAL:		47.2



USD 5 Year Risk Measures ³	Against MSCI World NTR Index	Against Infrastructure Benchmark ⁴
Upside Capture	0.6	0.9
Downside Capture	0.6	0.8
Beta	0.7	0.7
Correlation	0.8	0.9



3 Year rolling returns ⁵ (measured monthly)	Last 12 Months	Last 36 Months	Last 60 Months	Since Inception (60 Months)
Against the Infrastructure Benchmark⁴				
Average excess return (% p.a.) (Gross)	4.5	4.0	4.4	4.4
Average excess return (% p.a.) (Net)	3.7	3.2	3.5	3.5
Outperformance consistency (Gross)	100%	100%	100%	100%
Outperformance consistency (Net)	100%	97%	98%	98%

Performance ⁶	3 Months (%)	1 Year (%)	3 Year (%)	5 Years (% p.a.)	7 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	1.9	21.7	6.1	6.7	7.5	8.3
Composite (Net)	1.7	20.8	5.2	5.9	6.6	7.5
Global Infrastructure Benchmark ⁴	2.8	36.0	4.7	5.8	4.3	4.8
Excess (Gross)	-0.9	-14.3	1.4	0.9	3.2	3.5
MSCI World NTR Index	4.9	54.0	12.8	13.4	9.7	10.6

Annual Performance ⁶ (%)	CYTD	2020	2019	2018	2017	2016	2015	2014	2013*
Composite (Gross)	1.9	-5.7	26.7	-4.4	25.0	4.4	3.9	14.1	4.6
Composite (Net)	1.7	-6.4	25.7	-5.2	24.0	3.6	3.1	13.2	4.0
Global Infrastructure Benchmark ⁴	2.8	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	0.9
Excess (Gross)	-0.9	0.8	0.9	6.0	5.9	-7.0	16.1	0.0	3.7
MSCI World NTR Index	4.9	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	14.7

Strategy Commentary

In absolute terms, the strategy recorded a positive return over the quarter. The key driver of investment performance for the portfolio during the quarter was investors' expectations for inflation and interest rates.

In January and February, the strategy recorded a negative return, reflecting concerns from investors about potential increases in inflation and consequent increases in prevailing bond rates. The potential increases in inflation and bond rates particularly affected the share prices for regulated utilities, which make up close to 50% of the investment portfolio. Given the regulatory process, whereby increases in inflation and interest rates are typically passed through to consumers, the earnings of regulated utilities should be largely insulated from increases in inflation and bond rates. However, a rise in interest rates can lead to an increase in the discount rate applied by investors, leading to a reduction in value if there is no offsetting increase in cash flows.

In March, comments from central-bank officials, suggesting any increase in inflation was likely to be transient rather than structural, appeared to mollify the concerns of investors about inflation. The share price performance of regulated utilities did well during the month as a result, increasing in local currency terms by an average of approximately 10%. The upshot was the portfolio outperformed for the month.

Our view of regulated utilities during the quarter did not change. We assess utilities as offering reliable, predictable earnings and able to digest moderate inflation and interest rate increases through the regulatory process.

Investments that contributed the most to investment performance in the quarter included Enbridge of Canada, ASTM of Italy and Crown Castle International of the US. Enbridge benefited as President Joe Biden issued an executive order revoking the presidential permit for Keystone XL, a pipeline that was being developed between Canada and the US, increasing Canadian producer reliance on Enbridge's system as well as benefiting from the increase in oil prices – even though changes in the oil price have little immediate effect on their revenues. ASTM, formerly Autostrada Torino-Milano, jumped when a consortium comprising its majority shareholder launched a tender offer to acquire 100% of the listed equity of the business. Crown Castle gained on a robust fiscal 2020 result and as management offered encouraging volume growth forecasts for fiscal 2021.

Stocks that detracted the most included the investments in Red Eléctrica, Atlas Arteria and Koninklijke Vopak. Red Eléctrica, which manages Spain's electricity transmission grid, fell after the utility provided a disappointing forward investment outlook. Atlas Arteria, which manages toll roads in Europe and the US, fell as the Australian-based company indicated the concession extension on its main asset, APRR, was unlikely before French elections next year, and as the Virginia legislature passed a bill that looks to increase the regulatory burden on Dulles Greenway. Vopak declined, even after the Netherlands-based company posted a solid fiscal 2020 result, due to the questionable complexity of a "one-off" item in Malaysia, and some unclear and tentative guidance on fiscal 2021 earnings.

In relative terms, the strategy underperformed the benchmark index over the quarter. This was due largely to oil prices jumping 20% over the three months. This boosted the oil-price-sensitive stocks that we exclude from our investable universe given the volatility in underlying earnings that comes from commodity-price sensitivity.

Stock Story: National Grid



In April 2020, thunderstorms capable of triggering tornadoes swept through the east coast of the US. Fierce gusts pounded New York City and the surrounding region and many areas suffered blackouts after falling branches snapped powerlines. Amid covid-19 restrictions, out hurried the local employees from a UK-based company. In no time, its 200,000 customers across New York, Rhode Island and Massachusetts had their power restored.

The company that once again showed its mettle at operations was National Grid, one of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas. National Grid's core business is that it owns and operates regulated electricity and gas infrastructure in the UK and the northeast US. More specifically, National Grid combines a UK electricity transmission business (34% of fiscal 2020 operating profit), a UK gas transmission arm (12%), a US regulated utility business (47%) and National Grid Ventures (7%), where sit an assortment of other assets.

The electricity and gas networks of National Grid, which earned revenue of 16 billion pounds in fiscal 2020, extend a long way. In the UK, the company has 7,212 kilometres (4,481 miles) of overhead electricity lines, 2,239 kilometres of underground electricity cables and 7,630 kilometres of high-pressure gas pipes. In the US, National Grid boasts 14,659 kilometres of overhead electricity transmission lines, 169 kilometres of underground electricity transmission cables and 57,425 kilometres of gas pipelines.

The company, which was formed in 1990 as part of the privatisation of the electricity industry in England and Wales (and listed in 1995), focuses too on renewables. In the US, National Grid, for instance, has connected more than 200 Megawatts of rooftop solar for 27,000 customers and aims to boost the output of wind and solar energy projects to more than 2.4 Gigawatts in coming years.

National Grid's appeal to investors is that the utility aims to be a low-risk business that generates shareholder value through dividends and a higher share price – just what the fund is looking for. To understand how National Grid operates, it's best to understand what utilities are and how that drives the way they are regulated.

The distinctive feature of utilities is that they are monopolies in their local areas because most of their customers generally have no alternative source of the essential service the utility provides. Because privately owned utilities do not face competition, they are subject to economic regulation that seeks to replicate competition in terms of prices for consumers. Regulators typically set relatively fair prices for consumers based on their estimates of a utility's operating costs and capital expenditure. Regulators thus settle on a fair return on the capital spending a utility has undertaken to fulfil its role. The way, therefore, for a utility to increase gross earnings is to spend more on approved capital works.

As expected from a well-managed utility, National Grid has delivered robust and predictable returns for investors in recent years – a weighted average return on equity of 12.4% in fiscal 2020 no less. And it's likely to achieve its target to deliver asset growth of between 5% and 7% in coming years (after achieving 9% growth in fiscal 2020) as approved capital works expand, especially in the US where regulators are allowing for higher utility returns on investment.

The main reason electricity utilities in the UK and the US are expected to find significant opportunities for capital investment is that these countries are shifting towards 'net zero' emissions. A key plank of the transition to this climate-change-mitigation target is the increased electrification of the economy – think electric vehicles – which will require substantial investment in the electricity grid.

To gain more exposure to this theme, National Grid recently spent 14 billion pounds to acquire Western Power Distribution, which is the UK's largest electricity distribution network and a supplier that plugs into National Grid's transmission network. As well, National Grid's UK gas transmission business is well placed to play a central role in the move towards increased penetration of hydrogen in the economy, another key plank in the transition to a net-zero economy. National Grid is a leader in the testing and development of the use of a hydrogen as an alternative source of clean energy.

National Grid Ventures is another promising asset. The arm includes the ownership and operation of electricity interconnectors (key infrastructure for the UK economy), a US renewable-energy-development business, a UK electricity-metering business and a business redeveloping excess company-owned property for residential housing. While National Grid Ventures accounts for less than 10% of company earnings today, its contribution is expected to swell over the next five years as its assets deliver. All up, National Grid is primed to deliver what we want from stocks in our portfolio – steady income and some capital growth.

To be sure, National Grid, as do all utilities, faces risks, especially regulatory and political ones. Political risks were especially apparent when the UK Labour Party under Jeremy Corbyn had a policy to nationalise utilities at below-market prices – and nearly all of National Grid's UK assets were targeted. Every time Labour rose in the opinion polls in recent years, utility shares sank. But that risk vanished when Labour lost badly in the 2019 elections and Corbyn went as leader. The regulatory risk is that officials can make adverse decisions at any time though none such appear to be looming for National Grid. The company paid a 60% premium for Western Power (over its regulated asset base) so it needs to better manage these assets to ensure a worthwhile return. The takeover has boosted National Grid's debt beyond industry norms (to a debt-to-capital ratio of 70% and above the common ceiling of 60%), even allowing for the imminent sales of its Rhode Island power operations in the US and the future sales of a stake in its UK gas transmission business. Cyber threats are an emerging menace for utilities these days, but any damage is usually only temporary. Renewables are a threat as well as an opportunity for the company. If enough households, for instance, were to install solar panels and the

ability of batteries to store power were to improve, demand for grid electricity might slide.

But not that many people are likely to disconnect from the grid. National Grid appears to be entering a phase where it can command a steady growth in earnings as electricity demand rises, even allowing for the odd storm, real and metaphorical.

Sources: Company website, Bloomberg, Dunn & Bradstreet.

¹ Comprised of all Infrastructure Strategies.

² 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.

³ Risk measures are for the Global Select Infrastructure Composite before fees. The Global Equity Index is the MSCI World NTR Index.

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 NTR Index and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index. Note: the UBS Developed Infrastructure and Utilities NTR Index ceased to be published from 31 May 2015, replaced on 1 January 2015 with the S&P Global Infrastructure NTR Index.

⁵ Rolling 3-year returns are calculated and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with the outperformance consistency indicating the percentage of positive excess returns.

⁶ Returns are for the Global Select 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. 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.

* Returns are only for part year.

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The 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 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 Index Net Total Return 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.

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The Global Select Infrastructure composite is a concentrated global strategy investing in strictly defined or "pure" infrastructure companies, (typically 20-40). The filtered investment universe is comprised of stocks that 1. generate reliable income streams 2. benefit from inflation protection and 3. 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 May 2013.

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.

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