Strategy Update: 31 March 2022

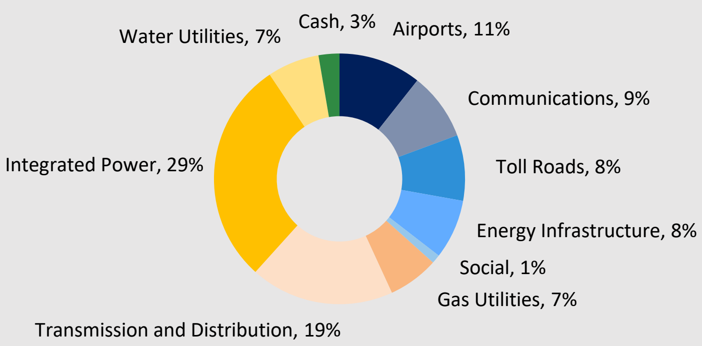
MFG Core Infrastructure (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets[1]
Gerald Stack	18 January 2012	USD $8,008.2 million	USD $15,431.2 million

Objective	Approach
Capital preservation in adverse markets Pre-fee return of CPI plus 5%p.a. through the economic cycle	Diversified rules-based portfolio applying our proprietary infrastructure classification Highly defensive, inflation-linked exposure Benchmark unaware

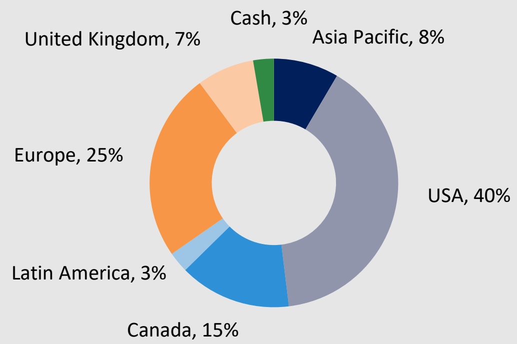
Top 10 Holdings[2]	Sector[2]	%
Aena SME SA	Airports	3.2
Transurban Group	Toll Roads	3.0
Vinci SA	Toll Roads	3.0
Cellnex Telecom SA	Communications	3.0
Fortis Inc	Transmission and Distribution	2.9
National Grid PLC	Transmission and Distribution	2.9
Enbridge Inc	Energy Infrastructure	2.9
TC Energy Corporation	Energy Infrastructure	2.9
Snam SpA	Gas Utilities	2.8
Terna SpA	Transmission and Distribution	2.5
	TOTAL:	29.1

Sector Exposure[2]



USD 5 Year Risk Measures[3]	Against Global Equities	Against Infrastructure Benchmark[4]
Upside Capture	0.6	1.0
Downside Capture	0.5	0.8
Beta	0.6	0.7
Correlation	0.7	0.9

Geographical Exposure[2]



3 Year rolling returns[5] (measured monthly)	1 Year	3 Years	5 Years	Since Inception
Against Global Infrastructure Benchmark[4]				
No of observations	12	36	60	88
Average excess return (% p.a.) (Gross)	4.1	4.2	3.8	4.0
Average excess return (% p.a.) (Net)	3.5	3.5	3.1	3.3
Outperformance consistency (Gross)	100%	100%	95%	97%
Outperformance consistency (Net)	100%	94%	92%	94%

Performance[6]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	3.9	16.1	10.3	9.7	10.6	10.9
Composite (Net)	3.7	15.6	9.8	9.1	9.9	10.2
Global Infrastructure Benchmark	7.3	15.9	7.2	6.8	7.0	7.3
Excess (Gross)	-3.4	0.2	3.1	2.9	3.6	3.6
MSCI World NTR Index	-5.2	10.1	15.0	12.4	10.9	11.6

Annual Performance (%)[6]	CYTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Composite (Gross)	3.9	14.4	-1.3	29.0	-6.1	21.2	7.2	-0.1	17.4	14.0	16.4
Composite (Net)	3.7	13.8	-1.8	28.2	-6.7	20.4	6.5	-0.8	16.6	13.2	15.6
Global Infrastructure Benchmark	7.3	11.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	14.4	7.0
Excess (Gross)	-3.4	3.4	5.2	3.2	4.3	2.1	-4.2	12.1	3.3	-0.4	9.4
MSCI World NTR Index	-5.2	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	26.7	13.0

[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 Core 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 in USD and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with outperformance consistency indicating the percentage of positive excess returns. Strategy inception is 18 January 2012.
[6] 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. Strategy inception is 18 January 2012. 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.

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 business 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.

Strategy Commentary

The strategy recorded a positive return in the March quarter. Stocks that contributed the most included the investments in TC Energy Corp and Enbridge of Canada and Sempra Energy of the US. TC Energy was among the energy infrastructure companies that benefited from improving market sentiment as oil and gas prices rose, even though their earnings exhibit little sensitivity to movements in commodity prices. Enbridge, the owner and operator of the world's largest crude oil and liquids transportation system across Canada and the US, gained on a healthy full-year earnings report (gross profit of C$7.7 billion in 2021 versus C$4.2 billion in 2020) and as the oil price rose, despite having very limited direct exposure to the oil price. Sempra Energy rose after investors assessed that one fall-out of the Russia-Ukraine war is faster growth for the energy infrastructure's North American LNG export business.

The stocks that detracted the most were the investments in Cellnex Telecom of Spain and American Tower Corp and Crown Castle International of the US. Cellnex Telecom fell on concerns that inflation will stay elevated, hurting the real earnings power of communications infrastructure assets and increasing the risk of higher long-term policy rates. American Tower and Crown Castle, tower companies that often trade as bond proxies, fell after the Federal Reserve warned of and then in March raised the US cash rate to counter US inflation at a 40-year high.

Stock contributors/detractors are based in local currency terms.

Stock Story: Consolidated Edison

On 16 September 1878, The New York Sun reported that Thomas Edison had discovered a powerful means of producing electric light that promised "to make the use of gas for illumination a thing of the past". The news sparked a sell-off on Wall Street, home to the New York Stock Exchange: the stock of the New York Gas Light Company slumped more than 20% on the day as investors processed the implications of a technology claimed to be capable of providing light at less than 10% of the cost of the carburetted hydrogen gas then in use. Confronted with the risk of its product being rendered obsolete by Edison's invention, the New York Gas Light Company executed a merger with the five rival gas companies operating in New York City in 1884 to enhance its scale and put a stop to the competition between gas companies. In 1901, the merged entity, the Consolidated Gas Company of New York, used its financial resources to acquire a controlling interest in Edison's Electric Illuminating Company. The acquisition, a defensive manoeuvre, would prove transformational: the electrification of New York City and Westchester County delivered a generation of investment and growth that, in 1936, prompted the company to change its name to Consolidated Edison Company of New York.

Nearly 90 years on, another paradigm shift in the way energy is generated and consumed in New York is poised to present Consolidated Edison with a fresh growth opportunity that could be sustained for a generation. With a legislated target to achieve 100% carbon-free electricity by 2040 and economy-wide net-zero carbon emissions by 2050, New York has some of the most ambitious climate targets in the world. To equip its network to deliver this clean energy, support the electrification of the state's heavily emitting transportation and building heat sectors and increase the resilience of its network to the impacts of climate change, Consolidated Edison estimates that it will need to invest about US$68 billion at its key regulated utility subsidiary over the next decade, around two-and-a-half times the level of investment it deployed over the past 10 years. If approved by the regulator, this investment would drive massive growth in Consolidated Edison's 'rate base', a key measure of the company's earnings potential, to which the regulator applies the authorised rate of return when setting customer rates.

Securing approval for and delivering this level of investment will not be without challenges. Consolidated Edison projects that the implementation of its US$68 billion long-range plan will see its revenue requirement, a key component of the total customer bill, increase at a rate of about 8% per annum over 10 years. Sustained bill increases of this magnitude risk raising the ire of the company's customers and its regulators at the New York State Public Service Commission, where a subset of the commissioners that set electricity tariffs have historically advocated for rate increases to be limited to a level broadly in line with inflation. Consolidated Edison has sought to alleviate these concerns, pointing out that the 8% rate of growth in its revenue requirement overstates the impact on household budgets, with electricity charges likely to displace customer spending on gas heating for their homes and gasoline for their vehicles.

If it can navigate these challenges and deliver on its plans, Consolidated Edison, a company that traces its beginnings to 1823, will play a crucial role in addressing the greatest issue of the 21st century and reward investors in the process.

Stock Story: Aena

The check-in desks and baggage carousels at Adolfo Suarez Madrid-Barajas Airport, normally so noisy, were quiet in May 2020. Travel restrictions, implemented to slow the spread of the coronavirus, savaged passenger flows across Aena's network of Spanish airports to just over 1% of their level a year prior. Airlines, famed for their challenging economics under the best of conditions, clung to life with the support of government assistance or were forced into bankruptcy. The International Air Transport Association, a trade association for the world's airlines, forecast in June 2020 that global passenger traffic would not recover to pre-pandemic levels until at least 2024. Airports, accustomed to passenger volumes growing at a multiple of GDP and formidable operating margins, closed terminals to reduce operating costs and deferred capital spending, hoping to preserve enough cash to survive until travel resumed. Pessimistic investors fretted that airports would succumb to a liquidity crisis if lenders refused to refinance their debt. More sanguine investors reasoned that airports were too important to the national interest to fail but were left to mull the risk that government equity injections could dilute their investments.

Almost two years from the onset of the pandemic, the worst fears of listed airport investors have dissipated: lenders obligingly refinanced airport debt, sometimes at rates below legacy issuances, and airports were able to endure the most desolate phase of the crisis without needing extraordinary government assistance.

Recent industry data may see airport investors' relief turn to optimism. Passenger numbers at Aena's airports increased to 73% of their pre-pandemic level in February 2022, ahead of management's guidance for full-year traffic to recover to 68% of 2019 activity levels. Moreover, an Aena statement in March reveals that airlines have scheduled 215.6 million seats at the company's airports during the forthcoming summer season, about 1% more than were scheduled during the corresponding period in 2019 before the onset of the pandemic. While Aena cautions that the scheduling of seats and movements remains subject to change by the airlines, the announcement points to the possibility of a materially faster recovery in aviation activity than investors anticipate.

That bodes well for Aena, the world's largest airport operator in terms of passenger traffic that generated 2.4 billion euros in revenue in fiscal 2021. The majority-Spanish-government-owned company earned that title, prior to the pandemic, by shuffling 275 million passengers through Spain's 46 airports and two heliports and another 18 million people through its 51%-owned Luton in the UK, one of the 45 airports outside Spain in which Aena has a direct or indirect holding. At all these airports, there are lots of people making lots of noise, glad to be travelling again.