

MFG Core Infrastructure

Strategy Update: 30 June 2014

Portfolio Manager

Dennis Eagar/Gerald Stack

Inception date

19 December 2009

Total Infrastructure Assets¹

USD \$3,841.8 million / GBP £2,246.9 million

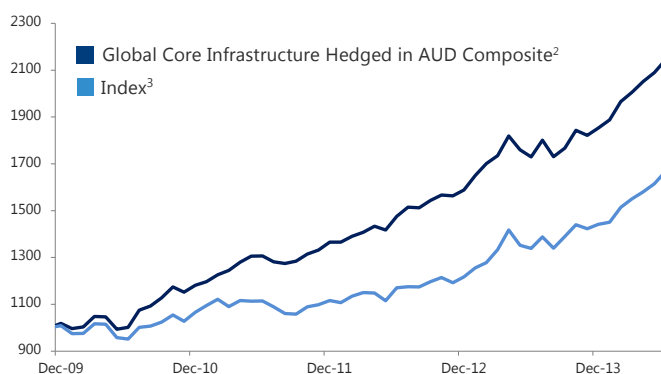
Composite Size²

USD \$423.9 million / GBP £247.9 million

AUD Hedged Gross Performance²

	Composite %	Index % ³	Excess Return %
1 Month	2.6	3.3	-0.7
3 Months	6.9	7.6	-0.7
6 Months	15.7	15.7	0.0
1 Year	24.0	24.6	-0.6
2 Years (% p.a.)	20.5	19.4	1.1
3 Years (% p.a.)	18.0	14.4	3.6
4 Years (% p.a.)	21.0	15.1	5.9
Since Inception (% p.a.)	18.3	11.9	6.4
Since Inception	114.4	66.8	47.6

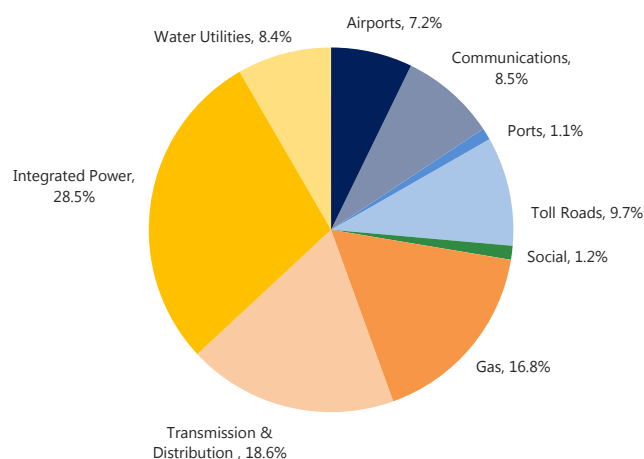
Performance Chart Growth of AUD \$1,000



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

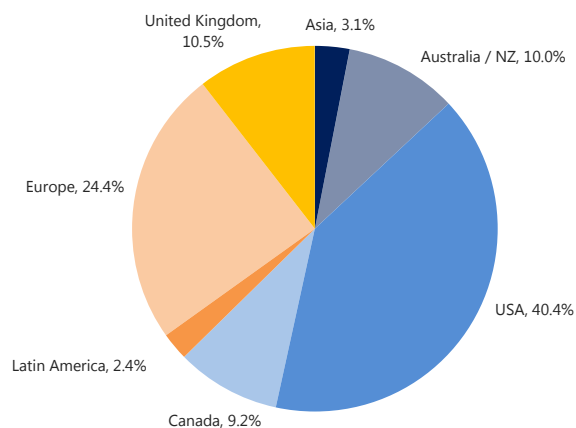
Industry Exposure⁴



AUD Hedged Risk Measures Since Inception²

Upside Capture	1.1
Downside Capture	0.5
Beta	0.8
Information Ratio (% p.a.)	1.6

Geographical Exposure⁴



Top 10 Holdings⁴

	Sector	% of Strategy
Abertis	Toll Roads	3.1
SES GDR	Communications	3.1
Power Assets Holdings	Integrated Power	3.0
National Grid PLC	Transmission and Distribution	3.0
TransCanada Corp	Gas Utilities	3.0
Enbridge Inc	Gas Utilities	2.9
Transurban Group	Toll Roads	2.9
Snam Rete Gas SpA	Gas Utilities	2.9
United Utilities Group Plc	Water Utilities	2.8
Red Electrica De Espana SA	Transmission and Distribution	2.7

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

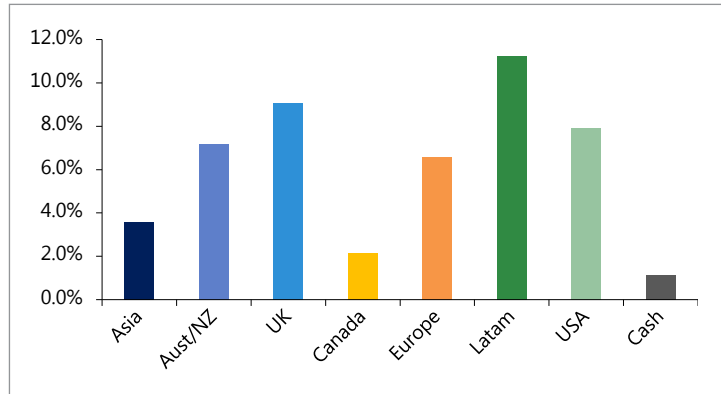
⁴ Representative Portfolio. *Refer overleaf for further information.

Performance

During the June 2014 quarter in AUD terms, the MFG Core Infrastructure Strategy ('Strategy') returned 6.9%, compared with the benchmark UBS Infrastructure & Utilities Index's return of 7.6%. The returns for the 12 months to the end of June were 24.0% for the strategy and 24.6% for the benchmark. The returns since inception to the end of June were 18.3% p.a. for the Strategy and 11.9% p.a. for the benchmark.

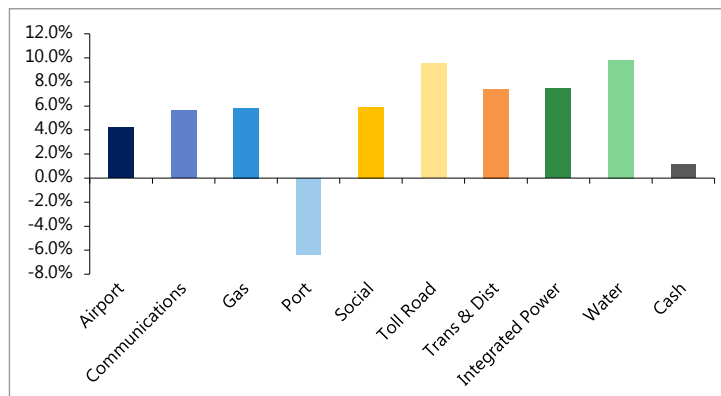
As the following graph illustrates, all regions showed very solid returns for the quarter.

Figure 1: Returns by Region in Local Currency (June 2014)



The ports sector was the only sector to record negative returns for the quarter. This sector represents less than 2% of the total strategy's exposures so it had little impact on total returns. The following graph shows returns for the quarter by sector.

Figure 2: Returns by Sector in Local Currency (June 2014)



An outstanding feature of the June 2014 quarter was the level of M&A action among the stocks in the Strategy. Four stocks, US utilities Pepco Holdings and Integrys Energy and two Australian utilities, Envestra & DUET, were the subject of takeover offers during the quarter.

The best performing stocks during the quarter were Pepco Holdings (Total Shareholder Return in local currency of +35.5%), Mexican Airport company GAPB (TSR of +22.5%), Envestra, (+20.9%), Integrys Energy (+20.7%) and DUET (+20.5%). As previously mentioned, the Ports sector was the only negative performer for the quarter with Dutch oil & chemical tank storage company Vopak generating a TSR of -9.7% - the worst performing stock in the portfolio during the quarter.

In regard to stocks excluded from the MFG Asset Management ("MFGAM") defined infrastructure investment universe but included in commonly used benchmarks, unregulated power generation companies generally performed strongly during the quarter (as they did in the previous quarter). The Generation sector delivered a TSR of 14.5% in the June 2014 quarter.

Elsewhere, US oil & gas MLP's were up strongly with average TSRs in excess of 14% while Chinese infrastructure stocks were up over 8% as were US & Canadian rail stocks.

There were no changes to the constituent stocks in the Strategy during the quarter.

Outlook and Strategy

The Strategy is designed to provide investors with real returns of 5% to 6% over the longer term. Such a return assumes that all stocks are fairly priced at the start of the return period, i.e. stocks don't have to be cheap to start with to generate our expected long term return. Despite the fact that returns in recent years from this strategy have been well above our long run return expectations, we continue to believe that it will deliver high single digit absolute returns in the medium term.

There have been minimal changes to the types of stocks held in the Strategy over the last decade and no changes to the rules used to determine what stocks should be excluded or included in the Strategy. The Strategy has served investors well up to this time and we firmly believe it will continue to do so while acknowledging that, if markets continue to rise at double digit rates, the strategy will underperform the broader equities market.

Regardless, MFGAM notes that there remains many potential catalysts for an equity market downturn during which an investment in the Strategy would, on the basis of historical evidence, prove a very valuable defensive hedge against such an event.

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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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^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