MFG ASSET MANAGEMENT

MFG Select Infrastructure

Key Facts

Portfolio Managers	Gerald Stack & Dennis Eagar
Inception Date	2 May 2013
Total Infrastructure Assets[1]	USD $4,280.7 million
Total Strategy Assets	USD $1,256.7 million

USD Gross Performance[2]

	Composite	Index	Excess Return
3 Months (%)	4.4	-2.4	6.8
6 Months (%)	4.7	-9.5	14.2
1 Year (%)	3.9	-12.2	16.1
2 Years (% p.a.)	8.9	0.1	8.8
Since Inception (% p.a.)	8.4	0.4	8.0

	Composite	Index	Excess Return
2013 *(%)	4.6	0.9	3.7
2014 (%)	14.1	14.1	0.0
2015 (%)	3.9	-12.2	16.1

AUD Hedged 5 Year Risk Measures[3]

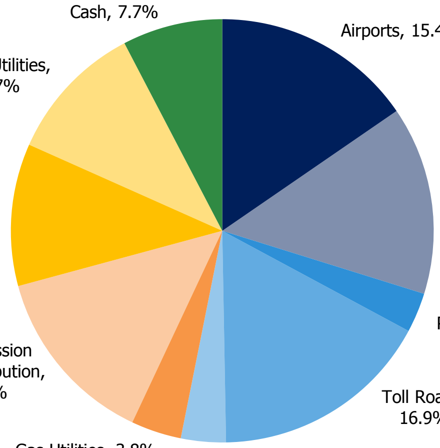
	Against Benchmark	Against Global Equities
Upside Capture	1.0	0.7
Downside Capture	0.3	-0.1
Beta	0.6	0.3
Correlation	0.8	0.5

An AUD Hedged series is provided to illustrate relative risk due to the relatively short US Dollar History

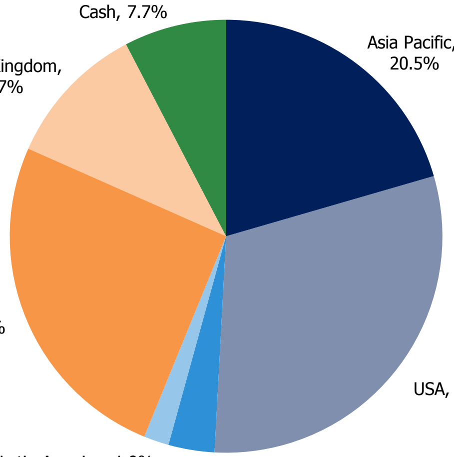
Top 10 Holdings[4]

	Sector	%
Transurban Group	Toll Roads	9.1
Crown Castle International Corp	Communications	6.6
National Grid Plc	Transmission and Distribution	6.4
Atlantia Spa	Toll Roads	4.8
SES	Communications	4.6
ITC Holdings Corp	Transmission and Distribution	4.5
American Water Works Co Inc	Water Utilities	4.5
Auckland International Airport	Airports	4.2
Flughafen Zeurich AG	Airports	3.7
Sydney Airport	Airports	3.6
	TOTAL	52.0

Industry Exposure[4]



Geographic Exposure[4]



[1] Total Firm Infrastructure assets comprises of the Select Infrastructure strategy and Core Infrastructure strategy.
[2] Returns are for the Global Select Infrastructure Composite in USD. The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities USD NTR Index and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR (USD) Index.
[3] Risk measures are for the Global Select Infrastructure Hedged in AUD composite. The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged). The Global Equity Index is the MSCI World NTR Index (AUD Hedged).
[4] Representative Portfolio. Exposures are by domicile of listing.
* Returns are only for part year

Performance

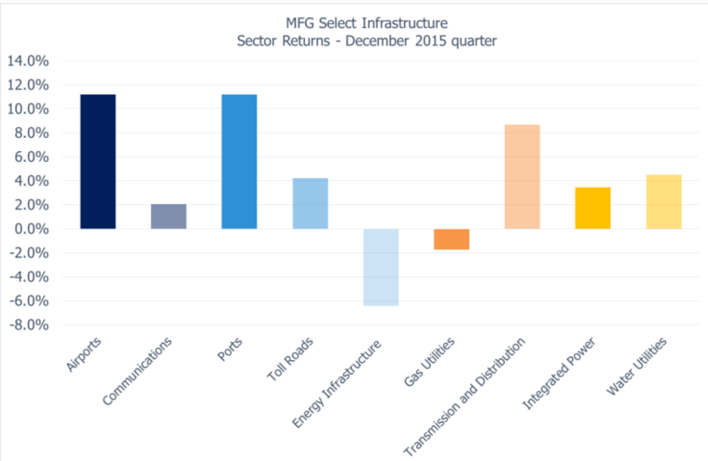
Over the December 2015 quarter, in US dollar terms, the Strategy returned +4.4% before fees. This was 6.8% better than the benchmark[5] of -2.4%. This brought the 1 year return to 31 December 2015 for the Strategy to +3.9%, 16.1% better than the benchmark return of -12.2%. The Strategy also outperformed global equities over the year to 31 December 2015 with the MSCI World NTR USD Index returning -0.9%.

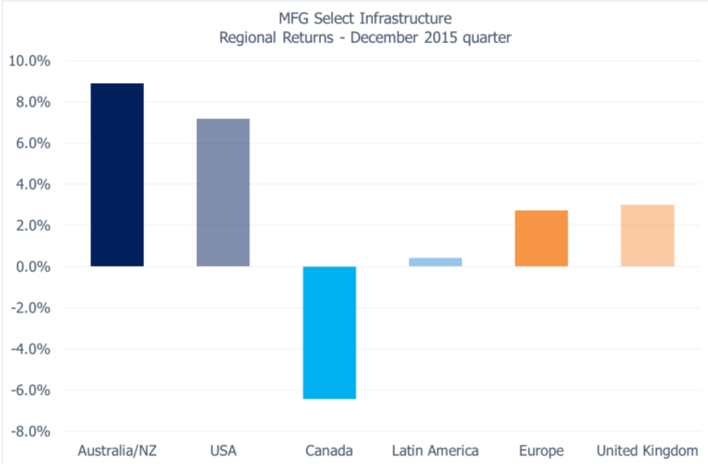
Recent results have reaffirmed the notion that what you exclude from a portfolio can be as important as what you include. We control this risk by maintaining a strict definition of what constitutes infrastructure. Recent volatility in global equity markets saw a flight to high quality defensive stocks such as those held by the Strategy. We also saw a sell-off of infrastructure stocks in emerging markets as well as stocks with material earnings exposure to oil prices – stocks commonly found in benchmark infrastructure indices but excluded from Magellan's infrastructure universe.

The best performing stocks held in the Strategy were US electric transmission company, ITC (total shareholder return for the quarter of +18.3%, in local currency terms), Auckland Airport (+17.8%), Kansas-based power utility, Westar (+11.2%) and Dutch oil and chemical tank storage company, Vopak (+11.2%). The only meaningful negative-performing stocks for the quarter were European satellite company, SES (-9.2%) and Canadian oil & gas pipeline company, Enbridge (-6.4%).

The performance of the benchmark S&P Global Infrastructure Index was adversely impacted by its holdings in oil & gas pipeline companies, which were down by a weighted average 29.0% for the quarter. Examples of badly hit stocks included Westshore Terminals (-53.5%), Targa Resources (-46.6%), Kinder Morgan (-45.1%) and The Williams Companies (-28.7%) – all in local currency terms.

The Strategy's returns for the quarter by sector and region are shown in the following graphs:





Stock in Focus – Aéroports de Paris

AÉROPORTS DE PARIS

We have recently added Aéroports de Paris (ADP) to the Strategy. ADP is the owner and operator of the Paris airport system. This includes both the Charles de Gaulle and Orly airports as well as 10 other general aviation airports in the Paris region.

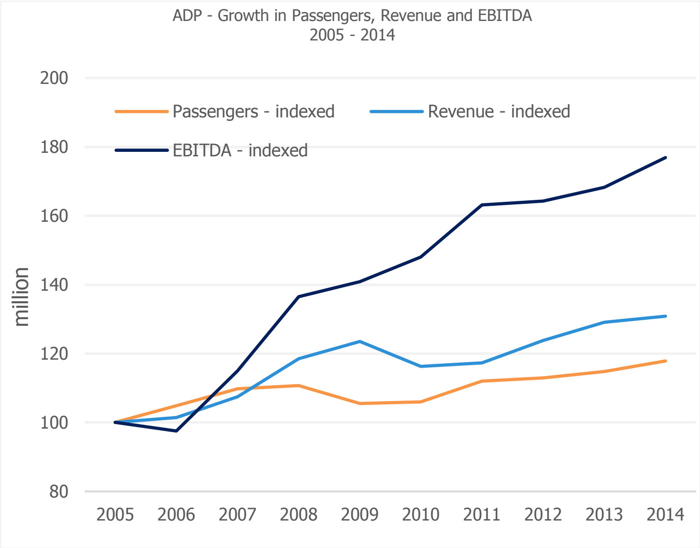
In 2014, these airports handled 92.7 million passengers, making it the second largest airport system in Europe (after London). Paris-Charles de Gaulle airport ranks 8th in the world for passenger traffic and second in Europe for air cargo.

The Paris airports host the majority of the world's major international airlines, including those belonging to the three principal alliances, SkyTeam, Star Alliance and Oneworld. In 2014, ADP had services to more than 319 cities via regular flights from Paris-Charles de Gaulle and Paris-Orly.

High quality airports benefit from a near monopoly stream of passengers through which they are able to generate both aeronautical and commercial income. Regulation is structured to allow the aeronautical operations to earn returns in line with the cost of capital, but with no restrictions placed on the returns that can be generated from non-aeronautical operations, such as retail and commercial property.

Aviation remains a global growth sector. Since the development of commercial aviation, passenger throughput at major commercial airports has grown at multiples of GDP over any medium-term period, reflecting increasing wealth, real reductions in the cost of air travel and improvements in international airspace regulation. These factors remain relevant on a forward looking basis.

As highlighted on the following graph, since 2005, the trends noted above have allowed ADP to grow passenger traffic at 1.8% p.a which, combined with price and non-regulated income growth, translates to revenue growth of 3.4% p.a and EBITDA growth i.e. revenue minus costs, at 5.5% p.a.



It is interesting to note from the above graph that while passenger numbers declined modestly in 2009 and 2010 as the Global Financial Crisis impacted discretionary travel, ADP was able to grow EBITDA quite strongly over the same period.

MFG Asset Management considers ADP as having an attractive economic moat that is derived from its position as the monopoly airport owner in Paris, which is both a major tourist destination as well as a significant population hub. This places ADP in an attractive position of having 70% of its traffic coming from origin and destination passengers where there is very limited competition. However, for the other 30% of hub (or transfer) traffic, ADP benefits from significant network effects with major airlines (including its primary tenant, Air France-KLM) relying on Charles de Gaulle as a central location from which to run a 'hub-and-spoke' network.

The key issues that concern us when considering an investment in ADP are the periodic and largely unexpected declines in passenger demand that occur for air travel from exogenous factors such as wars, disease outbreaks or economic downturns. However, these downturns are typically short-lived, with data demonstrating that demand returns to its long-term growth trend with a relatively short period.

Outlook and Strategy

The Strategy remains consistent with previous periods and is not expected to change over the long term.

The Strategy seeks to provide investors with attractive risk-adjusted returns from the infrastructure asset class. It does this by investing in a portfolio of listed infrastructure companies that meet our strict definition of infrastructure at discounts to their assessed intrinsic value. We expect the Strategy to provide investors with real returns of approximately 5% to 6% 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, given the predictable nature of earnings and the structural linkage of those earnings to inflation, investment returns generated by infrastructure assets are different from traditional asset classes and offer investors valuable diversification when included in an investment portfolio. In the current uncertain economic and investment climate, the reliable financial performance of infrastructure investments makes them particularly attractive and an investment in listed infrastructure can be expected to reward patient investors with a three to five-year timeframe.

IMPORTANT NOTICE

Performance is compared to the Global Infrastructure Benchmark which comprises of the following: from inception to 31 December 2014, the benchmark is UBS Developed Infrastructure & Utilities Index NTR Index and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index. Both indices are market capitalisation weighted indices that are designed to measure the 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.

GIPS® DISCLOSURE

MFGAM 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 MFGAM. The Magellan Select Infrastructure composite is a concentrated global strategy investing in strictly defined or "pure" infrastructure companies (typically 20-40). 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. A compliant presentation can also be obtained by emailing this address.

^ 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.