

# Magellan Core Infrastructure

Strategy Update: 30 June 2013

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

Total Infrastructure Assets<sup>1</sup>  
USD \$2,386.7 million / GBP £1,573.6 million  
Composite Size<sup>2</sup>  
USD \$365.9 million / GBP £241.3 million

## AUD Hedged Gross Performance<sup>2</sup>

	Composite %	Index % <sup>3</sup>	Excess Return %
1 Month	-1.7	-1.0	-0.7
3 Months	-0.3	0.4	-0.7
6 Months	8.9	10.0	-1.1
1 Year	17.2	14.4	2.8
2 Years ( p.a.)	15.1	9.6	5.5
3 Years ( p.a.)	20.0	12.0	8.0
Since Inception ( p.a.)	16.7	8.6	8.1
Since Inception	73.0	33.9	39.1

## AUD Hedged Gross Performance - Calendar Year<sup>2</sup>

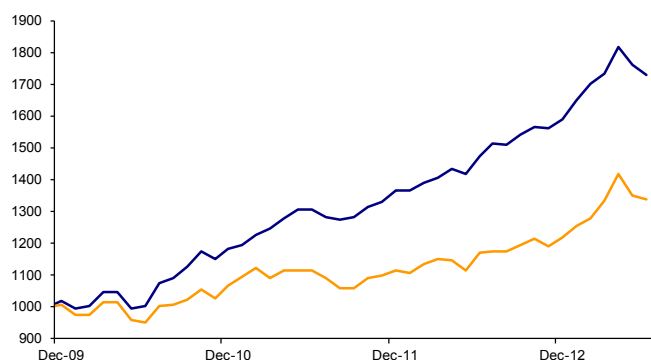
	Composite %	Index % <sup>3</sup>	Excess Return %
2009 (part year)	1.9	0.9	1.0
2010	15.9	5.7	10.2
2011	15.6	4.7	10.9
2012	16.3	9.1	7.2
2013	8.9	10.0	-1.1

## AUD Hedged Risk Measures Since Inception<sup>2</sup>

Upside Capture	1.1
Downside Capture	0.4
Beta	0.8
Information Ratio (p.a.)	1.9
Tracking Error (p.a.)	4.2%
Worst Drawdown - Composite	-5.2%
Worst Drawdown - Index <sup>3</sup>	-6.4%

## Performance Chart Growth of AUD \$1,000

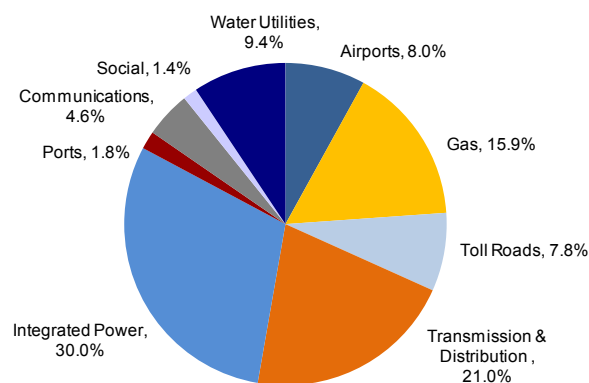
■ Global Core Infrastructure Hedged in AUD Composite<sup>2</sup> ■ Index<sup>3</sup>



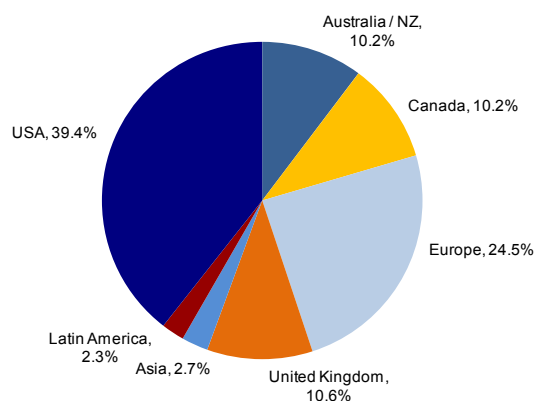
## Top 10 Holdings<sup>4</sup>

	Sector	% of Strategy
National Grid PLC	Transmission & Distribution	3.0
TransCanada Corp	Gas	3.0
Enbridge Inc	Gas	3.0
SES GDR	Communications	3.0
Abertis	Toll Road	3.0
Snam Rete Gas SpA	Gas	3.0
Transurban Group	Toll Road	2.9
United Utilities Group Plc	Water Utility	2.7
Power Assets Holding	Integrated Power	2.7
PG & E Corporation	Transmission & Distribution	2.3

## Industry Exposure<sup>4</sup>



## Geographical Exposure<sup>4</sup>



<sup>1</sup> Comprised of the total Firm Infrastructure assets, comprising the Infrastructure strategy and Core Infrastructure strategy.

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

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

<sup>4</sup> Representative Portfolio. ^Refer overleaf for further information.

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## Market Commentary

During the June 2013 quarter, global markets largely focused on the implications of central bankers' actions. The inevitable unwinding of quantitative easing in the US, the three-prolonged approach of "Abenomics" in Japan and China's apparent tightening of short-term liquidity amid renewed focus on the risks within its shadow banking system all affected investor sentiment during the period.

While traditional markets have continued to be volatile, regulated utilities and infrastructure assets have continued to quietly go about their business of providing essential services. Consumers continue to turn the lights on, go to the restroom and use their cars and, accordingly, the owners of the assets that provide these services continue to earn reliable returns. At the more risky end of the spectrum, airports in developed markets continue to benefit from emerging market populations' increasing interest in international tourism.

## Strategy Commentary

During the June 2013 quarter, the Magellan Core Infrastructure Strategy returned -0.3%, gross of fees, compared with the UBS Infrastructure & Utilities Index's return of +0.4%.

Results were mixed in sector terms. Toll road investments rose over 6% and airports were up almost 3%, despite the fact that the Strategy's three Mexican airport holdings entered a period of consolidation after strong runs. Conversely, communications, which fell over 12%, and Canadian utilities, down over 5% on average, held back the Strategy's performance as positions in these areas reacted negatively to rising bond yields.

The June quarter also saw a strong recovery in certain areas that had performed very poorly in recent years. As such, the lack of exposure to Japanese stocks, which rose over 23% on average, and the Rail sector, which was up more than 6%, was detrimental.

## Outlook

MFGAM believes that infrastructure assets continue to offer an attractive long-term investment proposition, particularly in the current uncertain economic climate, given the predictable nature of their earnings and the structural linkage of those earnings to inflation. An investment in listed infrastructure can be expected to reward investors over longer timeframes (3 to 5 years), while providing portfolios with a source of diversified returns (when compared to traditional asset classes).

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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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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

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