MFG ASSET MANAGEMENT

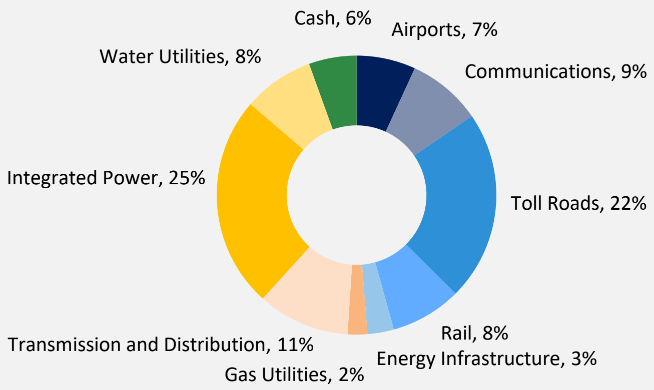
MFG Select Infrastructure (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets[1]
Gerald Stack	2 May 2013	USD $6,584.7 million	USD $13,833.6 million

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

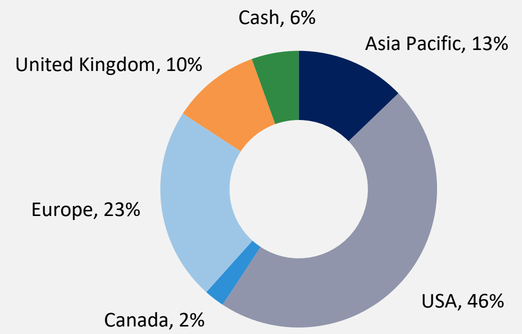
Top 10 Holdings[2]	Sector	%
Transurban Group	Toll Roads	8.0
Vinci SA	Toll Roads	6.1
Dominion Energy Inc	Integrated Power	5.1
United Utilities Group Plc	Water Utilities	4.5
Sempra Energy	Integrated Power	4.5
American Tower Corporation	Communications	4.4
Crown Castle International	Communications	4.1
Atlantia SpA	Toll Roads	4.1
Atlas Arteria	Toll Roads	3.8
Eversource Energy	Transmission and Distribution	3.8
	TOTAL:	48.4

Sector Exposure[2]



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

Geographical Exposure[2]



3 Year rolling return[5] (measured monthly)	1 Year	3 Years	5 Years	Since Inception
Against the Infrastructure Benchmark[4]				
No. of observations	12	36	60	75
Average excess return (% p.a.) (Gross)	0.6	3.0	3.4	3.7
Average excess return (% p.a.) (Net)	-0.2	2.2	2.5	2.8
Outperformance consistency (Gross)	75%	92%	95%	96%
Outperformance consistency (Net)	25%	75%	83%	87%

Performance[6]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	-7.5	2.7	2.4	5.8	7.7	7.8
Composite (Net)	-7.7	1.9	1.6	4.9	6.9	7.0
Global Infrastructure Benchmark	-7.7	4.8	2.7	3.9	4.8	4.9
Excess (Gross)	0.2	-2.1	-0.3	1.9	2.9	2.9
MSCI World NTR Index+	-16.2	-14.3	7.0	7.7	7.5	8.2

Annual Performance[6] (%)	CYTD	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Composite (Gross)	-5.0	13.6	-5.7	26.7	-4.4	25.0	4.4	3.9	14.1	4.6
Composite (Net)	-5.4	12.7	-6.4	25.7	-5.2	24.0	3.6	3.1	13.2	4.0
Global Infrastructure Benchmark	-0.9	11.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	0.9
Excess (Gross)	-4.1	2.6	0.8	0.9	6.0	5.9	-7.0	16.1	0.0	3.7
MSCI World NTR Index+	-20.5	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	14.7

[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 calculated before fees in USD. The Global Equities 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 2 May 2013.
[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. Strategy inception is 2 May 2013. 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.
[+] All data is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/.
* 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.

Strategy Commentary

The strategy recorded a negative return in the June quarter. The stocks that detracted the most were the investments in Aena of Spain and Norfolk Southern and CSX, two railroad companies from the US. Aena slid after the world's largest airport operator, despite a strong traffic recovery, reported disappointing earnings for the first quarter on the back of higher energy prices. Norfolk Southern and CSX slid on rising talk that tighter monetary policy could send the US economy into a recession, which would hurt railroad volumes, even though railroaders overall reported encouraging results for the first quarter. Norfolk Southern, for instance, posted operating revenue of US$2.9 billion, an increase of 12%.

Stocks that contributed the most included the investments in Atlantia of Italy and Atlas Arteria and Transurban of Australia. Atlantia surged after the Benetton family, the largest shareholder in the motorway and airport infrastructure company with a 33% stake, announced a takeover of 23 euros a share to take the company private. Atlas Arteria, which operates four toll roads across France, Germany and the US, rose after Australian-based IFM Investors took a stake in the company and commenced discussions over a potential take-private transaction. Transurban rose as traffic numbers recovered to pre-pandemic levels and the tollway operator likewise benefited from the inflation protection tollways offer investors.

Stock contributors/detractors are based in local currency terms.

Stock Story: Atlantia

Atlantia

During 2021, Italian infrastructure group Atlantia agreed to sell its 88% stake in tollway-operator Autostrade per l'Italia for an estimated 8 billion euros. This asset was previously considered the key asset within Atlantia's business.

This sale followed a period in which the company had found itself facing off against the Italian government due to a tragic event. In 2018, the Morandi Bridge in Genoa collapsed, killing 43 people. The bridge was managed by Autostrade under its concession agreement. Conflict with the government escalated quickly, and Rome threatened to revoke Autostrade's concession. While we considered that Atlantia at its core was a stable, quality infrastructure operation, the risks during this period created so much uncertainty we no longer considered the company a conservative and reliable infrastructure investment.

The sale of Autostrade, however, meant the quality of Atlantia's remaining assets became the focus. Furthermore, the company would now be receiving significant proceeds from the sale allowing management to undertake targeted investment opportunities and a buyback to return capital to shareholders.

Post the sale of Autostrade, the key assets for Atlantia include toll roads, airports and adjacent mobility businesses. The Abertis Group, an important operator in global toll road markets, is jointly owned by Atlantia and Spanish construction company ACS. This group controls a diversified portfolio of motorway concessions that make Atlantia responsible for the development, maintenance and operation of about 7,800 kilometres of tollways across four continents, operating in countries such as Brazil, Chile, France, India, Italy, Mexico, Spain and the US. Atlantia also holds a portfolio of toll road assets separate from its operations in Abertis, providing it with additional exposure to the long-term growth characteristics of these assets.

Another important asset for the Atlantia group is Aeroporti di Roma, which operates Rome's main airports. This is operated under a long-term agreement extending to 2046 and will provide an attractive long-term exposure to the global aviation market, along with the post-covid recovery in traffic.

Atlantia has also developed adjacent mobility businesses such as Telepass, which operates electronic-tolling and other transport-payment systems such as car parks and restricted traffic zones in Europe. Atlantia in January this year bought Siemens's road traffic unit for 950 million euros. Atlantia took interest because Yunex Traffic, which makes traffic lights and associated software systems, fitted with Atlantia's strategy to expand its technology product offerings. While Magellan does not consider these business to be pure infrastructure, assets such as Telepass have proven to be an attractive opportunity for the business over time.

We weren't the only investors who noted the strength of Atlantia's assets post the Autostrade sale. Private-equity investors and strategic buyers soon circled. The largest shareholder on the Atlantia register, the Benetton-backed Edizione, in April this year was drawn to make an offer. Edizione teamed with US-based buyout specialist Blackstone Group to make a 19-billion-euro bid for the remaining shares of the company.

While the buy-out offer for Atlantia has not reached a conclusion, the situation demonstrates the widespread appeal of high-quality infrastructure assets that provide long-term, stable and growing cash flow streams to investors.

Sources: Dunn & Bradstreet, Bloomberg and company filings.