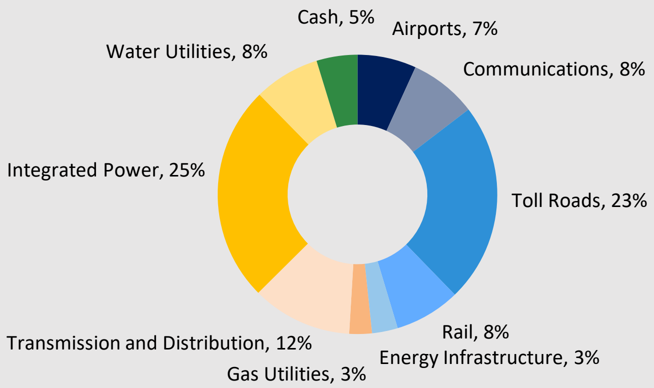
MFG Select Infrastructure (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets[1]
Gerald Stack	2 May 2013	USD $5,488.7 million	USD $10,778.3 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

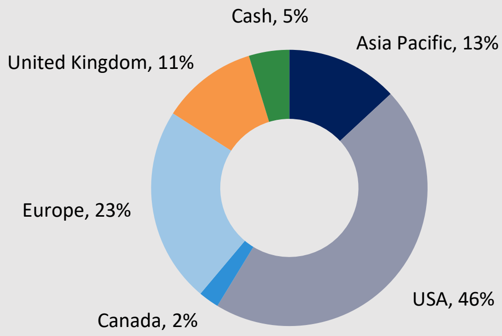
Top 10 Holdings[2]	Sector[2]	%
Transurban Group	Toll Roads	7.4
Vinci SA	Toll Roads	6.4
Sempra Energy	Integrated Power	5.1
National Grid Plc	Transmission and Distribution	4.9
Dominion Energy Inc	Integrated Power	4.8
Atlas Arteria	Toll Roads	4.8
American Tower Corporation	Communications	4.3
United Utilities Group Plc	Water Utilities	4.1
Atlantia SpA	Toll Roads	3.9
Eversource Energy	Transmission and Distribution	3.8
	TOTAL:	49.5

Sector Exposure[2]



USD 5 Year Risk Measures[3]	Against Global Equities	Against Infrastructure Benchmark[4]
Upside Capture	0.7	0.9
Downside Capture	0.7	0.9
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	78
Average excess return (% p.a.) (Gross)	-0.2	2.5	3.1	3.5
Average excess return (% p.a.) (Net)	-1.0	1.7	2.2	2.6
Outperformance consistency (Gross)	50%	83%	90%	92%
Outperformance consistency (Net)	8%	67%	78%	83%

Performance[6]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	-12.3	-9.4	-2.5	2.5	5.7	6.1
Composite (Net)	-12.4	-10.2	-3.3	1.7	4.8	5.3
Global Infrastructure Benchmark	-9.8	-6.7	-0.9	1.2	4.4	3.7
Excess (Gross)	-2.5	-2.7	-1.6	1.3	1.3	2.4
MSCI World NTR Index+	-6.2	-19.6	4.6	5.3	7.9	7.2

Annual Performance[6] (%)	CYTD	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Composite (Gross)	-16.6	13.6	-5.7	26.7	-4.4	25.0	4.4	3.9	14.1	4.6
Composite (Net)	-17.1	12.7	-6.4	25.7	-5.2	24.0	3.6	3.1	13.2	4.0
Global Infrastructure Benchmark	-10.7	11.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	0.9
Excess (Gross)	-5.9	2.6	0.8	0.9	6.0	5.9	-7.0	16.1	0.0	3.7
MSCI World NTR Index+	-25.4	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 MSCI 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.mfgam.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 September quarter when higher interest rates reduced the allure of safer equities. The stocks that detracted the most were the investments in Transurban and Atlas Arteria of Australia and Dominion Energy. Transurban declined after its full-year fiscal 2022 result and distribution target for fiscal 2023 (of 53 Australian cents per unit; +30% approximately) disappointed. Atlas Arteria, which operates four toll roads across France, Germany and the US, declined after a capital raising for the acquisition of the Chicago Skyway, a US toll road. Dominion Energy fell following a poor outcome in the final regulatory order for a large offshore wind project in Virginia. The company is appealing this decision.

The only stock that contributed was Atlantia of Italy. Atlantia rose after the infrastructure group's share price was supported by the ongoing takeover process.

Stock contributors/detractors are based in local currency terms.

Stock Story: SNAM

In May, Snam paid US$350 million for Italy's first floating regasification unit. Such vessels convert liquefied natural gas brought by ship into gas suitable for transporting within the 41,000 kilometres of pipelines that the Italian gas network operator owns and operates in its homeland, as well as in Austria, France, Greece and the UK.

In July, Snam purchased another floating unit for US$400 million. The object of the spending is to help gas-import-dependent Italy cut its reliance on the Russian gas that supplied about 40% of the country's gas before the Ukraine War. Italy has already reduced its reliance on Russian gas to 25% of imports.

Such steps are tied to the energy crisis spurred by Russia's invasion of its neighbour and Moscow's subsequent moves to curtail gas deliveries in retaliation for sanctions. Snam, which earned 3.3 billion euros in revenue in fiscal 2021 (about 70% of which came from transporting gas and another 16% from storage), is poised to benefit from investment opportunities as it helps Italy turn to other countries to obtain gas.

The challenges for Snam posed by Europe's energy crisis are formidable, especially as it has had to work to ensure adequate storage levels are reached in its facilities for the coming winter. However, the task is made easier by the way Snam, as a provider of an essential service, is regulated. As an economically regulated utility, Snam's revenue is not expected to drop noticeably, as less than 1% of Snam's revenue is linked to gas volumes. Earnings are instead tied to the level of investment by Snam into the network (which is known as the 'regulated asset base') and allowed return on capital the regulator sets on this spending. This framework provides predictability and stability to the company's earnings outlook. Further, the invested capital is indexed to inflation over time, providing a protection of real earnings power for investors.

Snam's opportunity is that the Italian government is driving the push to divert the source of the country's energy supplies and this initiative requires investment. The company's spending on the floating regasification plants, for instance, earns a decent and dependable return for investors. There are likely to be other such investments required to manage the changed pattern of gas flows across the country.

Longer term, Snam will benefit from the drive to renewables. The company is expected to have a role in the transportation and storage of green gases such as biomethane and hydrogen – both considered important planks in the energy transition in Europe for hard-to-abate sectors such as industrial and heating. While this is a long-term opportunity, Snam is already flagging that it expects to spend more than 8 billion euros on developing infrastructure for the green switch.

Biomethane is a sustainable natural gas made from waste biomass such as agricultural by-products, animal droppings, dedicated crops and food waste. Green hydrogen is touted as a key part of the drive to net-zero emissions because electrolysers that split water into its two elements of hydrogen and oxygen produce emissions-free energy. Snam's gas infrastructure means the company is set for any transition to hydrogen.

In a world of energy crises and the shift to renewables, Snam's dependable regulated returns and its ability to expand its regulated asset base means the company offers the regular income and growth potential that the Magellan infrastructure team demands of stocks included in its portfolio.

Snam comes with risks, of course. The main longer-term one is that renewably sourced electricity might reduce household and business demand for natural gas by more than expected. A shorter-term risk is Snam maintaining its standing in the community to ensure regulators don't come under political pressure to lower Snam's allowable return if the company is seen to be benefiting from the energy crisis.

Each new regasification unit that helps Italy battle through Europe's energy crisis, however, boosts Snam's public standing and, as that rate base expands, its standing among investors too.