MFG ASSET MANAGEMENT

MFG Global Core Infrastructure (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets[1]
Gerald Stack	18 January 2012	USD $7,563.1 million	USD $14,951.9 million

Objective

Capital preservation in adverse markets

Pre-fee return of CPI plus 5%p.a. through the economic cycle

Approach

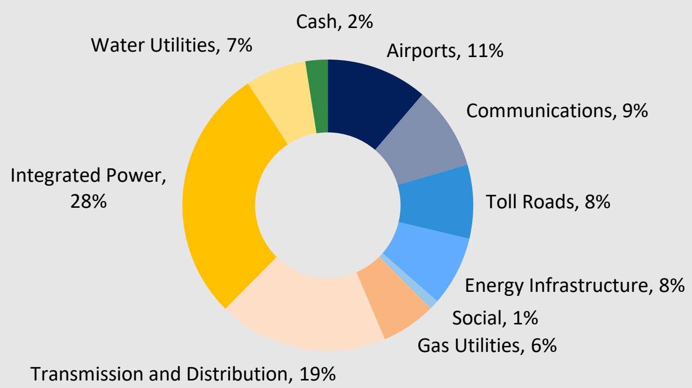
Diversified rules-based portfolio applying our proprietary infrastructure classification

Highly defensive, inflation-linked exposure

Benchmark unaware

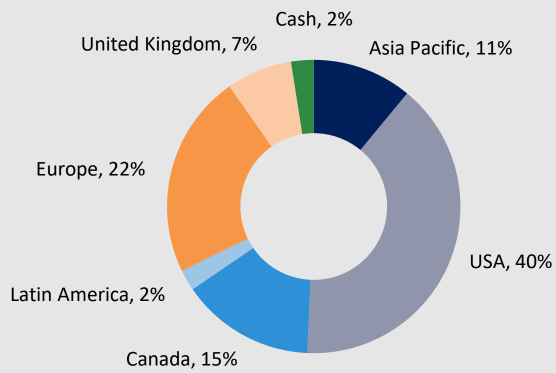
Top 10 Holdings[2]	Sector[2]	%
Vinci SA	Toll Roads	3.0
Enbridge Inc	Energy Infrastructure	3.0
TC Energy Corporation	Energy Infrastructure	3.0
Fortis Inc	Transmission and Distribution	3.0
Transurban Group	Toll Roads	3.0
National Grid PLC	Transmission and Distribution	2.9
Aena SME SA	Airports	2.9
Cellnex Telecom SA	Communications	2.8
Snam SpA	Gas Utilities	2.6
Crown Castle International	Communications	2.2
	TOTAL:	28.4

Sector Exposure[2]



USD 5 Year Risk Measures[3]	Against Global Equities	Against Infrastructure Benchmark[4]
Upside Capture	0.6	1.0
Downside Capture	0.5	0.8
Beta	0.6	0.7
Correlation	0.7	0.9

Geographical Exposure[2]



3 Year rolling returns[5] (measured monthly)	1 Year	3 Years	5 Years	Since Inception
Against the Infrastructure Benchmark[4]				
No of observations	12	36	60	85
Average excess return (% p.a.) (Gross)	4.3	3.9	3.9	4.0
Average excess return (% p.a.) (Net)	3.7	3.2	3.2	3.3
Outperformance consistency (Gross)	100%	92%	95%	96%
Outperformance consistency (Net)	100%	86%	92%	94%

Performance[6]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Year (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	7.6	14.4	13.3	10.6	8.5	10.8
Composite (Net)	7.4	13.8	12.7	10.0	7.9	10.0
Global Infrastructure Benchmark	4.4	11.0	9.3	6.9	4.5	6.7
Excess (Gross)	3.2	3.4	4.0	3.7	4.0	4.1
MSCI World NTR Index	7.8	21.8	21.7	15.0	11.5	12.5

Annual Performance(%)[6]	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Composite (Gross)	14.4	-1.3	29.0	-6.1	21.2	7.2	-0.1	17.4	14.0	16.4
Composite (Net)	13.8	-1.8	28.2	-6.7	20.4	6.5	-0.8	16.6	13.2	15.6
Global Infrastructure Benchmark	11.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	14.4	7.0
Excess (Gross)	3.4	5.2	3.2	4.3	2.1	-4.2	12.1	3.3	-0.4	9.4
MSCI World NTR Index	21.8	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	26.7	13.0

[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 Core Infrastructure Composite before fees. The Global Equity 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 18 January 2012.
[6] Returns are for the Global Core Infrastructure Composite and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. Strategy inception is 18 January 2012. Refer to the GIPS Disclosure section below for further information. 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.
* Returns are only for part year.

The Global Infrastructure Benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Net Total Return Index 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 Net Total Return Index 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.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) DISCLOSURE

Magellan Asset Management Limited, doing business as MFG Asset Management in jurisdictions outside Australia and New Zealand, (MFG Asset Management) 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 MFG Asset Management, excluding brands managed by subsidiaries operating as distinct business entities. MFG Asset Management is a wholly-owned subsidiary of the publicly listed company Magellan Financial Group Limited. MFG Asset Management is based in Sydney, Australia. Total Firm assets is defined as all assets managed by MFG Asset Management, excluding assets managed by subsidiaries operating as distinct business entities.

The Global Core Infrastructure composite is a global strategy investing in strictly defined or "pure" infrastructure companies (typically 80-100). The filtered investment universe is comprised of stocks that 1. generate reliable income streams, 2. benefit from inflation protection and 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 February 2012.

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 positive return in the December quarter. Stocks that contributed significantly included the investments in National Grid of the UK, Crown Castle International of the US and Terna of Italy. National Grid surged after the electricity utility announced underlying operating profit in the first half soared by a higher-than-expected 47% to 1.41 billion pounds and the company said it expects to deliver full-year underlying earnings "significantly above the top end of the 5% to 7% range" thanks to the earlier-than-expected commissioning of a new interconnector and higher auction prices across the interconnector portfolio. Crown Castle gained after the tower operator announced it had increased its dividend by an annualised 11% a share when it delivered healthy third-quarter earnings. Terna gained after the results of the company that operates Italy's grid showed a higher-than-expected 6.8% jump in revenue for the nine months to September as demand for electricity rose.

Among the most significant detractors were the investments in Aena of Spain, Cellnex Telecom of Spain and Royal Vopak of the Netherlands. Aena, the world's largest operator of airports, declined as the new covid-19 variant disrupted travel. Cellnex slid on concerns that eurozone inflation will stay elevated and hurt the company's real earnings power while boosting the risk of higher long-term policy rates. Royal Vopak fell as the backwardation in oil markets continued, even as the storage terminal operator reported a solid third-quarter result that topped expectations.

Stock contributors/detractors are based in local currency terms.

Topic in Focus: Toll Roads

The global health crisis in 2020 hurt listed total road investments. In the first four weeks of the pandemic (from late February that year), the shares of Transurban, the largest listed operator of urban toll roads in the world, fell 39%. Peers registered even larger declines. Vinci, the French concessions and construction company, and Atlas Arteria, the Australian-listed operator of toll roads in France, Germany and the US, nearly halved. Bears bellowed that online collaboration tools, adopted as a stopgap measure in response to stay-at-home orders, showed the feasibility of working from home, which would release professionals from commuting. Market sceptics postulated that this new paradigm would slash travel on toll roads, permanently impairing their economic value.

Two years on, however, the essential role that toll roads play is beyond doubt. Traffic data from Transurban in December showed a sharp recovery in volumes on the company’s Sydney road network in the prior month. Just three weeks after the latest lockdowns eased, traffic reverted to a level modestly above that observed in 2019. Evidence from European toll-road operators shows a similar rebound. Vinci reported that traffic in November on its French road network was about 7% above pre-pandemic levels. Italian-based Atlantia reported traffic materially ahead of 2019 levels in Chile and Mexico while traffic in Mediterranean Europe was only 5% to 10% below 2019 levels, despite the fresh restrictions tied to the new Omicron covid-19 variant.

Three reasons account for the resilience of toll roads. First, commuters account for a surprisingly small share of trips on toll roads. A Transurban survey in April 2021 of 1,000 residents in Greater Sydney found that just 4% of respondents identified as commuters who use toll roads more than once a day. This result added to similar results from previous Transurban studies, which suggested that only 16% of trips on the company’s roads are commutes; leisure and personal reasons account for most trips. The share of trips to and from work in Europe, where regional toll roads predominate, is likely to be lower still.

Second, concerns about catching the virus on public transport appear to be prompting people to use their cars. Patronage data from Transport for New South Wales reveals the number of trips completed on the state’s public transport networks in November 2021 were 55% lower than in November 2019. Data from Transport for London points to a similar phenomenon. Trips on the city’s public transport networks between 17 October and 13 November 2021 were about 30% below the level in the corresponding period of 2019. Google Maps data reinforce the point. The data reveals lower patronage at public transit stations in North America and in several key European countries since the onset of the pandemic. While it is reasonable to expect this trend to reverse as health risks fade, a survey of Australian transport users hints that at least part of the shift may prove permanent. A Transurban survey in January 2021 of people in Brisbane, Melbourne and Sydney indicated that respondents intend to use public transport about 21% less frequently after the pandemic and private vehicles about 5% more frequently.

Third, evidence is emerging of ‘peak-spreading’ on road networks. The data suggests that office workers are taking advantage of more flexible working arrangements to travel to the office outside of traditional peak windows. Analysis of hourly congestion levels produced by TomTom, the Dutch mapping and satellite navigation technologies company, points to lower levels of congestion at traditional peak times and an increase in congestion outside of these windows in major international cities including London, Madrid, Marseille, Milan and Sydney. Such a shift would be welcomed by toll-road operators: less severe peaks boost the capacity of a road to handle traffic, which increases its economic potential – and its market value.

We have long viewed toll roads as the most structurally advantaged of infrastructure assets. Congestion on alternative routes means that toll roads face limited competition and capture a disproportionate share of traffic growth. Concession agreements typically link toll increases to inflation, which preserves the real value of their cash flows in an inflationary environment. The speed with which toll-road traffic recovered as the early waves of the pandemic subsided only serves to highlight the indispensable role that these assets play in communities.