

Magellan Infrastructure Fund (Unhedged)



APIR: MGE0006AU | ARSN: 164 285 830

AS AT 31 DECEMBER 2024

PORTFOLIO MANAGERS

GERALD STACK, BEN MCVICAR, CFA AND OFER KARLINER, CFA

INVESTMENT PHILOSOPHY	OBJECTIVE	PORTFOLIO CONSTRUCTION	INVESTMENT RISKS
To prudently invest in outstanding infrastructure and utilities companies at attractive prices that exhibit highly predictable cashflows.	To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.	Relatively concentrated portfolio of typically 20 to 40 investments. Typical cash and cash equivalents exposure between 0 - 10%.	All investments carry risk. While it is not possible to identify every risk relevant to an investment in the fund, we have provided details of risks in the Product Disclosure Statement. You can view the PDS for the fund on Magellan's website www.magellangroup.com.au .

MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES ¹	INCEPTION DATE
-	AUD \$723.4 million	0.15% /0.15%	1.06%, and performance fee of 10% of dual hurdle excess return [^]	1 July 2013

[^] 10.0% of the excess return of the units of the Fund above the higher of the Index Relative Hurdle (S&P Global Infrastructure Index A\$ Unhedged Net Total Return) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

PERFORMANCE²

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	7 YEARS (% p.a.)	10 YEARS (% p.a.)	Since Inception (% p.a.)
Magellan Infrastructure Fund (Unhedged)	-1.0	4.1	13.6	5.9	3.8	6.8	7.9	10.0
Global Infrastructure Benchmark (A\$)*	0.4	9.1	25.7	11.9	7.1	8.5	8.0	9.9
Excess	-1.4	-5.0	-12.1	-6.0	-3.3	-1.7	-0.1	0.1

CALENDAR YEAR RETURNS	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan Infrastructure Fund (Unhedged)	13.6	5.8	-1.3	19.2	-14.9	25.5	4.8	14.1	3.7	14.6	23.3	13.4
Global Infrastructure Benchmark (A\$)*	25.7	5.1	6.2	17.9	-14.8	25.9	-0.4	10.2	12.0	-1.2	24.8	10.6
Excess	-12.1	0.7	-7.5	1.3	-0.1	-0.4	5.2	3.9	-8.3	15.8	-1.5	2.8

Past performance is not a reliable indicator of future performance.

PERFORMANCE CHART GROWTH OF AUD \$10,000²



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¹ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

² Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

* S&P Global Infrastructure Index A\$ Unhedged Net Total Return spliced with UBS Developed Infrastructure and Utilities Index A\$ Unhedged Net Total Return prior to 1 January 2015.

Note: as the UBS Developed Infrastructure and Utilities Index A\$ Unhedged Net Total Return ceased to be published from 31 May 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Index A\$ Unhedged Net Total Return.

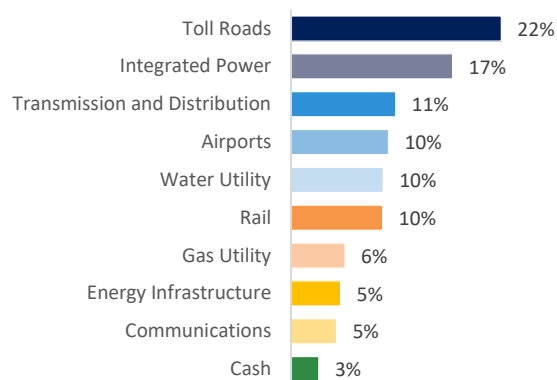
TOP 10 HOLDINGS

STOCK	SECTOR ³	%
Aena SME SA	Airports	7.0
Ferrovial SE	Toll Roads	6.7
Vinci SA	Toll Roads	5.7
Severn Trent	Water Utility	5.3
Sempra Energy	Integrated Power	4.6
United Utilities Group Plc	Water Utility	4.6
National Grid Plc	Transmission and Distribution	4.4
Transurban Group	Toll Roads	4.2
Dominion Energy Inc	Integrated Power	4.0
CSX Corporation	Rail	4.0
TOTAL:		50.5

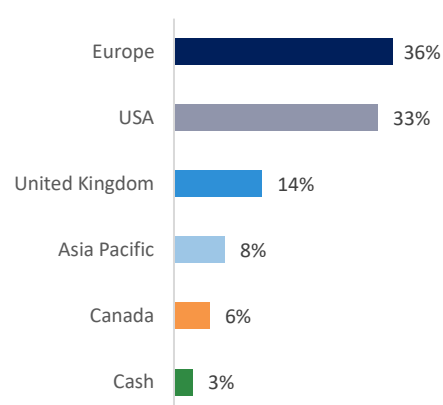
TOP CONTRIBUTORS/DETRACTORS 1 YEAR⁴

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Aena SME SA	1.9
Ferrovial	1.8
Sempra Energy	1.3
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Atlas Arteria	-0.4
Vinci SA	-0.4
Crown Castle Inc	-0.3

SECTOR EXPOSURE³



GEOGRAPHICAL EXPOSURE³



³ Sectors are internally defined. Geographical exposures are by domicile of listing. Exposures may not sum to 100% due to rounding.

⁴ Shows how much the stock has contributed to the fund's gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

Fund Commentary

The portfolio recorded a positive return in the December quarter as the impact of rising long-term bond rates across a number of key markets – including in the US, France and the UK - was more than offset by a depreciation of the Australian dollar.

In the US, the election of the more protectionist Donald Trump increased the risk of more persistent inflation, and Federal Reserve Chairman Jerome Powell expressed the need to be cautious over future rate cuts. In France, political instability caused by the collapse of the minority Barnier government saw French rates spike while concerns about increased spending, borrowing and taxes in the lead-up to and following the UK budget pushed rates up.

The key contributors over the quarter were Enbridge, Ferrovial and Xcel Energy. Energy infrastructure company Enbridge lifted as the pro-fossil-fuel Donald Trump was elected in the US, which the market assessed would reduce risk and potentially provide opportunities for the company, and as the third-quarter results and FY25 guidance both came in ahead of consensus expectations. Ferrovial rose as it announced greater-than-expected price increases on its key asset, the 407 ETR in Toronto. US integrated power utility Xcel Energy's share price rose as it lifted long-term EPS guidance backed by capex to meet increasing load growth demands.

Key detractors in the quarter were Crown Castle, American Tower and Eversource Energy. US tower companies Crown Castle and American Tower fell on rising rates and higher inflation expectations. Crown Castle was also affected by rumours it may sell its fibre business for a price below market expectations, while American Tower was also affected by a rising US dollar, which reduced the USD valuation of its offshore assets. US transmission and distribution company Eversource fell as it cut full-year earnings guidance on the back of higher-than-expected interest costs, despite maintaining long-term guidance, executing the sale of its interests in offshore wind projects and delivering improvements in its credit metrics.

Stock contributors/detractors are based in local currency terms unless stated otherwise.

Outlook

Notwithstanding our expectations for greater volatility in the short to medium term driven by inflation and interest rates, we are confident that the underlying businesses we have included in our defined universe and in our investment strategy will prove resilient over the longer term. We regard the businesses we invest in to be of high quality and, while short-term movements in share prices reflect issues of the day, we expect that share prices in the longer term will reflect the underlying cash flows leading to investment returns consistent with our expectations.

The strategy seeks to provide investors with attractive risk-adjusted returns from infrastructure securities. 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 believe that infrastructure assets, with requisite earnings reliability and a linkage of earnings to inflation, offer attractive, long-term investment propositions. Furthermore, we believe the resilient nature of earnings and the structural linkage of those earnings to inflation means that investment returns typically generated by infrastructure stocks

are different from standard asset classes and offer investors diversification when included in an investment portfolio. In the current uncertain economic and investment climate, the historically reliable financial performance of infrastructure investments makes them attractive, and an investment in listed infrastructure has the potential to reward patient investors with a long-term time frame.

Stock Story – Getlink

(Ben McVicar, CFA – Portfolio Manager and Sector Head Infrastructure and Industrials)



The Channel Tunnel connecting France and the United Kingdom is widely recognised as one of the world's ultimate engineering marvels. The 50 km tunnel, which includes a 38 km stretch that runs beneath the seabed, is recognised by most travelling on the Eurostar high-speed rail or using the car-shuttle service between Folkestone and Coquelles (near Calais). For investors, many recognise the Channel Tunnel as Getlink's core asset – offering highly attractive and resilient returns, diversified revenue streams, a long concession extending to 2086, and entrenched competitive advantages over alternative sea and air transport options. Getlink's revenue is derived from several complementary services, which include:

- LeShuttle: A roll-on service for passenger vehicles, enabling seamless connections between terminals and the national highway networks.
- LeShuttle Freight: A specialised service offering swift and reliable transport for freight vehicles.
- Rail Services: Operating under a long-term contract, Eurostar is the key user, operating high-speed rail services.
- ElecLink: A significant addition since 2022, this 1 GW high-voltage electric cable connects the UK and French power markets, allowing for trading between the two nations.
- Euroports: Provides rail freight services across France and neighbouring countries.

The Channel Tunnel enjoys material competitive advantages over other transport modes. In the passenger vehicle segment, LeShuttle offers faster, more reliable travel compared to car ferry services across the Straits of Dover, allowing it to command a price premium and market share of around 60%. In the freight transport segment, high-value or perishable goods benefit from the tunnel's reliability and time savings, making it the preferred choice for trucking. For rail services, there is no alternative to the tunnel, but its users (Eurostar) compete indirectly with air travel. However, we find rail dominates over shorter-haul trips. The advantages of city-centre-to-city-centre convenience, ease of use, and growing environmental awareness make rail increasingly attractive to travellers. This has led to a market share of 63% in the rail markets of London-Paris (77% share), and London-Brussels/Amsterdam (47% share).

While the Channel Tunnel is a dominant infrastructure asset today, its early history underscores the risks of greenfield projects. Conceived in the 1980s, the project suffered significant delays and cost overruns, opening with a strained balance sheet. Early traffic levels also fell short of forecasts, which led to the company entering bankruptcy protection in 2006 as it sought a debt restructure – highlighting the dual risks of construction and demand uncertainty. However, once the asset stabilised, its long-term earnings potential and strategic importance became clear – a textbook example of the advantages established infrastructure assets offer over new developments.

Despite challenges from COVID-19 and Brexit, Getlink has demonstrated resilience and adaptability. Post-pandemic traffic patterns have shifted but the company's strategic pricing adjustments have driven aggregate revenue and earnings beyond previous peaks. Key drivers of future growth include: (1) yield optimisation through ongoing pricing strategies that aim to enhance revenue per user, rather than focusing solely on traffic volume recovery; and (2) high-speed rail market expansion from increased competition in the rail market, which will bring down prices, and stimulating demand and adding capacity. In addition, additional services linking European cities with the UK will further bolster demand; and (3) following the success of ElecLink, the company is exploring ElecLink 2, which would expand energy capacity between the UK and France. Although a long-term project, it underscores Getlink's ability to leverage its core infrastructure for diversified growth.

Getlink's Channel Tunnel is an irreplaceable asset, offering stable and diversified revenue streams, a strong competitive moat and long-term growth potential. With strategic investments and operational enhancements, the company is well-positioned to adapt to evolving transport and energy demands, ensuring sustained value creation for investors.

IMPORTANT INFORMATION

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