

# Magellan Infrastructure Fund (Unhedged)



APIR: MGE0006AU | ARSN: 164 285 830

AS AT 30 JUNE 2024

## PORTFOLIO MANAGER

GERALD STACK

### INVESTMENT PHILOSOPHY

To prudently invest in outstanding infrastructure and utilities companies at attractive prices that exhibit highly predictable cashflows.

### OBJECTIVES

To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.

### PORTFOLIO CONSTRUCTION

Relatively concentrated portfolio of typically 20 to 40 investments. Typical cash and cash equivalents exposure between 0 - 20%.

### INVESTMENT RISKS

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](http://www.magellangroup.com.au).

## MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES <sup>1</sup>	INCEPTION DATE
-	AUD \$717.8 million	0.15% /0.15%	1.05%, and performance fee of 10% of dual hurdle excess return <sup>^</sup>	1 July 2013

<sup>^</sup> 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.

### PERFORMANCE<sup>2</sup>

	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.)	OUTPERFORMANCE CONSISTENCY*
Magellan Infrastructure Fund (Unhedged)	-3.1	-4.9	-0.3	4.9	2.0	5.5	8.0	9.2	63%
Global Infrastructure Benchmark (A\$)*	-3.4	0.0	5.6	8.8	4.5	6.2	7.5	8.7	-
Excess	0.3	-4.9	-5.9	-3.9	-2.5	-0.7	0.5	0.5	-

CALENDAR YEAR RETURNS	CYTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan Infrastructure Fund (Unhedged)	-0.4	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\$)*	5.7	5.1	6.2	17.9	-14.8	25.9	-0.4	10.2	12.0	-1.2	24.8	10.6
Excess	-6.1	0.7	-7.5	1.3	-0.1	-0.4	5.2	3.9	-8.3	15.8	-1.5	2.8

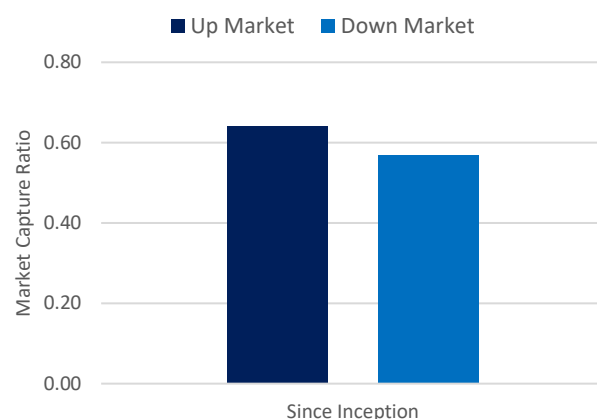
Past performance is not a reliable indicator of future performance.

### PERFORMANCE CHART GROWTH OF AUD \$10,000<sup>2</sup>



Past performance is not a reliable indicator of future performance.

### MARKET CAPTURE<sup>3</sup>



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

<sup>2</sup> 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.

<sup>3</sup> Market Capture is calculated after fees measured against the monthly return of the MSCI World Net Total Return Index (A\$ Unhedged). Up market capture shows how the fund performed relative to the index while the market is rising. Down market capture shows how the fund performed relative to the index while the market is falling. All MSCI data used 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/](http://www.magellangroup.com.au/funds/benchmark-information/)

\* Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

<sup>^</sup> 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.

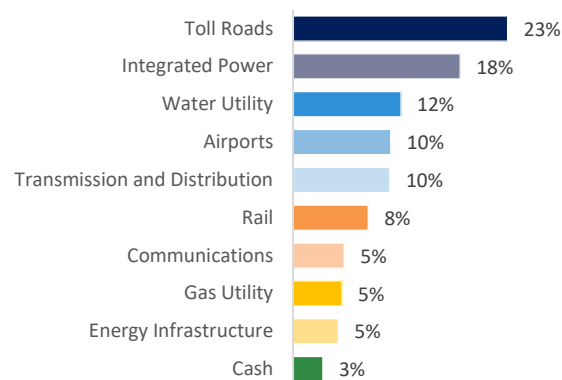
## TOP 10 HOLDINGS

STOCK	SECTOR <sup>4</sup>	%
Aena SME SA	Airports	7.4
Ferrovial SE	Toll Roads	6.5
Vinci SA	Toll Roads	6.0
Severn Trent	Water Utility	5.4
Transurban Group	Toll Roads	5.3
United Utilities Group Plc	Water Utility	4.6
Norfolk Southern Corporation	Rail	4.5
National Grid Plc	Transmission and Distribution	4.3
Dominion Energy Inc	Integrated Power	4.2
Sempra Energy	Integrated Power	4.1
TOTAL:		52.3

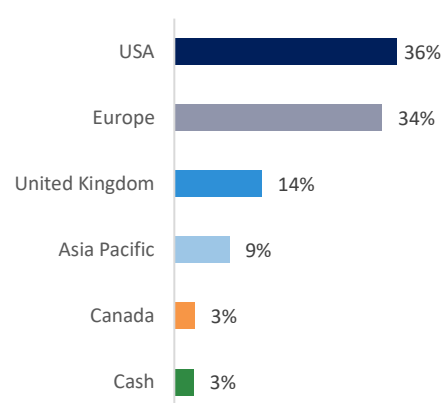
## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>5</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Aena SME SA	1.6
Ferrovial	1.5
United Utilities Group Plc	0.4
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Transurban Group	-0.7
Atlas Arteria	-0.5
Eversource Energy	-0.4

## SECTOR EXPOSURE<sup>4</sup>



## GEOGRAPHICAL EXPOSURE<sup>4</sup>



<sup>4</sup> Sectors are internally defined. Geographical exposures are by domicile of listing. Exposures may not sum to 100% due to rounding.

<sup>5</sup> 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

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### 3 Months

The portfolio recorded a negative return in the June quarter as long-term bond rates rose in several key markets, and political risk became heightened following the calling of snap elections in the UK and France.

The largest detractors in the quarter were Vinci, Norfolk Southern and CSX. Shares in French toll road and airport operator Vinci fell in the quarter as French President Emmanuel Macron called a snap parliamentary election with the right-wing National Rally (RN) party leading in the polls. In 2022 RN had a policy of nationalising the French toll roads, which created uncertainty for Vinci's large French toll road portfolio.

Shares of US rail companies Norfolk Southern and CSX fell in the quarter following a bridge collapse in Baltimore at the end of March, which caused service disruptions on their networks, and as new wages agreements came into force, affecting margins. NSC was further affected following a split board at the AGM, where activist investors got three representatives (out of 13 board seats) onto the board of the company, disappointing some investors.

The key contributors for the quarter were Aena, Semptra and Vopak. Shares in Spanish airport operator Aena lifted following a strong Q1 result and an upgrade to 2024 traffic guidance late in the quarter. US integrated power utility Semptra saw its share appreciate in the quarter after reporting strong quarterly results, which included positive updates about continued demand growth for its regulated Texas business. Dutch storage company Vopak lifted following a good Q1 result that saw it lift full-year guidance.

### 12 months

The portfolio recorded a negative return in the year to 30 June as long-term bond rates rose in several key markets, and political risk became heightened following the calling of snap elections in the UK and France.

The largest detractors for the year were Transurban, Evergy and Atlas Arteria. Australian toll road company Transurban fell on the back of higher rates and a government-backed review of toll roads in one of its key markets, New South Wales. This review created some uncertainty despite both the NSW Government and the interim report reiterating that existing contracts need to be honoured. Evergy fell following poorer-than-expected regulatory decisions in one of its key markets, Kansas. Shares in Australian-based toll road Atlas Arteria fell as French President, Emmanuel Macron, called a snap parliamentary election with the right-wing National Rally ("RN") party leading in the polls. In 2022 RN had a policy of nationalising the French toll roads, which created uncertainty for ALX's largest asset, French toll road company APRR.

The key contributors for the year were Aena, Ferrovial and United Utilities. Shares in Spanish airport operator Aena lifted following strong traffic growth and favourable guidance for the 2024 summer season. Spain-domiciled road and airport operator Ferrovial rose following the announcement of a higher-than-expected toll increase at its key 407 ETR asset and the announcement of the sale of most of its stake in Heathrow airport at well above what the market was factoring in, and as the company completed its dual listing in the United States. UK water utility United Utilities rose as it laid out a large capital plan for the next regulatory period, and confirmed its ability to fund that plan without having to issue new equity.

*Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.*

## Portfolio Positioning

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During the year US integrated utility Evergy was removed from the portfolio while Italian electricity transmission utility Terna was added. These were both done based on valuation.

## Outlook

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While the investment performance of the strategy has been affected in recent years by changes in inflation and interest rates the underlying financial performance of the businesses the strategy has invested in remains sound. 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.

## IMPORTANT INFORMATION

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