

# Magellan Infrastructure Fund (Unhedged)



APIR: MGE0006AU | ARSN: 164 285 830

AS AT 30 JUNE 2025

## PORTFOLIO MANAGERS

BEN MCVICAR, CFA, OFER KARLINER, CFA AND DAVID COSTELLO, 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, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund's Product Disclosure Statement (PDS) sets out the significant risks relevant to the Fund. You can view the PDS at <a href="http://www.magellangroup.com.au">www.magellangroup.com.au</a> .

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

TICKER	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES <sup>1</sup>	INCEPTION DATE
-	AUD \$737.3 million	0.15% /0.15%	1.06%, 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.

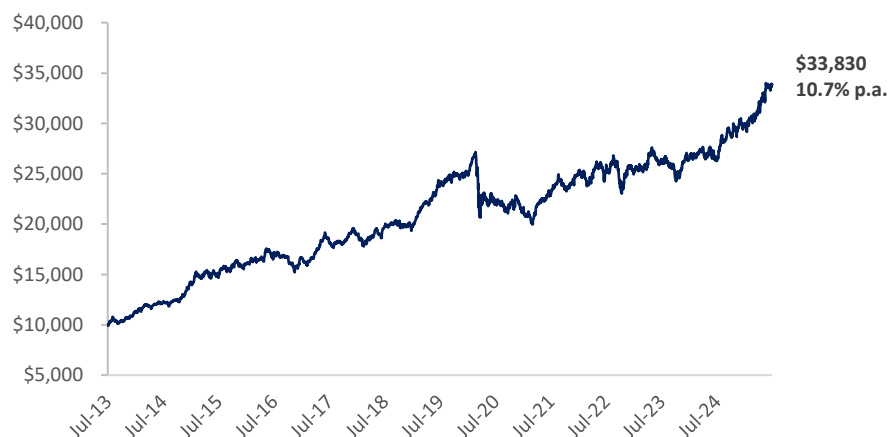
## PERFORMANCE<sup>2</sup>

	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.)
Magellan Infrastructure Fund (Unhedged)	-0.2	6.9	28.7	10.2	8.8	8.0	8.7	10.7
Global Infrastructure Benchmark (A\$)*	0.0	4.6	29.1	13.3	13.3	9.4	8.5	10.3
Excess	-0.2	2.3	-0.4	-3.1	-4.5	-1.4	0.2	0.4

CALENDAR YEAR RETURNS	CYTD (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan Infrastructure Fund (Unhedged)	12.8	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\$)*	8.6	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	4.2	-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 \$10,000<sup>2</sup>



Past performance is not a reliable indicator of future performance.

<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.

\* 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.

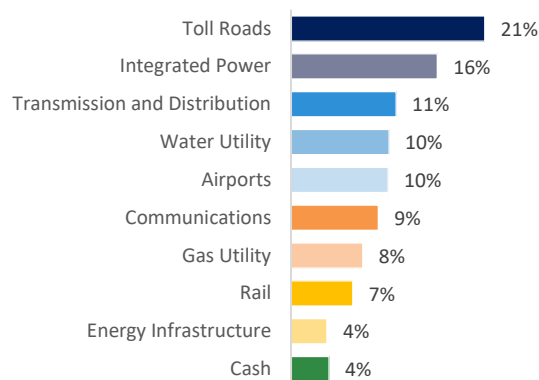
## TOP 10 HOLDINGS

STOCK	SECTOR <sup>3</sup>	%
Aena SME SA	Airports	6.7
Severn Trent	Water Utility	5.7
Ferrovial SE	Toll Roads	5.5
Vinci SA	Toll Roads	5.3
Cellnex Telecom SA	Communications	4.9
United Utilities Group Plc	Water Utility	4.8
Italgas SpA	Gas Utility	4.1
National Grid Plc	Transmission and Distribution	4.1
Dominion Energy Inc	Integrated Power	4.1
Transurban Group	Toll Roads	3.9
<b>TOTAL:</b>		<b>49.1</b>

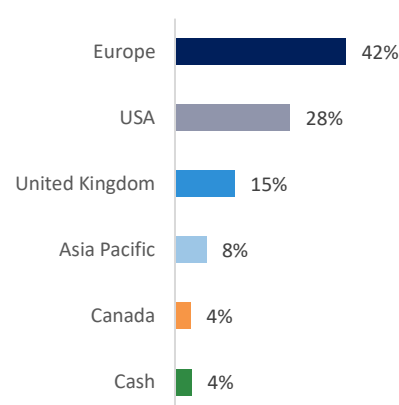
## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>4</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Aena SME SA	2.7
Vinci SA	2.6
Ferrovial	2.4
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Canadian National Railway Company	-0.1
CSX Corporation	-0.04
No other detractors over the 1 year period	

## SECTOR EXPOSURE<sup>3</sup>



## GEOGRAPHICAL EXPOSURE<sup>3</sup>



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

<sup>4</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

The portfolio recorded a positive return in the June quarter as ongoing concerns on erratic US policy decisions, including the potential impact of tariffs on the US and global economies, as well as geopolitical tensions in the Middle East, drove investor demand for high-quality, defensive assets.

Key contributors for the quarter included the investments in United Utilities, Italgas and Ferrovial. UK water utility United Utilities performed strongly amidst a flight to safety in the aftermath of the announcement of the Trump administration's Liberation Day tariffs and as the company guided to FY26 earnings materially ahead of consensus expectations. Shares in Italgas, Italy's largest gas distributor, rose as the company continued to complete its acquisition of 2i Rete Gas with a EUR 1bn rights issue in June 2025. Toll road and airport operator Ferrovial gained on a strong March quarter 2025 earnings report that reflected robust results across its business divisions.

The key detractors for the quarter were WEC Energy, Xcel Energy and Enbridge. For WEC Energy, a major US integrated power company, the stock gave back some of its strong prior gains in 1Q25, as a recovery in markets from mid-April 2025 tempered demand for defensives. Similarly for Xcel Energy, another US integrated power company, rising yields and better market sentiment were headwinds following strong performance in the months prior. Uncertainty on the rollback of renewable energy tax credits was also a net negative for these two stocks, albeit very marginal. Shares in Canadian energy infrastructure company Enbridge also declined in the quarter, dipping following a firm run-up in the March quarter of 2025. The company's higher valuation, coupled with the rise in market risk appetite and Canadian bond yields, weighed on performance.

*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 rapidly shifting policy from the new US administration and geopolitics with implications for economic growth, interest rates and inflation, 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 believe that share prices in the longer term may reflect the underlying cash flows, potentially 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 our opinion 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 – WEC Energy

(Jowell Amores - Portfolio Manager)



For those wondering why it's a compelling time to be invested in US regulated utilities, investors should look no further than WEC Energy Group (WEC), a US regulated utility with a track record of strong performance on earnings, efficient capital expenditure and sustainable growth. The Wisconsin-based WEC is undertaking the largest capital program in the company's history, fuelled by three structural investment themes -- grid modernisation, energy transition and digital infrastructure expansion. For the US electricity utility sector, these investment themes are projected to drive nearly \$800 billion of investment over the next five years and underpin long-term earnings growth of more than 5% per annum. WEC is expected to be a major participant in these themes, investing \$28 billion of capital and generating an estimated 7% of annual earnings growth until the end of the decade.

### Spotlight: I-94 corridor

The Interstate 94 road corridor that runs through WEC's service territory is just a microcosm of these structural trends currently unfolding across the United States. The stretch of highway between Chicago and Milwaukee has become a hotbed for economic growth in the region. Major global consumer brands, pharmaceutical and technology companies have quickly established a presence in the area, building large industrial and manufacturing facilities. Microsoft is one of those companies, investing \$3.3bn to construct a data centre campus that will expand its cloud and AI capabilities by 2026.

### WEC is well-positioned for investment to support a structural change in its business

For a regulated utility, capital investment is an important driver of earnings. Under a regulatory framework, the company can deploy investment to grow its capital base and then earn an agreed rate of return on this base. Looking at the three structural trends expected to fuel capital spending plans, and earnings, for WEC, there are some key drivers behind the shift:

**Grid modernisation and reliability.** WEC Energy is allocating more than a third of its five-year capital plan to upgrade and modernise its electricity transmission and distribution infrastructure across Wisconsin and its other service territories. Driving this are ageing grid assets that no longer meet modern load demands, increased needs to accommodate distributed energy sources, and swelling demand

from industrial load and data centres. Investments to enhance grid resiliency are also enabling WEC to respond to extreme weather events and growing regulatory emphasis on reliability standards.

**Renewable energy and clean power generation.** To meet its ESG targets of an 80% reduction in carbon emissions by 2030 and net-zero by 2050, WEC is aggressively expanding utility-scale solar, battery storage and wind generation capacity to replace retiring coal units. Stakeholder interest in clean energy procurement, particularly from large commercial and industrial customers, is expected to drive a quadrupling of WEC's carbon-free generation capacity over the next five years. The company's focus on replacing retiring coal capacity with zero-carbon assets also reflects WEC's prudent, long-term approach to cost-effective decarbonisation, all while preserving fuel diversity and regulatory compliance.

**Digital infrastructure expansion.** The rapid expansion of digital infrastructure is materially increasing electricity demand across multiple US regions, reversing decades of low utility load growth. WEC's service territories are no exception, with the expansion of data centres and digital services adding a robust and relatively recession-resistant source of demand. These facilities require high reliability, significant capacity and predictable pricing – all of which WEC is well-positioned to deliver due to its regulated utility model and strong grid reliability metrics. Moreover, the company's ability to serve large, power-intensive customers with clean energy offerings also enhances future growth opportunities.

### **Regulatory stability is important for WEC to deliver and realise these investments**

These structural changes are significant, and the expected capital spend is also substantial. As a result, the low-risk nature in which the company generates its earnings is attractive to investors. WEC operates within one of the most constructive and transparent regulatory environments in the US, particularly in Wisconsin, where multi-year rate plans, forward test years and timely cost recovery mechanisms provide a high degree of earnings visibility.

The utility benefits from formulaic rate structures and pre-approved infrastructure programs, such as the System Modernization Program, which enable it to earn regulated returns on capital promptly as projects are completed. This regulatory certainty reduces risk for the execution of large-scale investments and ensures access to low-cost funding. Moreover, WEC has maintained consistent regulatory relationships and has a track record of constructive outcomes.

This regulatory setting should bolster investors' confidence in achieving authorised returns – important for infrastructure investors seeking predictable and attractive risk-adjusted returns. Infrastructure, by Magellan's definition, is characterised by those businesses whose cash flows are underwritten by regulation, long-term contracts and indispensable demand. Regulated utilities such as WEC fit firmly in this framework and are a key component of our Strategy.

### **IMPORTANT INFORMATION**

Units in the fund referred to herein are issued by Magellan Asset Management Limited ABN 31 120 593 946, AFS Licence No. 304 301 ('Magellan'). This material is issued by Magellan and has been prepared for general information purposes only and must not be construed as investment advice or as an investment recommendation. This material does not take into account your investment objectives, financial situation or particular needs. This material does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should obtain and consider the relevant Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') and consider obtaining professional investment advice tailored to your specific circumstances before making a decision about whether to acquire, or continue to hold, the relevant financial product. A copy of the relevant PDS and TMD relating to the relevant Magellan financial product may be obtained by calling +61 2 9235 4888 or by visiting [www.magellangroup.com.au](http://www.magellangroup.com.au). Past performance is not necessarily indicative of future results and no person guarantees the future performance of the fund, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Magellan or the third party responsible for making those statements (as relevant). Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of a Magellan financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. This material may include data, research and other information from third-party sources. Magellan makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Magellan will not be responsible or liable for any losses arising from your use or reliance on any part of the information contained in this material.

Further information regarding any benchmark referred to herein can be found at [www.magellangroup.com.au/funds/benchmark-information](http://www.magellangroup.com.au/funds/benchmark-information). Any third-party trademarks contained herein are used for information purposes only and are the property of their respective owners. Magellan claims no ownership in, nor any affiliation with, such trademarks. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of Magellan.