Magellan Infrastructure Fund (Unhedged)

APIR: MGE0006AU | ARSN: 164 285 830

MAGELLAN ASSET MANAGEMENT

AS AT 31 MARCH 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 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 $709.5 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.

PERFORMANCE[2]

	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)	2.2	5.6	14.5	8.1	7.0	7.7	7.7	10.3
Global Infrastructure Benchmark (A$)*	1.8	3.7	23.3	11.9	12.5	9.6	7.7	10.1
Excess	0.4	1.9	-8.8	-3.8	-5.5	-1.9	0.0	0.2

CALENDAR YEAR RETURNS	CYTD (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan Infrastructure Fund (Unhedged)	5.6	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$)*	3.7	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	1.9	-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[2]

Past performance is not a reliable indicator of future performance.

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

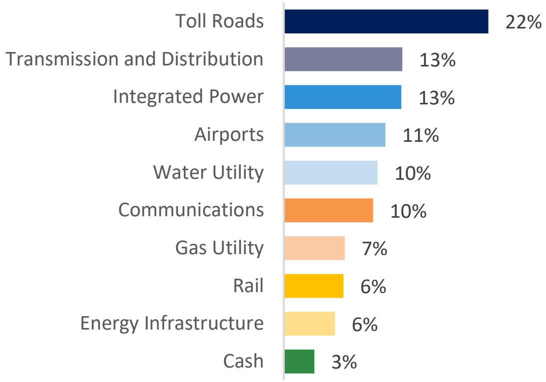
[2] Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

[*] 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$ Unedged 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.

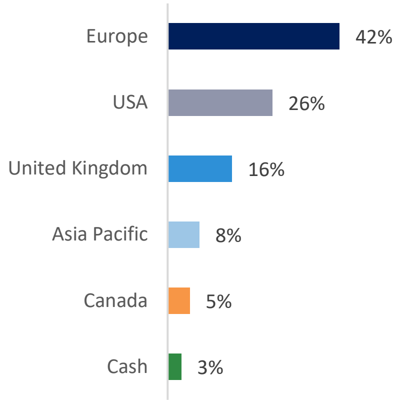
TOP 10 HOLDINGS

STOCK	SECTOR[3]	%
Aena SME SA	Airports	7.5
Ferrovial SE	Toll Roads	6.3
National Grid Plc	Transmission and Distribution	5.6
Severn Trent	Water Utility	5.6
Vinci SA	Toll Roads	5.5
Cellnex Telecom SA	Communications	4.6
United Utilities Group Plc	Water Utility	4.5
Transurban Group	Toll Roads	4.0
Dominion Energy Inc	Integrated Power	3.9
Atlas Arteria	Toll Roads	3.8
	TOTAL:	51.3

SECTOR EXPOSURE[3]



GEOGRAPHICAL EXPOSURE[3]



TOP CONTRIBUTORS/DETRACTORS 1 YEAR[4]

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Aena SME SA	2.0
Xcel Energy Inc	1.5
WEC Energy Group Inc	1.2

TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
CSX Corporation	-0.6
Groupe ADP	-0.5
Canadian National Railway Company	-0.2

[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 March quarter as concerns over the potential impact of tariffs on the US and global economies led investors to the relative safety of infrastructure.

Top contributors included the investments in Vinci, Aena and Italgas. French toll road and airport operator Vinci lifted as its full-year result beat expectations and as the minority French government passed a budget, reducing short-term political uncertainty. The company was also boosted by the announcement of a German €500bn stimulus package that could benefit its contracting business. Spanish airport operator Aena rose as it delivered better-than-expected results, and expressed growing optimism regarding regulatory capex for its next regulatory period that commences in 2027. Italian gas distribution company Italgas was aided by the regulator's approval of their acquisition of the second-biggest Italian gas distribution company, 2i Rete Gas.

The key detractors in the quarter were Sempra Energy, Groupe ADP and CSX. US integrated power company Sempra declined as management announced a guidance cut to FY25 expectations, which predominantly reflected the near-term impact of regulatory earnings lag in their Texas jurisdiction. French airport operator ADP fell despite a solid result as the company guided to higher medium-term capex than the market was expecting. US rail company CSX fell on a slightly weaker-than-expected result, and as the market became more concerned about a recession in the US following the imposition of tariffs on several trading partners, with the promise of a broader tariff program to be announced in early April.

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, interest rates and rapidly shifting policy from the new US administration, 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 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 - Italgas

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

Italgas

While debt and political crises have swirled around it, one of the world's more stable and attractive regulatory regimes has continued to operate in Italy. One key beneficiary of this stability has been gas utility Italgas. While Italgas re-emerged as a stand-alone listed entity in 2016, following its spin-off from then-parent company Snam, the business has a long operating history – originating in the 1800s as a public lighting company in northern Italy before transitioning to natural gas distribution.

Today, the business remains centred on its core gas distribution operations but has expanded across several strategic pillars:

- Italian gas distribution: Provision of pipeline gas distribution services across numerous concession areas in Italy, serving residential, commercial and industrial users.
- Greek gas distribution: Operations like those in Italy, giving Italgas a larger geographic footprint to apply its operational expertise.
- Water services: Delivery of water utilities across various territories in Italy.

At the heart of the investment appeal lies a combination of structural strengths: 1) a stable regulatory framework where Italgas benefits from well-established regulation, offering predictable, inflation-protected returns; 2) growth opportunities through both organic investments and strategic acquisitions; and 3) operational efficiency – where the company has a proven track record of improving performance through digitalisation and disciplined cost management.

Regulatory framework

The demand for Italgas's services is essential—especially in winter, when heating needs peak. Given the nature of its business, within its territories, Italgas operates as a monopoly. This is why the business is governed by economic regulation rather than market forces. Regulation allows the company to earn a fair return over time but in exchange it agrees to limitations on the levels of prices it can reasonably charge users.

The regulatory regime, overseen by Italy's ARERA, plays a central role in investment assessment. We evaluate such frameworks based on:

1. Return reasonableness
2. Transparency and accountability
3. Predictability and consistency

On these dimensions, ARERA scores well, having demonstrated a willingness to allow investors to earn a reasonable rate of return that has been predictable, reasonable and with the underlying methodology clearly articulated to investors.

Another strength of the regime is its mitigation of inflation and real interest rate risk (or interest rates adjusted for inflation). Capital invested is indexed to inflation and the rate of return is updated periodically to reflect the prevailing interest rate environment, providing further stability.

Growth opportunities

Italgas has several growth engines within its business.

Total investment is forecast to reach €15.6 billion over 2024–2030, nearly doubling prior plans.

A major portion is allocated to the acquisition of 2i Rete Gas, Italy's second-largest operator, expected to be completed this year. This follows the 2022 acquisition of Depa Infrastructure in Greece, giving Italgas both scale and a second regulated geography. The Greek business is expected to converge with the profitability of Italian operations over the medium term. Beyond gas, Italgas is diversifying into water and energy efficiency. It now has a growing footprint of water services after acquiring Veolia's Italian assets. The ageing water network presents substantial opportunities for improvement, where Italgas can apply its existing technologies (e.g. smart metering, leak detection).

Meanwhile, its energy efficiency subsidiary expands its capabilities further into energy services.

We see scope for Italgas to grow its business further as the government continues to push for consolidation of the numerous operators in the market to drive more efficiencies – something for which Italgas is well positioned.

Cost focus and discipline

Since listing, Italgas has delivered substantial operational savings. Between 2016 and 2023, it reduced opex by 40% in its Italian gas business – equivalent to 15% of 2016 EBITDA – driven by internalising services and digitalising processes.

The regulatory regime encourages such efficiencies, offering cost-sharing mechanisms that reward long-term value creation for end users.

Now, Italgas plans to extend its cost leadership to 2i Rete Gas. The newly acquired network, with more rural and less digitised operations, presents a runway for improvement. Planned efficiency levers include centralised procurement, knowledge sharing and best practices, and comprehensive digitalisation of services.