Magellan

Global Listed Infrastructure

Distributed by Magellan Investment Partners

2026 Annual Investor Letter

Durability through push and pull

Dear Investor,

What a year. FY25/26 was dominated by two themes: the Artificial Intelligence (AI) investment boom and the Iran War-driven energy shock. These themes tested the durability of our infrastructure investments, a test these investments clearly passed. Our strategies delivered as we designed them to, maintaining resilience in the face of the push and pull of these market forces. Such significant shocks also prompt reflection. We share with you below a wrap-up of our perspectives on the Strategy's performance as well as on how our investments were affected in this challenging environment.

For the full year to 30 June 2026, the Magellan Infrastructure Fund returned 15.2% (net of fees). On a three-year basis, annualised returns are at 11.4% (net of fees). This solid performance, following a period of weakness brought about by a sharp increase in interest rates in the 2022-24 period, brings our medium- and long-term returns back in line with what investors should expect from well-functioning infrastructure assets of CPI[1]+5% through an investment cycle.

This year, erratic market conditions exemplified the *why* of our investment approach. Our strategy has been resilient during this year's drawdown events. Looking to key drivers, our investments in utilities (averaging 46% of the portfolio), particularly US integrated power companies (including Evergy and Sempra) and UK water utilities (United Utilities, Severn Trent) have performed well, contributing to returns. Regulated utilities have underlying earnings that are relatively insulated from the tumultuous market environment. These are a mainstay in our strategies and are attractive to us given their regulated return on investment along with their consistent demand profile. The strong performance of our gas utility investments (Snam, Italgas) is a reminder of the essential role utilities play, and the opportunity this presents to investors, when companies are well-managed. We also note the firm contributions from airports and toll roads in the face of sharply rising fuel prices (with infrastructure averaging 51% of the portfolio), contributing to returns. This reflects their market position (for example, with Aena focused on low-cost carrier travel in Europe, and Ferrovial exercising pricing power on its roads) and resilience in demand. Our investment in telecommunications infrastructure has not worked as well. This detracted from returns and has reflected idiosyncratic factors, including mobile network operator industry consolidation (such as for Cellnex, US tower companies American Tower, Crown Castle), with the market pricing for the worst outcomes. We continue to see opportunity, such as in Cellnex, and do not yet think the share price has caught up with where the value is.

On the face of these return contributions, it would be hard to tell that this year was one of a record global energy shock. Barring some swings in transport infrastructure, the overall results were strong. Nonetheless, under the surface, the shock was a defining event for many months of the year. Our approach was to focus on trend identification and mitigating event risks, looking beyond short-term noise. At its outset, we rapidly evaluated the portfolio's position to manage the shock. Our initial assessment was of limited direct energy exposure on the utilities side (consistent with our strict definition of infrastructure), with inflation pass-through mechanisms also in place. On the transport infrastructure side, we were expecting near-term pain, but swift recovery as conditions normalised. The longer the situation persisted, the more we had to focus on second- and third-order effects such as the impact of rising consumer price pressures for US utilities, which we also saw reflected in governor races and electricity rate cases. Our investment approach remained one of discipline, with limited changes to the portfolio during the year, supported by ongoing assessment.

Stepping back, listed infrastructure is much more than playing defence in challenging times, and it's important to highlight the surge in AI investment. The strong return this financial year from US regulated utilities is also in part a structural growth story. Robust and accelerating demand for power in the US, particularly from data centres, is driving strong growth in the capex pipelines for US integrated power companies. As these are regulated businesses, they earn an agreed rate of return on approved capex, with current investment plans a driver

1. OECD G7 CPI+5%

for future earnings growth. We see regulated utilities as a way to play into this theme while minimising risk. These companies benefit from agreed investment in power generation and grid infrastructure, but do not bear the unintended consequences of a step-change in technology or AI demand that could affect other market participants. Should the wave of AI-related capex slow, this would represent a slower growth rate in earnings for these regulated utilities. While AI-related investment is important to earnings growth, these utilities have other investment streams they can pivot to if activity slows, including investment in renewables and grid hardening. This is in stark contrast to the significant earnings destruction that could be expected in related sectors, such as merchant power generation.

At the end of the financial year, the portfolio holds 53% in infrastructure and 45% in utilities. Our largest sub-sector holding is integrated power companies, at 25%, which we continue to like given the robust investment outlook. We also hold 17% in toll roads, with the energy shock recovery and long-term structural trends in demand supportive. Telecommunications infrastructure, at 13%, is also a significant position that has had a poor run recently but that we continue to like, with the value story appealing.

Turning to the new financial year, as always, the macroeconomic outlook remains uncertain. Importantly, we think the infrastructure assets in which we invest can deliver resilient returns in a range of economic conditions. Two things on our mind are first, consumer price pressures, to the extent they affect utilities' returns and licences to operate, and second, the outlook for economic growth, with AI investment currently running hot and inflation risks present – both of which could course-correct in the quarters to come. These issues change how we look at risks to our investments, but we nonetheless remain confident the portfolio should deliver a return of CPI[1]+5% through the investment cycle – consistent with the well-defined universe of high-quality infrastructure investments that our clients have come to expect from Magellan.

Yours sincerely,

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Co-Heads of Infrastructure and Portfolio Managers

For more information, please visit

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