Magellan Core Infrastructure

Strategy Update: 31 December 2013

Key Facts

Portfolio Manager
Dennis Eagar / Gerald Stack

Inception date
19 December 2009

Total Infrastructure Assets[1]
AUD $3,745.0 million

Composite Size[2]
AUD $436.3 million

AUD Hedged Gross Performance[2]

	Composite %	Index %[3]	Excess Return %
1 Month	1.7	1.4	0.3
3 Months	4.9	3.7	1.2
6 Months	7.1	7.7	-0.6
1 Year	16.7	18.5	-1.8
2 Years (p.a.)	16.5	13.7	2.8
3 Years (p.a.)	16.2	10.6	5.6
4 Years (p.a.)	16.1	9.3	6.8
Since Inception (p.a.)	16.5	9.5	7.0
Since Inception	85.3	44.2	41.1

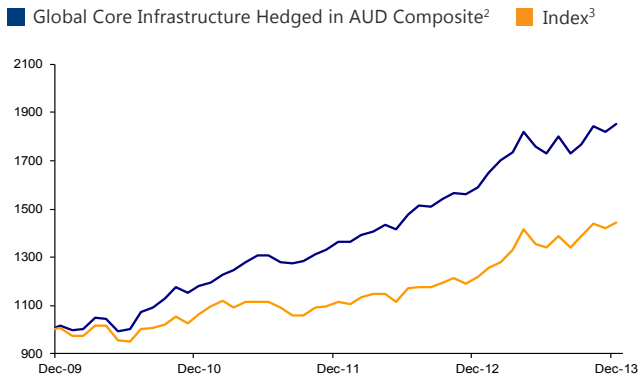
AUD Hedged Gross Performance - Calendar Year[2]

	Composite %	Index %[3]	Excess Return %
2009 (part year)	1.9	0.9	1.0
2010	15.9	5.7	10.2
2011	15.6	4.7	10.9
2012	16.3	9.1	7.2
2013	16.7	18.5	-1.8

AUD Hedged Risk Measures Since Inception[2]

Upside Capture	1.1
Downside Capture	0.5
Beta	0.8
Information Ratio (p.a.)	1.7
Tracking Error (p.a.)	4.2%
Worst Drawdown - Composite	-5.2%
Worst Drawdown - Index[3]	-6.4%

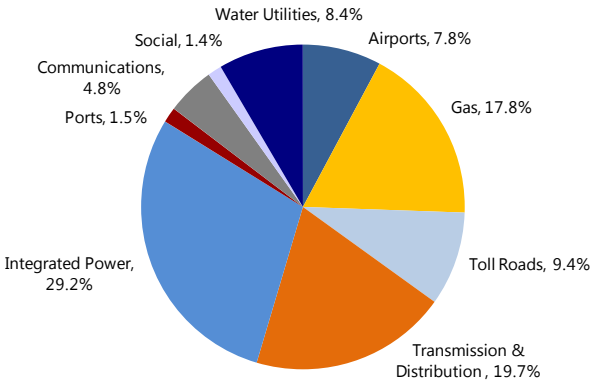
Performance Chart Growth of AUD $1,000



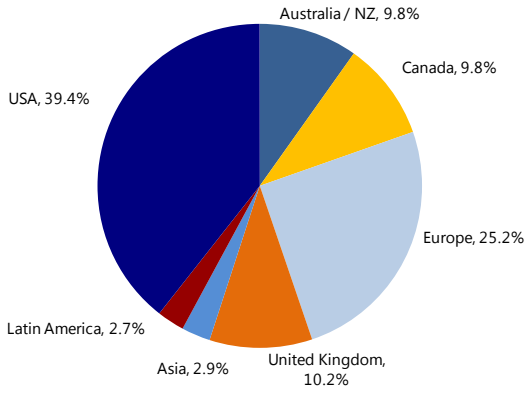
Top 10 Holdings[4]

	Sector	% of Strategy
SES GDR	Communications	3.3
Enbridge Inc	Gas Utilities	3.2
Abertis	Toll Roads	3.1
Snam Rete Gas SpA	Gas Utilities	3.1
TransCanada Corp	Gas Utilities	3.1
National Grid PLC	Transmission and Distribution	3.1
Transurban Group	Toll Roads	2.9
Power Assets Holdings	Integrated Power	2.9
Atlantia SpA	Toll Roads	2.6
United Utilities Group Plc	Water Utilities	2.4

Industry Exposure[4]



Geographical Exposure[4]



[1] Comprised of the total Firm Infrastructure assets, comprising the Select Infrastructure strategy and Core Infrastructure strategy.
[2] Returns and risk measures are for the Global Core Infrastructure Hedged in AUD Composite. *Refer overleaf for further information.
[3] Index: UBS Developed Infrastructure & Utilities Net Total Return Index (Hedged to AUD). Source: UBS
[4] Representative Portfolio. ^Refer overleaf for further information.

MFG MAGELLAN ASSET MANAGEMENT LIMITED

Performance and Activity

During the December 2013 quarter, the Magellan Core Infrastructure Strategy (the Strategy) returned 5.6% before fees, compared with the benchmark UBS Developed Infrastructure & Utilities Index's return of 3.7%. In 2013, the Strategy returned 19.1%, this compares with 18.5% for the benchmark.

In equilibrium, we expect the Strategy to deliver returns of OECD inflation plus 4-5%; 2013's high absolute return is a reflection of the fact that many of the Strategy's holdings were over-sold in previous periods.

There were mixed results from the sector exposures held by the Strategy over the quarter. In aggregate, its toll road investments rose more than 8%, in local currency terms, on the back of very strong performance from European inter-urban toll road companies. The communications and gas utilities sectors also made strong gains, generated total shareholder returns of +8.1% & +7.5% respectively. Offsetting these gains were negative returns from the water utility sector and from the Strategy's Hong Kong energy utility investment.

In terms of stocks not held by the Strategy, the December quarter saw Japanese infrastructure equities decline, in contrast to Korean utilities, which rose strongly. Chorus Ltd, the recently-listed New Zealand utility, lost almost half its value during the quarter.

Portfolio

During the quarter, two stocks exited the Strategy as a result of corporate activity. Italian toll road operator NV Energy was taken over by MidAmerican Energy, while Gemina was de-listed following its merger with Atlantia (also held by the Strategy).

As a result of the rules-based method of determining the weights of each stock in the Strategy (which limits exposures to individual stocks, sectors and geographic regions), the removal of these stocks did not materially change the total exposures of the fund. Utilities continue to make up approximately three-quarters of the fund, while the US (41%) and Europe ex UK (28%) being the primary market exposures.

IMPORTANT NOTICE

This document is being furnished to you to provide summary information regarding Magellan Asset Management Limited ('Magellan') ABN 31 120 593 946, AFS Licence No 304 301 and an investment fund or investment strategy ('Fund') managed by Magellan. This document is strictly confidential and is being provided to you solely for your information and must not be copied, reproduced, published, distributed, disclosed or passed to any other person at any time without the prior written consent of Magellan. No distribution of this document will be made in any jurisdiction where such distribution is not authorised or is unlawful. This document does not constitute an offer to sell or a solicitation of an offer to purchase any security or financial product or service. Any such offer or solicitation shall be made only pursuant to a Product Disclosure Statement, Information Memorandum or other offer document (collectively 'Offer Document') relating to the Fund or a Magellan financial product or service. A copy of any relevant Offer Document may be obtained by calling Magellan on +61 2 8114 1888 or by visiting www.magellangroup.com.au. This document does not constitute a part of any Offer Document issued by Magellan, nor is it intended to constitute advertising or advice of any kind and you should not construe the contents of this document as legal, tax, investment or other advice.

The investment program of the Fund presented herein is speculative and may involve a high degree of risk. The Fund is not intended as a complete investment program and is suitable only for sophisticated investors who can bear the risk of loss. The Fund may lack diversification, which can increase the risk of loss to investors. The Fund's performance may be volatile. The past performance of the Fund is not necessarily indicative of future results and no person guarantees the performance of the Fund or the amount or timing of any return from it. There can be no assurance that the Fund will achieve any targeted returns, that asset allocations will be met or that the Fund will be able to implement its investment strategy or achieve its investment objective. The management fees, incentive fees and allocation and other expenses of the Fund will reduce trading profits, if any, or increase losses. The Fund will have limited liquidity, no secondary market for interests in the Fund is expected to develop and there are restrictions on an investor's ability to withdraw and transfer interests in the Fund. In making an investment decision, you must rely on your own examination of any Offer Document relating to the Fund.

No representation or warranty, express or implied, is made with respect to the correctness, accuracy, reasonableness or completeness of any of the information contained in this document. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this document. Magellan will not be responsible or liable for any losses, whether direct, indirect or consequential, including loss of profits, damages, costs, claims or expenses, relating to or arising from your use or reliance upon any part of the information contained in this document including trading losses, loss of opportunity or incidental or punitive damages.

Performance is compared to the UBS Developed Infrastructure & Utilities Net Total Return Index (Hedged to AUD) which is a market capitalisation weighted index that is designed to measure the equity performance of listed Infrastructure and Utility stocks. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Australian dollars.

GIPS® DISCLOSURE

*Magellan claims compliance with the Global Investment Performance Standards (GIPS®).

For the purpose of complying with GIPS, the Firm is defined as all discretionary portfolios managed by Magellan.

The Magellan Global Core Infrastructure composite is a global strategy investing in strictly defined or "pure" infrastructure companies (typically 80-120). The composite is hedged to Australian dollars with Forward contracts.

To achieve investment objectives, the composite may also use derivative financial instruments including, but not limited to, options, swaps, futures and forwards. Derivatives are subject to the risk of changes in the market price of the underlying securities instruments, and the risk of the loss due to changes in interest rates. The use of certain derivatives may have a leveraging effect, which may increase the volatility of the composite and may reduce its returns.

A list of composites and descriptions, as well as policies for valuing investments, calculating performance, and preparing compliant presentations are available upon request by emailing data@magellangroup.com.au

^ The representative portfolio is an account in the composite that closely reflects the portfolio management style of the strategy. Performance is not a consideration in the selections of the representative portfolio. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

Industry and Geographical Exposures are calculated on a look through basis based on underlying revenue exposure of individual companies held within the representative portfolio