Strategy Update: 31 March 2019

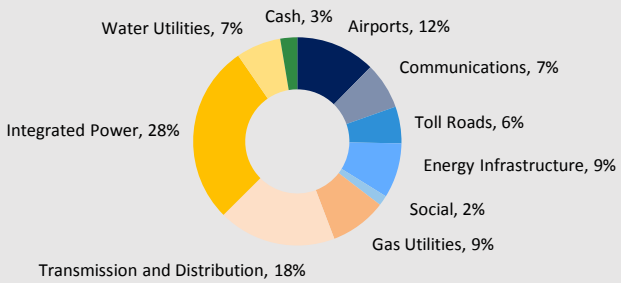
Magellan Core Infrastructure (AUD Hedged)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets [1]
Gerald Stack	17 December 2009	AUD $6,671.4 million	AUD $13,283.1 million

Objective	Approach
Capital preservation in adverse markets	Diversified rules-based portfolio applying our proprietary infrastructure classification
Pre-fee return of CPI plus 5%p.a. through the economic cycle	Benchmark unaware
	Highly defensive, inflation-linked exposure

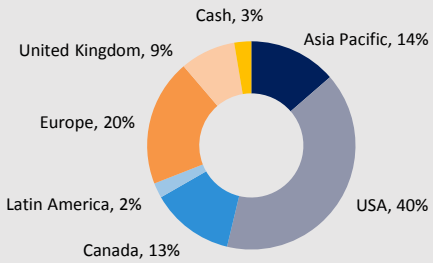
Top 10 Holdings[2]	Sector	%
Transurban Group	Toll Roads	3.1
Fortis Inc	Transmission and Distribution	3.0
Aena SME SA	Airports	2.9
TransCanada Corp	Energy Infrastructure	2.9
National Grid PLC	Transmission and Distribution	2.9
Enbridge Inc	Energy Infrastructure	2.9
Sydney Airports	Airports	2.8
Snam Rete Gas SpA	Gas Utilities	2.5
Power Assets Holdings	Integrated Power	2.3
Red Electrica De Espana SA	Transmission and Distribution	2.2
	TOTAL:	27.5

Sector Exposure[2]



AUD 5 Year Risk Measures[3]	Against Global Equities	Against Infrastructure Benchmark[4]
Upside Capture	0.6	1.1
Downside Capture	0.0	0.8
Beta	0.3	0.9
Correlation	0.3	0.9

Geographical Exposure[2]



Cumulative Performance[5]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	12.3	16.0	9.1	12.4	14.4	14.8
Composite (Net)	12.1	15.1	8.3	11.7	13.6	14.0
Global Infrastructure Benchmark	13.9	13.0	9.4	8.4	10.6	9.5
Excess (Gross)	-1.6	3.0	-0.3	4.0	3.8	5.3
MSCI World NTR Index Hedged to AUD	12.5	6.6	12.0	9.6	12.2	11.7

Annual Performance[5]	CYTD (%)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Composite (Gross)	12.3	-1.7	15.4	10.6	7.9	28.0	16.7	16.3	15.6	15.9	1.9
Composite (Net)	12.1	-2.4	14.6	9.8	7.2	27.1	15.8	15.5	14.8	15.1	1.9
Global Infrastructure Benchmark	13.9	-6.7	14.4	14.1	-5.4	22.9	18.5	9.1	4.7	5.7	0.9
Excess (Gross)	-1.6	5.0	1.0	-3.5	13.3	5.1	-1.8	7.2	10.9	10.2	1.0
MSCI World NTR Index Hedged to AUD	12.5	-7.4	19.8	10.4	3.8	12.3	31.8	18.8	-2.3	12.6	1.1

[1] Comprised of all Infrastructure Strategies.
[2] The data is based on a representative portfolio for the strategy. Refer to the GIPS Disclosure below for further information. Sectors are internally defined. Geographical exposure is by domicile of listing. Exposures may not sum to 100% due to rounding.
[3] Risk measures are for the Core Infrastructure Hedged to AUD Composite before fees. The Global Equity Index is the MSCI World NTR Index (hedged in AUD).
[4] The Benchmark or Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities NTR Index (hedged to AUD) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (hedged to AUD). Note: the UBS Developed Infrastructure and Utilities NTR Index (hedged to AUD) ceased to be published from 31 May 2015, replaced on 1 January 2015 with the S&P Global Infrastructure Index NTR (hedged to AUD).
[5] Returns are for the Core Infrastructure Hedged to AUD Composite and denoted in AUD. Performance would vary if returns were denominated in a currency other than AUD. Refer to the GIPS Disclosure section below for further information. Composite (Net) returns are net of fees charged to clients and have been reduced by the amount of the highest fee charged to any client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request.
* Returns are only for part year.

IMPORTANT NOTICE

This material is being furnished to you to provide summary information regarding Magellan Asset Management Limited ('Magellan') and an investment fund or investment strategy managed by Magellan ('Strategy'). No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful. This material does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction or in any circumstances in which such an offer or solicitation is unlawful or not authorized or in which the person making such offer or solicitation is not qualified to do so. This material is not intended to constitute advertising or advice of any kind and you should not construe the contents of this material as legal, tax, investment or other advice.

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

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 material. This information is subject to change at any time and no person has any responsibility to update any of the information provided in this material. 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 material including trading losses, loss of opportunity or incidental or punitive damages.

This material 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. Any trademarks, logos, and service marks contained herein may be the registered and unregistered trademarks of their respective owners. Nothing contained herein should be construed as granting by implication, or otherwise, any licence or right to use any trademark displayed without the written permission of the owner.

The Global Infrastructure Benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Index Net Total Return (AUD Hedged) and from 1 January 2015 the benchmark is S&P Global Infrastructure Net Total Return Index (AUD Hedged). The benchmark changed because UBS discontinued their index series.
The UBS Developed Infrastructure & Utilities Index Net Total Return (AUD Hedged) 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.

The S&P Global Infrastructure Net Total Return Index (AUD Hedged) is a market capitalisation weighted index that is designed to track 75 companies from around the world diversified across three infrastructure sectors energy, transportation and utilities. 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.

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) DISCLOSURE

Magellan Asset Management Limited, doing business as MFG Asset Management in jurisdictions outside Australia and New Zealand, (MFG Asset Management) 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 MFG Asset Management, excluding portfolios managed by subsidiaries operating as distinct business entities. MFG Asset Management is a wholly-owned subsidiary of the publicly listed company Magellan Financial Group Limited. MFG Asset Management is based in Sydney, Australia. Total Firm assets is defined as all assets managed by MFG Asset Management, excluding assets managed by subsidiaries operating as distinct business entities.

The Global Core Infrastructure Hedged in AUD composite is a global strategy investing in strictly defined or "pure" infrastructure companies (typically 80-120). The filtered investment universe is comprised of stocks that 1. generate reliable income streams, 2. benefit from inflation protection and have an appropriate capital structure. The investment objective of the strategy is to minimise the risk of permanent capital loss; and achieve superior risk adjusted investment returns over the medium to long-term. The composite is hedged to Australian dollars with Forward contracts. The composite was created in December 2011.

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 copy of the composite's GIPS compliant presentation and/or the firm's list of composite descriptions are available upon request by emailing client.reporting@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 selection 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.

AUD is the currency used to calculate performance.

Strategy Commentary

The portfolio recorded a positive return for the quarter. Stocks that added the most on a contribution basis included the investments in TransCanada, Aena of Spain and Sydney Airport. TransCanada climbed 24% after the company that pipes oil and gas reported profit and sales above expectations for the latest quarter. Airport operator Aena jumped 18% on news that fiscal 2018 traffic rose a higher-than-expected 5.8% and the company said it was interested in investing in airports in Colombia. Sydney Airport added 10% after delivering a 6.5% increase in profit for 2018 and investors looked for bond-like proxies when the Reserve Bank of Australia unexpectedly said the next move in the cash rate might be down.

Stocks that detracted the most included the investments in Red Electrica of Spain and Power Asset Holdings of Hong Kong. Red Electrica, which operates Spain's electricity transmission grid, fell 1.5% after investors recoiled against its takeover of Spanish satellite operator Hispasat for 949 million euros. Power Assets eased down 0.2% after major shareholder Cheung Kong Infrastructure sold a 2.05% stake in the investment company that invests in infrastructure, a sale that reduced its holding to 35.9%.

Key Stock in Focus – Atlas Arteria

Atlas Arteria: An ASX-listed toll road company with foreign assets.

France's Autoroutes Paris-Rhin-Rhône, or APRR, is a 2,318-kilometre network of toll roads in the east of the country that links the wealthiest regions of Paris and Lyon, offers a freight route to Germany, Switzerland and Italy and goes all the way to the French Alps ski region. A 25% stake in APRR is the main asset of ASX-listed Atlas Arteria, which was created in 2010 when Macquarie Infrastructure Group split the 11 toll roads it managed into two companies.

On top of APRR, Atlas Arteria has ownership in three other toll roads in Europe and the US. The company, which earned A$1.16 billion in revenue in 2018, has a 25% stake in French-based Adelac, the name of the company that owns the concession to a 20-kilometre stretch of road that connects the South-eastern city of Annecy to Geneva in Switzerland. In the US, Atlas Arteria owns the Dulles Greenway,[1] named after the US diplomat John Foster Dulles of the early Cold War era, which is a 22-kilometre toll road in Virginia that links the town of Leesburg to Washington D.C. The other asset is the 100%-owned Warnow Tunnel in the north-eastern city of Rostock in Germany. The 2.1-kilometre toll road is so named because it includes an 800-metre stretch under the Warnow River that connects the residential and industrial parts of the Baltic port.

Such key road infrastructure means that Atlas Arteria offers investors a good vehicle through which they can invest in toll roads. Toll roads, as with other infrastructure and essential-services investments, offer investors stable, growing and inflation-protected cash flows. One of the key attributes that makes toll roads so attractive is that, in most instances, drivers save so much time people still use them if tolls rise. The other is that traffic expands over time as population levels and the economy expand.

Of the 10 or so global infrastructure stocks that are classified as toll roads, Atlas Arteria provides a compelling investment case. The company's three inter-urban and one intra-urban toll roads are well used, as they are on popular routes that have little competition in terms of free and uncongested alternative routes. As well, Atlas Arteria holds long leases over its concessions that permit regular inflation-adjusted toll increases to protect real returns. The stock rose 27% over the 12 months to 31 March 2019.

That said, the intra-urban roads on which Atlas Arteria relies are more vulnerable to economic downturns than intercity ones because they tend to have higher proportions of commercial traffic and discretionary or leisure trips. Events can disrupt traffic too. The 'yellow vest' demonstration in France of recent months forced the temporary closure of some APRR motorways, which cost the company revenue. But while the car stays a central aspect of everyday life in France, the US and Germany, Atlas Arteria has the toll roads to provide its investors with growing, inflation-protected returns in coming years.

Gaining independence

Atlas Arteria, which was known as Macquarie Atlas Roads until 2018, was spun out of the Macquarie Infrastructure Group in 2010 to hold APRR and a number of other toll roads, most of which were struggling financially. The task of management at the time was to narrow holdings down to worthwhile assets. It did this by selling the stakes in the Indiana Toll Road and Chicago Skyway and handing two other roads (the M6 toll road in the UK and the California State Route 125) to lenders.

Over the next years, management created the Atlas Arteria of today by buying an additional 4.7% stake in APRR and another 25% of Adelac, and by purchasing the 50% of the Dulles Greenway and 30% of the Warnow Tunnel that the company did not own. The recent focus of management has been on a process known as 'internalisation'; namely, removing Macquarie as the manager of the vehicle and installing management, structures and processes to fill the vacuum. The internalisation was completed on 1 April 2019, although Macquarie will provide certain transition services for another six months or so if needed.

An initial focus for the new management team, led by Graeme Bevans, will be to oversee the removal of Macquarie from the management structure of the APRR holding company – Macquarie funds own 16.28% of the holding company but have the right to manage the vehicle as the result of a

[1] To be specific, Atlas owns TRIP, which owns the concession for Dulles though 87% subordinated loans and 13% equity.

structure put in place when the company was first privatised. Freed from Macquarie, Atlas Arteria management will be better able to exercise control of its assets.

Traffic has largely remained robust across Atlas Arteria's holdings. Despite the yellow vest protests, APRR traffic rose 2.2% in 2018 to 24.3 billion kilometres travelled, to deliver a 4.7% boost to revenue to 2.54 billion euros (of which 25% heads to Atlas Arteria). Adelac traffic rose 1.2% to 29,713 average daily trips last year, while revenue rose 3.1% to 56 million euros (25% to Atlas Arteria). Warnow traffic jumped 10.5% to 12,948 average daily trips thanks to construction activity on competing routes, an increase that boosted revenue by 3.1% to 12.6 million euros. Dulles Greenway traffic, however, dropped 4.5% to 50,193 daily trips due to construction activity on the route, resulting in a 1.4% decrease in revenue to US$90.8 million.

Sources: Company filings, Company website and Bloomberg.