

Magellan Select Infrastructure

Strategy Update: 30 September 2013

Key Facts

Portfolio Manager
Dennis Eagar / Gerald Stack

Inception date
1 July 2007

Total Infrastructure Assets¹
AUD \$3,158.7 million

Composite Size²
AUD \$498.7 million

AUD Hedged Gross Performance²

	Composite %	Index % ³	Excess Return %
1 Month	2.2	3.7	-1.5
3 Months	3.4	3.8	-0.4
6 Months	4.5	4.2	0.3
1 Year	16.6	16.1	0.5
2 Years (p.a.)	18.0	14.6	3.4
3 Years (p.a.)	15.8	10.7	5.1
4 Years (p.a.)	16.4	9.6	6.8
5 Years (p.a.)	11.3	6.1	5.2
Since Inception (p.a.)	6.0	2.5	3.5
Since Inception	43.8	16.9	26.9

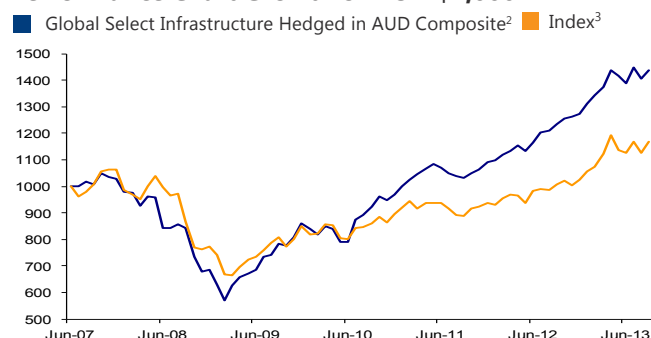
AUD Hedged Gross Performance - Calendar Year²

	Composite %	Index % ³	Excess Return %
2007 (part year)	2.7	6.5	-3.8
2008	-33.4	-27.5	-5.9
2009	25.5	10.0	15.5
2010	13.0	5.7	7.3
2011	12.4	4.7	7.7
2012	16.8	9.1	7.7
2013	12.8	14.2	-1.4

AUD Hedged Risk Measures Since Inception²

Upside Capture	0.9
Downside Capture	0.7
Beta	0.8
Information Ratio (p.a.)	0.4
Tracking Error(p.a.)	9.6%
Worst Drawdown - Composite	-45.6%
Worst Drawdown - Index ³	-37.4%

Performance Chart Growth of AUD \$1,000



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 Select Infrastructure Hedged in AUD Composite. *Refer overleaf for further information.

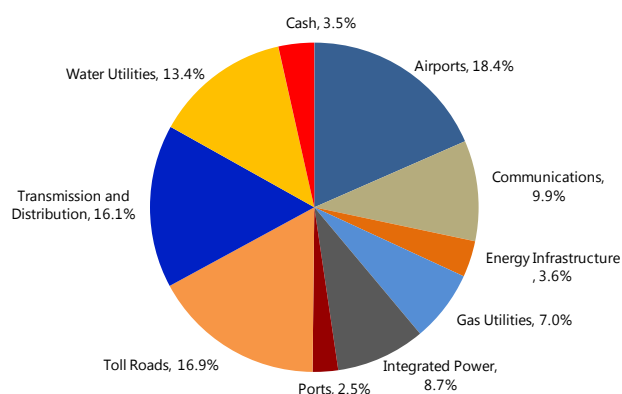
³ Index: UBS Developed Infrastructure & Utilities Net Total Return Index (Hedged to AUD) Source: UBS

⁴ Representative Portfolio. ^Refer overleaf for further information.

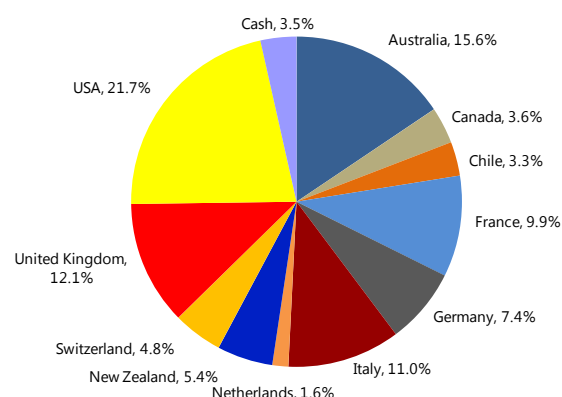
Top 10 Holdings⁴

	Sector
Transurban Group	Toll Roads
Fraport	Airports
National Grid	Transmission and Distribution
Atlantia	Toll Roads
SES	Communications
Auckland Airport	Airports
Zurich Airport	Airports
American Water Works	Water Utilities
Eutelsat Communications	Communications
Enbridge	Energy Infrastructure

Industry Exposure⁴



Geographical Exposure⁴



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Performance and Activity

During the September 2013 quarter, Magellan Select Infrastructure (Strategy) returned 3.4% before fees, compared with the benchmark UBS Infrastructure & Utilities Index's return of 3.8%. The returns for the 12 months to the end of September were 16.6% for the Strategy and 16.1% for the benchmark.

As in the previous quarter, the Strategy's toll road and airport holdings provided strong returns during the quarter. Toll road exposures generated a weighted average Total Shareholder Return (TSR) of 9.0% and airports generated a weighted average TSR of 8.1%. The Strategy's Gas Utilities also performed well with a weighted average TSR of 5.9%. Offsetting these results were modest or slightly negative returns from US & UK regulated electricity and water utilities, sectors that have provided very solid gains for the Strategy over the last 5 years.

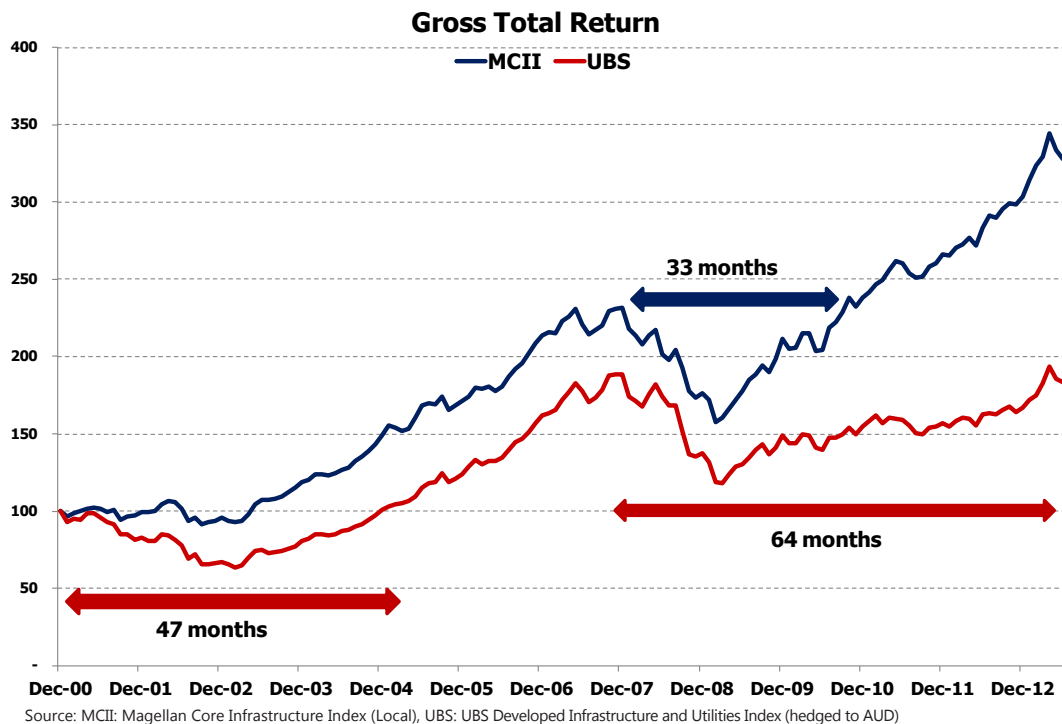
The key difference between the performance of the benchmark and the Strategy was that the benchmark was boosted by strong performance from large European utilities that fail Magellan's definition of what constitutes "Infrastructure" as an investable asset class. These utilities, which have large unregulated energy businesses whose earnings are subject to a combination of competition and commodity price risk, have been poor investments over the last 5 years. For instance, Electricite de France generated a TSR of over 30% in the September 2013 quarter but a -41% TSR for the last 5 years. Other examples included GDF Suez +23% TSR for the quarter (-28% 5 year TSR) and Enel SpA +17% TSR for the quarter (-18% 5 year TSR).

During the quarter, Magellan increased the Strategy's exposures to the toll road and airport sectors by a combined 4.2%, offset primarily by a commensurate reduction in holdings of US regulated utilities. The changes to the portfolio reflected valuation and risk assessments i.e. it is Magellan's assessment that the toll road and airport sectors currently reflect better value than US regulated utilities.

The Importance of Definition

Magellan believes that investors in infrastructure seek different risk and return characteristics than that available in other asset classes. As infrastructure assets provide services essential to the efficient functioning of communities they face predictable demand patterns. Provided there are no external factors affecting the infrastructure service provider (commodity prices, sovereign risk or competition) the predictable demand should translate to reliable earnings generation from the infrastructure asset. To ensure the earnings of infrastructure investments made by the Strategy has the requisite reliability, Magellan excludes from its investment universe those companies whose earnings are materially affected by external factors.

- The Strategy's definition of what constitutes an investable "Infrastructure" asset class is more restrictive than that generally applied by index providers. This is well illustrated in the following graph which compares the performance of the Magellan approved infrastructure investment universe (the Magellan Core Infrastructure Index or MCII) to a commonly used benchmark index, the UBS Developed Markets Infrastructure & Utilities Index (UBS).



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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 Select 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

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