Magellan Select Infrastructure (AUD Hedged)

AS AT 30 SEPTEMBER 2024

PORTFOLIO MANAGER GERALD STACK

INVESTMENT PHILOSOPHY	OBJECTIVES	PORTFOLIO CONSTRUCTION
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.	Concentrated 20-40 stock portfolio applying MFG Asset Management's proprietary infrastructure classification. Valuation driven benchmark-unaware strategy. Highly defensive, inflation-linked exposure.

MAGELLAN SELECT INFRASTRUCTURE (AUD HEDGED)

TOTAL STRATEGY ASSETS	TOTAL INFRASTRUCTURE ASSETS[1]	INCEPTION DATE
AUD $7,320.3 million	AUD $16,802.2 million	01 July 2007

AUD PERFORMANCE[2]

	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY[3]
Composite (Gross)	11.1	21.3	6.0	3.0	8.6	8.3	83%
Composite (Net)	10.9	20.3	5.2	2.2	7.8	7.4	80%
Global Infrastructure Benchmark[4]	11.0	25.6	8.4	4.7	6.5	5.8	-
Excess (Gross)	0.1	-4.3	-2.4	-1.7	2.1	2.5	-
MSCI World NTR Index (A$ Hedged)[+]	4.5	29.1	8.4	11.6	10.4	8.0	-

CALENDAR YEAR RETURNS[2]	CYTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Composite (Gross)	10.2	4.6	-5.0	16.6	-10.7	26.8	0.6	18.9	7.8	12.6	24.0	19.1	16.8	12.4	13.0
Composite (Net)	9.6	3.8	-5.8	15.7	-11.4	25.8	-0.2	18.0	7.0	11.7	23.0	18.2	15.9	11.5	12.1
Global Infrastructure Benchmark[4]	16.5	3.4	1.3	13.7	-11.9	25.3	-6.7	14.4	14.1	-5.4	22.9	18.5	9.1	4.7	5.7
Excess (Gross)	-6.3	1.2	-6.3	2.9	1.2	1.5	7.3	4.5	-6.3	18.0	1.1	0.6	7.7	7.7	7.3
MSCI World NTR Index (A$ Hedged)[+]	18.2	21.5	-17.7	23.7	10.3	26.7	-7.4	19.8	10.4	3.8	12.3	31.8	18.8	-2.3	12.6

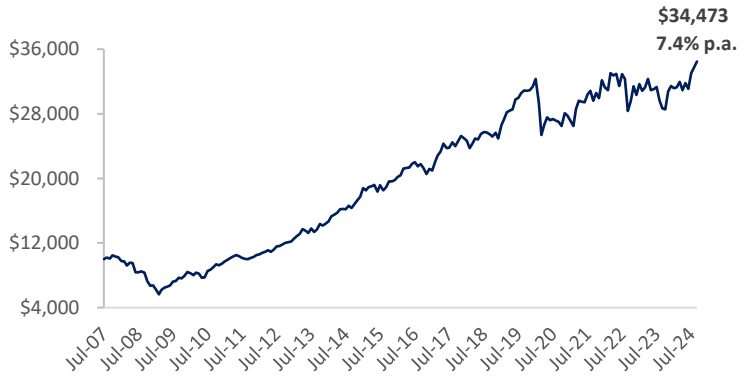
Past performance does not predict future returns.

STRATEGY FUNDAMENTALS[5]

Number of Holdings	29
Dividend Yield (%)	4
P/E Ratio (1 year forward)	18
EBITDA multiple (historic)	13.0
EPS Growth (%) (next 3 years)	5.1
Carbon Intensity (CO_2t/US$1m revenue)[#]	477

[#]The carbon intensity score is calculated using MSCI data. In a limited number of circumstances, where data is not available or Magellan deems it appropriate, manual adjustments are made to the MSCI carbon intensity.

PERFORMANCE CHART GROWTH OF AUD $10,000 (NET)[2]



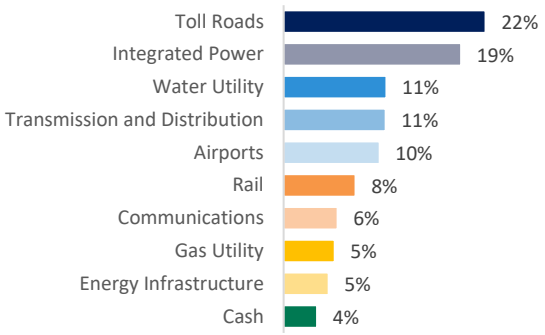
Past performance does not predict future returns.

[1] Comprised of all Infrastructure strategies.
[2] Returns are for the Global Select 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. Strategy inception is 01 July 2007. 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.
[3] Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.
[4] S&P Global Infrastructure Index A$ Hedged Net Total Return spliced with UBS Developed Infrastructure and Utilities Index (A$ Hedged) Net Total Return prior to 1 January 2015. Note: as the UBS Developed Infrastructure and Utilities Index (A$ Hedged) 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$ Hedged) Net Total Return.
[5] The data is based on a representative portfolio for the strategy. Refer to the Important Notice below for further information.
[+] All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/.

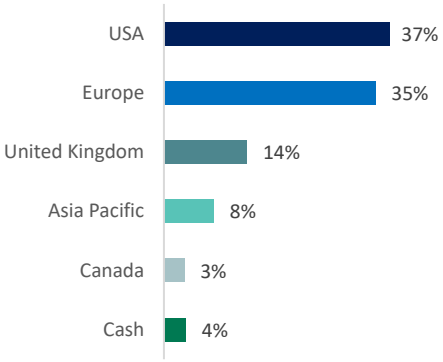
TOP 10 HOLDINGS[6]

STOCK	SECTOR	%
Aena SME SA	Airports	6.9
Ferrovial SE	Toll Roads	6.2
Vinci SA	Toll Roads	5.9
Severn Trent	Water Utility	5.5
United Utilities Group Plc	Water Utility	4.4
Sempra Energy	Integrated Power	4.3
Transurban Group	Toll Roads	4.3
Xcel Energy Inc	Integrated Power	4.2
Dominion Energy Inc	Integrated Power	4.0
CSX Corporation	Rail	3.9
	TOTAL:	49.6

SECTOR EXPOSURE[6]



GEOGRAPHICAL EXPOSURE[6]



CONTRIBUTION HIGHLIGHTS[7]

1 YEAR

TOP 5	CONTRIBUTION (%)
Aena	2.4
Ferrovial	2.1
American Tower	1.2
National Grid	1.2
Severn Trent	1.1
BOTTOM 5	**CONTRIBUTION (%)**
Atlas Arterial	-0.1
Evergy	-0.1
Groupe ADP	0.1
Getlink	0.1
Snam	0.2

5 YEARS

TOP 5	CONTRIBUTION (%)
Ferrovial	3.8
National Grid	2.7
Enbridge	2.3
Vinci	2.0
United Utilities	1.9
BOTTOM 5	**CONTRIBUTION (%)**
Groupe ADP	-2.3
FirstEnergy	-1.8
Atlas Arterial	-1.6
Fraport	-1.1
Sydney Airports	-1.0

10 YEARS

TOP 5	CONTRIBUTION (%)
Transurban	13.2
Crown Castle	9.4
American Water	8.3
Auckland Airport	6.6
WEC Energy	6.4
BOTTOM 5	**CONTRIBUTION (%)**
FirstEnergy	-1.1
SES	-0.8
Dominion Energy	-0.3
Fraport	0.1
Redeia	0.3

SUPPLEMENTARY STATISTICAL MEASURES[8]

	3 Years	5 Years	10 Years	Since Inception
Turnover	20.2%	22.6%	16.8%	12.2%
Beta	1.0	0.8	0.8	0.8
Tracking Error (% p.a.)	5.1%	7.0%	6.1%	7.4%
Standard Deviation - Strategy	14.4%	14.8%	12.1%	12.6%
Information Ratio	-0.6	-0.4	0.2	0.2

[6] 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.
[7] The contribution data is actual performance data of a representative portfolio within the Global Select Infrastructure Hedged to AUD Composite that closely reflects the management style of the strategy. Contributions are denoted in AUD and are cumulative for each period. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Performance is not a consideration in the selection of the representative portfolio. The performance figures above may differ from those of the composite and from other accounts in the composite.
[8] Supplementary Statistical Measures are calculated after fees in AUD against the benchmark[4]

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

The UBS Developed Infrastructure & Utilities Net Total Return Index (A$ 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 (A$ 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 brands 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 Select Infrastructure Hedged in AUD composite is a concentrated global strategy investing in strictly defined or "pure" infrastructure companies, (typically 20-40). The filtered investment universe is comprised of stocks that 1. generate reliable income streams 2. benefit from inflation protection and 3. 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 portfolios are 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

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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 strategy recorded a significant positive return in the September quarter. Top contributors included the investments in Xcel Energy, Norfolk Southern and Dominion Energy.

Utility stocks benefited during the quarter as the market re-assessed the defensive and reliable return characteristics of these companies.

Xcel Energy, a diversified US utility operating across several states including Minnesota, Colorado, New Mexico and Texas, performed strongly during a quarter where it released a result in line with expectations and regulatory development was supportive for the company.

Another US utility, Dominion Energy saw a strong share price reaction. The company delivered an important set of 'in line' quarterly figures, an important step in its efforts to regain investor confidence after a recent history of missing investor expectations and as the business worked through several legacy corporate constraints.

Important contributors during the quarter also included US freight rail operator Norfolk Southern. Norfolk Southern performed well as the company delivered a healthy quarterly result that exceeded expectations on cost developments and service metrics. During the period, the CEO was removed from the company, having previously survived a proxy battle with activist investors.

During a broadly positive period for infrastructure share price movements, there were no detractors from the portfolio.

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 and interest rates, 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 expect that share prices in the longer term will reflect the underlying cash flows 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 – Vopak

(David Costello – Portfolio Manager)

Royal Vopak, a titan in the global tank storage industry, boasts a rich history, tracing its roots to storehouses at the ports in Amsterdam and Rotterdam in the 17th century, storing spices, tea, coffee, tobacco, margarine fats and other staples for the Dutch East India Company. Adapting to the shifting tides of global trade, one of Vopak's corporate forebears accepted its first shipment of petroleum for storage in 1862. As global demand for crude oil and refined petroleum products surged in the early 20th century, fuelled by the rise of the automobile, the storage of oil products and liquid chemicals would emerge as one of the Group's core activities. A spate of industry consolidation starting in the late 1960s and continuing into the 1990s conferred economies of scale, enabling the Group's expansion into international markets. A period of dramatic growth in Vopak's global storage capacity followed in the early 2000s, with the company investing heavily to serve rapid growth in demand fuelled by China's astonishing economic ascent and the burgeoning liquified natural gas industry. Today, Vopak operates a global network of more than 70 storage terminals in 21 countries. Its network represents a critical link in the global supply chain, with the company's strategically positioned terminals on key maritime trade routes, enduring relationships with customers and unrivalled environmental and safety credentials conferring a leading position in the global market for the storage of oil, gas, chemicals and refined industrial products. This advantaged position within the global trade ecosystem, in turn, sustains consistently high levels of utilisation for the company's assets, supporting the generation of reliable cash flows and underlying proportional EBITDA margins well above 50%.

In recent years, increased focus on the decarbonisation of the global economy has prompted fears that structurally declining demand for fossil fuels could undermine the durability of Vopak's earnings. These fears weighed heavily on the company's market valuation in the period 2020 – 2022. While the trailing 12 months have seen Vopak's stock price recover much of the ground it lost during this period, relative valuation metrics remain compressed by historical standards, despite strong recent results and expectations of continued robust medium-term financial performance.

We believe the concerns over the durability of Vopak's business model are overstated, exhibiting a failure to recognise the subtle but significant shift in the company's portfolio in recent years, and the growing share of its earnings secured by long-term contracts.

A subtle, but significant shift in Vopak's portfolio

Continuous portfolio optimisation over the last decade has subtly repositioned Vopak's business. In 2014, oil and chemical storage terminals dominated the company's portfolio, accounting for ~90% of proportional capital employed. By contrast, Vopak's current portfolio exhibits greater balance. In the first half of fiscal 2024, the company reported that approximately 50% of its proportional

capital employed was allocated to oil and chemical terminals, with the remaining 50% of its capital employed in markets expected to be strategic growth drivers in a global economy that is seeking to balance ambitions for rapid decarbonisation with the imperative for maintaining energy security – gas and industrial terminals and storage for low- and zero-carbon fuels.

The transformation of Vopak's portfolio has followed from the implementation of a concordant and clearly articulated strategy, executed along three fronts:

- The company has divested a significant portion of its legacy oil and chemical storage capacity, often exhibiting deft market timing to secure highly accretive valuations at cyclical peaks.
- Management has repurposed traditional oil storage capacity, deploying modest amounts of new capital to convert existing maritime fuel infrastructure to support the storage of sustainable aviation fuel and renewable diesel in Los Angeles and to convert oil storage facilities in Deer Park, Houston, for vegetable oils. Both projects are underpinned by long-term commercial agreements and are expected to deliver attractive operating cash returns[1] above 15%.
- Management has deployed almost €900m of consolidated capital expenditure into growth opportunities in gas and industrial storage since November 2022, increasing proportional capital employed in these verticals by more than 50%. Projects are overwhelmingly supported by long-term commercial agreements, with most projects expected to deliver operating cash returns of over 15%.[1]

Buoyed by strong market demand, the transformation in Vopak's portfolio has supported strong expansion in returns on capital, with the company's results for the first half of fiscal 2024 demonstrating a proportional operating cash return[1] of 16.7%, ~450 bps above the level achieved in 2021.

Further deployment of growth capital into gas and industrial terminals and storage capacity for sustainable fuels and feedstocks is expected to continue to optimise Vopak's positioning for the energy transition. Management has committed to deploy €1 billion of consolidated growth capital expenditure into 'new energies' opportunities by 2030 and is widely expected to upgrade its 2030 consolidated capital expenditure target for gas and industrial terminals, having already achieved ~90% of the aspiration announced at its 2022 Capital Markets Day. Collectively, these investments are expected to see the share of Group capital employed attributable to gas, industrial and new energies terminals grow from ~50% at the end of 2023 to 60-70% by 2030.

A growing share of earnings secured by long-term contracts with inflationary escalation clauses

Significantly, the evolution of Vopak's portfolio has also enhanced the resilience and predictability of its earnings and cash flows. Where oil and chemical storage contracts are typically struck with short tenors, ranging from a few months to five years, gas and industrial contracts exhibit much longer duration: typically at least 10 years for gas contracts and at least 20 years for industrial contracts. The shift in the composition of Vopak's portfolio has thus significantly lengthened the average duration of its contracts, with the proportion of contracts initially struck with a tenor of at least 10 years rising from ~23% in 2015 to ~34% at the end of 2022 and the average duration of the company's contracts now greater than 10 years. Notably, gas and industrial storage contracts typically include inflationary escalation clauses, an attribute rarely replicated in shorter-term oil contracts.

Predictability amidst transition

With a storied history spanning more than 400 years, Vopak has navigated countless transitions in the flows of global trade. With a portfolio that has undergone a subtle but significant transformation to optimise its positioning, and a growing share of earnings secured by long-term, inflation-linked contracts, we expect the durability of Vopak's earnings and cash flows to persist as the global economy transitions towards net zero.

Sources: Company disclosures.

[1] Vopak defines operating cash return as proportional operating cash flow divided by average capital employed. Proportional operating cash flow is pre-tax and excludes growth capex, derivative movements and working capital movements. Management defines proportional capital employed as proportional total assets excluding assets and current liabilities that are not related to operational activities.