
Fund Update February 2009

## Key Facts

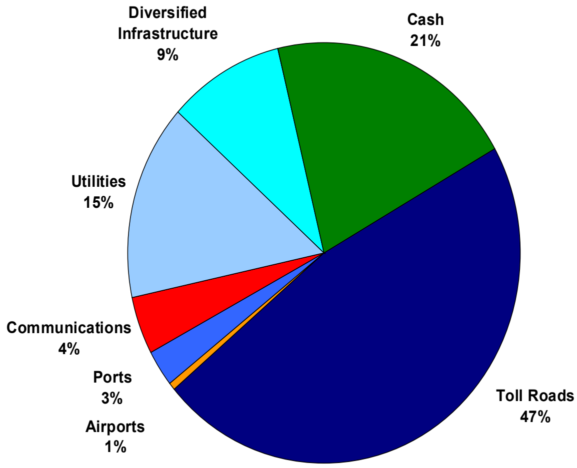
| | | | |
|---|---|---|---|
| Portfolio Manager | Gerald Stack | Contribution Fee* | Up to 1.25% |
| Structure | Infrastructure Fund, $A hedged | Buy/Sell Spread* | 0.25%/0.25% |
| Inception date | 1 July 2007 | MER/ICR* | 1.06% |

Performance Fee*
10.10% of net excess return over the UBS Global Infrastructure and Utilities Index Net Total Returned [ $A Hedged]. Subject to net performance also being greater than the Australian 10-year Government Bond Yield and high water mark provisions.

## Top Ten Holdings in Alphabetical Order

| | |
|---|---|
| Abertis | Toll Road |
| Atlantia | Toll Road |
| Cintra | Toll Road |
| ConnectEast | Toll Road |
| Macquarie Communication Group | Communications |
| Macquarie Infrastructure Group | Toll Road |
| NSTAR | Utility |
| Red Electrica | Utility |
| Transurban | Toll Road |
| Veolia | Diversified |

## Industry Breakdown




## Performance †

| | Fund | Excess return relative to Benchmark |
|---|---|---|
| 1 month | -8.60% | 1.00% |
| 3 months | -15.10% | -2.90% |
| 6 months | -32.00% | -1.00% |
| 12 months | -40.70% | -9.70% |
| Since Inception ^ | -42.20% | -9.10% |

## Country Breakdown

| | |
|---|---|
| Europe | 39.40% |
| Australia | 25.70% |
| North America | 9.40% |
| UK | 3.00% |
| New Zealand | 2.40% |
| Hong Kong | 0.40% |
| Cash | 19.80% |
| TOTAL | 100.10% |

## Portfolio Commentary

The significant fall seen in the share prices of infrastructure and utility stocks in recent times can be generally attributed to one or both of the following factors:

- Fear of the impact of the dislocation in global credit markets, i.e. companies will not be able to readily access reasonably priced debt; and/or
- Fear of the impact of the current global recession on earnings and therefore value.

During the month, some of our core holdings, including MIG, Abertis, Transurban and MCG, suffered large share price falls, largely because of market concerns about the first of the above factors.

Magellan believes that the first stocks that will show genuine share price growth when credit markets stabilise will be those most impacted by the first factor – and we have structured our portfolio accordingly. In contrast, we think those stocks most exposed to the economic cycle could languish until signs of an economic recovery start to appear – and we believe that could be well into next year. Consequently, we have very little exposure to sectors such as ports and airports.

We also believe that when some of our stocks rebound, when credit market fears dissipate, the rebound could be rapid and significant. For instance, it was only a year ago that MCG was trading above $5. Operationally, little has changed with MCG's assets yet the stock price is now less than $1. We see no fundamental reason why that stock cannot return to its previous trading prices.

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† Calculations are based on exit price to exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). ^ Fund Inception 1 July 2007.
* All fees are inclusive of the net effect of GST