

Magellan Infrastructure Fund offers investors an opportunity to invest in a specialised and focused global infrastructure fund.

Objectives:

- To achieve superior risk adjusted investment returns over the medium to long term; and
- To minimise the risk of permanent capital loss.

We aim to find outstanding companies at attractive prices. We consider outstanding companies to have the same characteristics as those targeted by other Magellan funds, i.e. wide economic moat, high re-investment potential, low business risks and low agency risks.

Specifically, we look for companies that:

- own infrastructure assets that are subject to very limited (if any) competition;
- operate within a clearly defined legal and political framework that provides a level of contractual certainty for their assets' operations; and
- have clearly defined capital expenditure and asset acquisition policies.

We anticipate that the portfolio will comprise 20-40 individual investments with the portfolio weighted towards our highest conviction investment ideas.

Portfolio Manager
Gerald Stack

Structure
Global infrastructure securities fund, \$A hedged

Minimum Investment
\$20,000 (\$10,000 with regular investment plan)

Buy/Sell Spread*
0.25%/0.25%

Management Fee*
0.96%p.a.

Administration Fee*
0.10%p.a.

Performance Fee*
10.10% of excess return over the higher of the Index Relative hurdle UBS Developed Infrastructure & Utilities Net TR Index (\$A Hedged) and the Absolute Return Hurdle the (Australian Government 10-year bond yield). Additionally, the Performance Fees are subject to a high water mark. Any Performance Fee will be reduced to the extent that it causes the total return to fall below any of the above measures.

*All fees are inclusive of the net effect of GST

Portfolio Summary

Key Holdings as at March 31, 2010	
Atlantia	ConnectEast
Ferrovial	Fraport
Intoll Group	National Grid
PG & E Corp	Transurban Group
Westar Energy	Zurich Airport

The Investment Case for Infrastructure

Magellan believes that infrastructure assets are defined by two key criteria – an infrastructure asset provides a service to the community that is essential and the cash flows generated by the asset are secure over the long-term i.e. the cash flows generated by the asset are largely unaffected by competition, commodity prices, political issues or technology. Given these characteristics, infrastructure investments generate reliable long-term earnings. In addition, the earnings of infrastructure companies are directly linked to inflation.

Portfolio Commentary

The Fund returned -1.17% for the quarter which compares to 0.86% for the benchmark index. Major contributors to performance included Zurich Airport and ConnectEast Group while the major detractor was Transurban Group.

As at 31 March 2010, the portfolio consisted of 26 stocks. The composition of the Fund by sector at 31 March 2010 was as follows.

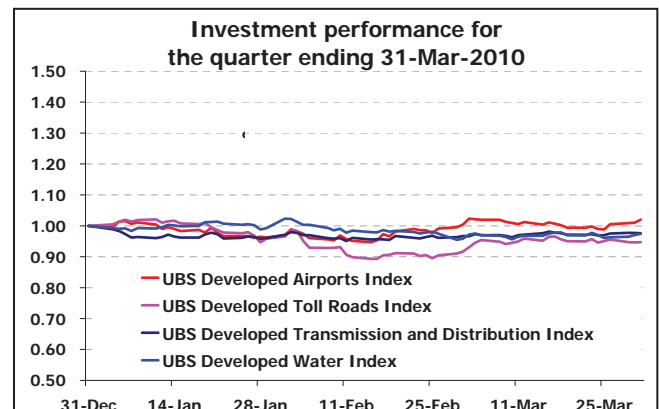
	Portfolio Weight 31 March 2010	Portfolio Weight 31 December 2009
Toll Roads – Urban	27.1%	35.3%
Toll Roads – Inter-Urban	11.2%	12.5%
Airports and Ports	15.2%	13.0%
Utilities	34.9%	27.2%
Diversified Infrastructure	7.8%	4.6%
Cash	3.8%	7.4%
Total	100.0%	100.0%

During the quarter the weighting of utilities, airports and diversified infrastructure all increased while there was a reduction in the weighting of urban toll roads and cash.

Market Commentary

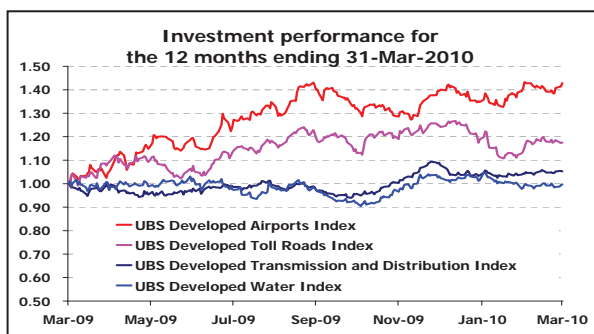
The charts below show the investment performance of four key segments of the listed infrastructure universe over the quarter ended, and for the 12 months ended 31 March 2010, as measured by the UBS indices.

For the quarter ended 31 March 2010, the investment performance for the different listed infrastructure segments was relatively similar. The listed airports sector performed most strongly during the quarter, continuing the trend of the last 12 months. The strong investment performance of the listed airports sector reflects the mounting evidence of a recovery in airline passenger numbers.



Market Commentary (continued)

Indeed over the last 12 months, both listed airports and listed toll roads have performed strongly, while utilities (transmission and distribution, water and integrated regulated energy utilities) have generated modest but stable returns, as expected of regulated entities.



Magellan believes the long-term investment outlook for airports and toll roads remains attractive. We outline below our views on the outlook for these sectors and, in particular, for significant investments the Fund has made in toll roads and airports.

1. Toll Roads

The Fund has a significant weighting to toll roads, and particularly urban toll roads. It is our view that the long-term prospects for toll roads remain strong, and that, at current prices, many listed toll roads offer a compelling investment.

Urban toll roads make up more than two-thirds of our toll road investments, reflecting our assessment that urban roads are less exposed to economic conditions. Urban roads carry traffic within an urban area and are typically characterised by a low proportion of heavy vehicles – generally around 5% of total traffic. Traffic on such roads is dominated by privately owned vehicles rather than commercial vehicles.

In contrast, inter-urban toll roads, as commonly found in Europe, connect two or more separate urban areas and usually have a higher level of heavy vehicle traffic which are used for commercial purposes. Commercial traffic is more likely than privately owned vehicle traffic to decline in response to an economic downturn and, as a result, inter-urban roads have more variable traffic patterns than urban roads. However, in the long-run they generally provide attractive traffic dynamics.

The three major investments of the Fund in toll roads are Atlantia, Intoll and Transurban. Each of these companies have a long-term history of earnings growth and have experienced encouraging growth in 2010.

Atlantia operates Europe's largest motorway network, covering over 3,400 km and accounting for 61% of the Italian motorway network. Atlantia has consistently grown earnings (as measured by EBITDA) over the last decade irrespective of economic conditions. For example, Atlantia suffered traffic declines of 0.8% in 2008 and 0.1% in 2009 (kilometres travelled) but still increased EBITDA.

In the 1st quarter of 2010 Atlantia recorded an increase in traffic compared to the same period in 2009 of 1.8%, auguring well for earnings growth for 2010.

Intoll, owns a 30% stake in the 407 toll road in Toronto, Canada and a 25% stake in the Westlink M7 toll road in Sydney. Magellan assesses the investment in the 407 as representing the bulk of value in Intoll. Over the last decade the 407 has been able to consistently grow earnings through a combination of traffic growth and toll price increases. In the 1st quarter of 2010 the 407 has recorded traffic growth (as measured by Total Vehicle Kilometres Travelled) of 4.4% and revenue growth of 11.7% compared to the prior corresponding period.

Transurban owns interests in a number of urban toll roads. Its major assets include the CityLink toll road concession in Melbourne and the M2 toll road concession in Sydney. In the most recent quarter ending 31 March 2010, Transurban reported that revenue for the CityLink increased by 11.7% while revenue for the M2 increased by 15.0% compared to the prior corresponding period.

2. Airports

Over the last 50 years airports have experienced consistent passenger growth as a result of ongoing structural trends. These trends include growing real income per capita, declining real cost of travel and declining aviation regulation. We expect these trends to continue to assert themselves.

However, airports are more exposed to the economic cycle than many other infrastructure sectors. In the short-term, a recession can affect an airport in two ways: firstly, a recession can lead to a decline in the number of people flying; and secondly, a recession can lead to a decline in the amount of money passengers spend in an airport. However, these are short-term impacts and, over the long-term, passenger growth and passenger spend can be expected to revert to the underlying trend as operating conditions improve.

The Fund's major airport investments include Auckland International Airport (AIA) and Zurich Airport.

AIA is the gateway airport to New Zealand and handles over 70% of all international passengers to New Zealand. Over the past decade AIA has experienced consistent growth in passenger numbers, and consequent revenues and earnings. For the first quarter of FY10, AIA has recorded 3.3% growth in the number of passengers, including more than 7% growth in the number of domestic passengers.

Zurich Airport owns and operates Zurich Airport, Switzerland's largest airport and the 17th largest in Europe measured by passenger throughput. Passenger demand for Zurich Airport is underpinned by Zurich's status as a key European financial centre. From December 2004 to December 2009 passenger numbers increased at a compound annual growth rate of 5.0%, but during calendar 2009 passenger numbers declined by 0.8%. However, in the first quarter of 2010 passenger throughput has increased by 8.4%.

Conclusion

These toll road and airport assets held by the Fund have shown resilient operational performance over recent years and will enjoy the benefits of any recovery in economic growth. Despite recent share market rises, Magellan believes the stocks holding those assets represent compelling value in current market conditions.

Performance Summary as at March 31 2010

	3 Month	6 Months	1 Year	2 Years	S.I (p.a)*
Magellan Infrastructure Fund	(1.17%)	8.24%	34.33%	(5.22%)	(6.69%)
UBS Global Infrastructure & Utilities	0.86%	5.77%	28.37%	(5.25%)	(5.51%)
Excess Return	(2.03%)	2.47%	5.96%	0.03%	(1.18%)

All global indices are Net Total Return AUD Hedged.

Total Returns are based on exit price to exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax and contributions fees (if applicable). Fund inception 1 July 2007.

* S.I = Since Inception of Magellan Infrastructure Fund