



MFG Core Infrastructure Fund

(Managed Fund) (Ticker: MCSI)

A low-cost diversified portfolio of 70-100 of the world's best infrastructure companies

Fund Update: 31 December 2021

ARSN: 646 028 131
APIR: MGE9182AU

Fund Features

- An actively constructed portfolio of 70 - 100 securities that meet our proprietary definition of infrastructure, rebalanced in a systematic manner
- Highly defensive, inflation-linked exposure
- Investors can buy or sell units on Chi-X like any other listed security or apply and redeem directly with the Responsible Entity

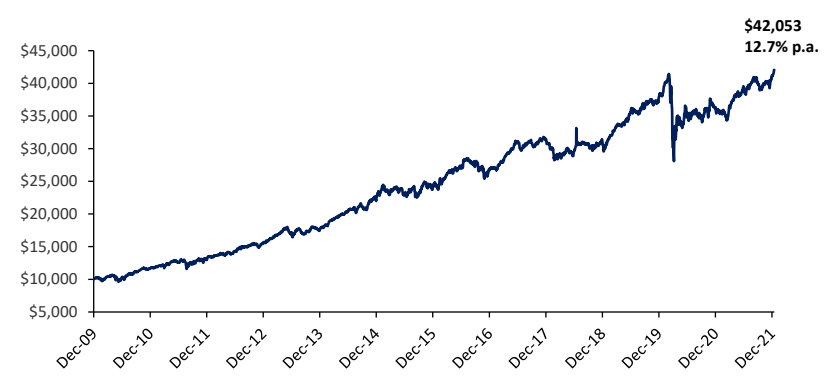
Fund Facts

Portfolio Manager	David Costello	
Structure	Global Listed Infrastructure Fund, A\$ Hedged	
Objective	Achieve attractive risk-adjusted returns over the medium to long term through investment in a diversified exposure to infrastructure securities that meet the Investment Manager's definition of infrastructure.	
Inception Date[^]	17 December 2009	
Management Fee¹	0.50% per annum	
Buy/Sell Spread^{1,2}	0.15%/0.15%	
Minimum Investment²	AUD\$10,000	
Fund Size/NAV Price³	AUD \$371.5 million / \$1.7075 per unit ³	
Distribution Frequency	Semi-annually	
Chi-X Ticker	MCSI	
Tickers	Solactive iNAV	ICE iNAV
Bloomberg (MCSI AU Equity)	MCSIAIV	MCSIAUIV Index
Refinitive (MCSI.CHA)	MCSIAUDINAV=SOLA	MCSIAUIv.P
IRESS (MCSI.CXA)	MCSIAUDINAV	MCSI-AUINAV.NGIF

Visit www.mfgcoreseries.com.au for more information, including: fund performance, unit prices and iNAV, investment insights, PDS & forms

¹All fees are inclusive of the net effect of GST;
²Only applicable to investors who apply for units directly with the Responsible Entity;
³NAV price is cum distribution and therefore includes the distribution of \$0.0288 per unit payable on 19 January 2022.

Performance Chart growth of AUD \$10,000*



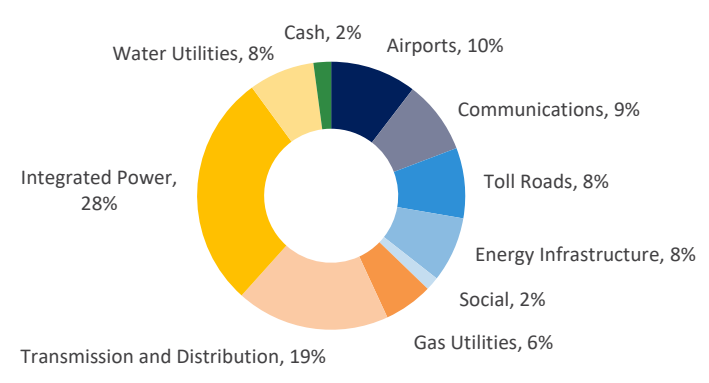
Performance*

	Fund (%)	Index (%)**	Excess (%)
1 Month	7.1	5.7	1.4
3 Months	7.9	4.5	3.4
6 Months	10.0	7.3	2.7
1 Year	16.7	13.7	3.0
3 Years (p.a.)	11.8	7.8	4.0
5 Years (p.a.)	9.3	6.0	3.3
7 Years (p.a.)	9.0	5.4	3.6
10 Years (p.a.)	12.0	8.7	3.3
Since Inception (p.a.)	12.7	8.1	4.6

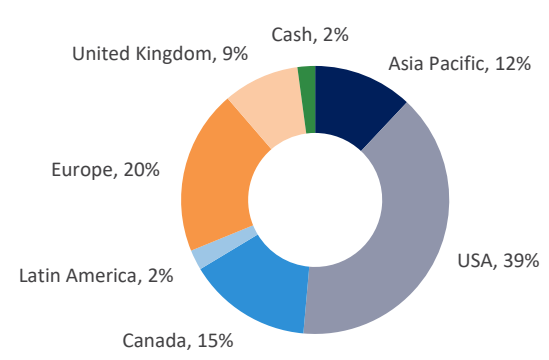
Top 10 Positions

Company	Sector [#]	%
Vinci SA	Toll Roads	3.0
Fortis Inc	Transmission and Distribution	3.0
Transurban Group	Toll Roads	3.0
Enbridge Inc	Energy Infrastructure	3.0
National Grid PLC	Transmission and Distribution	2.9
Sydney Airports	Airports	2.9
TC Energy Corporation	Energy Infrastructure	2.9
Cellnex Telecom SA	Communications	2.8
Emera Inc	Integrated Power	2.4
Aena SME SA	Airports	2.2
TOTAL:		28.1

Sector Exposure[#]



Geographical Exposure[#]



[^] The Fund was established on 17 December 2009 as an unregistered managed investment scheme. On 19 November 2020, the Fund's name was changed to MFG Core Infrastructure Fund and on 30 November 2020 the Fund was registered with ASIC as a registered managed investment scheme and became available to retail investors.
^{*} Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Fund Inception 17 December 2009. Returns denoted in AUD.
^{**} S&P Global Infrastructure Net Total Return Index (A\$ Hedged) spliced with UBS Developed Infrastructure and Utilities Net Total Return Index (A\$ Hedged) prior to 1 January 2015. Note: as the UBS Developed Infrastructure and Utilities Net Total Return Index (A\$ hedged) ceased to be published from 31 May 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Net Total Return Index (A\$ Hedged).[#] Sectors are internally defined. Geographical exposure is by domicile of listing. Exposures may not sum to 100% due to rounding.

Fund Commentary

The portfolio recorded a positive return in the December quarter. Stocks that contributed significantly included the investments in National Grid of the UK, Crown Castle International of the US and Terna of Italy. National Grid surged after the electricity utility announced underlying operating profit in the first half soared by a higher-than-expected 47% to 1.41 billion pounds and the company said it expects to deliver full-year underlying earnings "significantly above the top end of the 5% to 7% range" thanks to the earlier-than-expected commissioning of a new interconnector and higher auction prices across the interconnector portfolio. Crown Castle gained after the tower operator announced it had increased its dividend by an annualised 11% a share when it delivered healthy third-quarter earnings. Terna gained after the results of the company that operates Italy's grid showed a higher-than-expected 6.8% jump in revenue for the nine months to September as demand for electricity rose.

Among the most significant detractors were the investments in Aena of Spain, Cellnex Telecom of Spain and Royal Vopak of the Netherlands. Aena, the world's largest operator of airports, declined as the new covid-19 variant disrupted travel. Cellnex slid on concerns that eurozone inflation will stay elevated and hurt the company's real earnings power while boosting the risk of higher long-term policy rates. Royal Vopak fell as the backwardation in oil markets continued, even as the storage terminal operator reported a solid third-quarter result that topped expectations.

Stock contributors/detractors are based in local currency terms.

Topic in Focus: Toll Roads

The global health crisis in 2020 hurt listed total road investments. In the first four weeks of the pandemic (from late February that year), the shares of Transurban, the largest listed operator of urban toll roads in the world, fell 39%. Peers registered even larger declines. Vinci, the French concessions and construction company, and Atlas Arteria, the Australian-listed operator of toll roads in France, Germany and the US, nearly halved. Bears bellowed that online collaboration tools, adopted as a stopgap measure in response to stay-at-home orders, showed the feasibility of working from home, which would release professionals from commuting. Market sceptics postulated that this new paradigm would slash travel on toll roads, permanently impairing their economic value.

Two years on, however, the essential role that toll roads play is beyond doubt. Traffic data from Transurban in December showed a sharp recovery in volumes on the company's Sydney road network in the prior month. Just three weeks after the latest lockdowns eased, traffic reverted to a level modestly above that observed in 2019. Evidence from European toll-road operators shows a similar rebound. Vinci reported that traffic in November on its French road network was about 7% above pre-pandemic levels. Italian-based Atlantia reported traffic materially ahead of 2019 levels in Chile and Mexico while traffic in Mediterranean Europe was only 5% to 10% below 2019 levels, despite the fresh restrictions tied to the new Omicron covid-19 variant.

Three reasons account for the resilience of toll roads. First, commuters account for a surprisingly small share of trips on toll roads. A Transurban survey in April 2021 of 1,000 residents in Greater Sydney found that just 4% of respondents identified as commuters who use toll roads more than once a day. This result added to similar results from previous Transurban studies, which suggested that only 16% of trips on the company's roads are commutes; leisure and personal reasons account for most trips. The share of trips to and from work in Europe, where regional toll roads predominate, is likely to be lower still.

Second, concerns about catching the virus on public transport appear to be prompting people to use their cars. Patronage data from Transport for New South Wales reveals the number of trips completed on the state's public transport networks in November 2021 were 55% lower than in November 2019. Data from Transport for London points to a similar phenomenon. Trips on the city's public transport networks between 17 October and 13 November 2021 were about 30% below the level in the corresponding period of 2019. Google Maps data reinforce the point. The data reveals lower patronage at public transit stations in North America and in several key European countries since the onset of the pandemic. While it is reasonable to expect this trend to reverse as health risks fade, a survey of Australian transport users hints that at least part of the shift may prove permanent. A Transurban survey in January 2021 of people in Brisbane, Melbourne and Sydney indicated that respondents intend to use public transport about 21% less frequently after the pandemic and private vehicles about 5% more frequently.

Third, evidence is emerging of 'peak-spreading' on road networks. The data suggests that office workers are taking advantage of more flexible working arrangements to travel to the office outside of traditional peak windows. Analysis of hourly congestion levels produced by TomTom, the Dutch mapping and satellite navigation technologies company, points to lower levels of congestion at traditional peak times and an increase in congestion outside of these windows in major international cities including London, Madrid, Marseille, Milan and Sydney. Such a shift would be welcomed by toll-road operators: less severe peaks boost the capacity of a road to handle traffic, which increases its economic potential – and its market value.

Magellan has long viewed toll roads as the most structurally advantaged of infrastructure assets. Congestion on alternative routes means that toll roads face limited competition and capture a disproportionate share of traffic growth. Concession agreements typically link toll increases to inflation, which preserves the real value of their cash flows in an inflationary environment. The speed with which toll-road traffic recovered as the early waves of the pandemic subsided only serves to highlight the indispensable role that these assets play in communities.

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