MAGELLAN

MFG Core Infrastructure Fund

(MANAGED FUND) (TICKER: MCSI)

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

ARSN 646 028 131 APIR MGE9182AU **AS AT 31 MARCH 2023**

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 the Cboe securities exchange like any other listed security or apply and redeem directly with the Responsible Entity

Fund Facts

Portfolio Manager	Gerald Stack	
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.	
Investment Risks	All investments carry risk. While it is not possible to identify every risk relevant to your investment, we have provided details of the risks that may affect your investment in the relevant Product Disclosure Statement. You can view the PDS for the fund at www.magellancoreseries.com.au.	
Inception Date^	17 December 2009	
Management Fee[1]	0.50% per annum	
Buy/Sell Spread[2]	0.15%/0.15%	
Minimum Investment[2]	AUD$10,000	
Fund Size/NAV Price	AUD $277.3 million / $1.5854 per unit	
Distribution Frequency	Semi-annually	
Cboe Ticker	MCSI	
Tickers	**Solactive iNAV**	**ICE iNAV**
Bloomberg (MCSI AU Equity) **Refinitiv (MCSI.CHA)** **IRESS (MCSI.CXA)**	MCSIAIV MCSIAUDINAV=SOLA MCSIAUDINAV	MCSIAUIV Index MCSIAUiv.P MCSI-AUINAV.NGIF

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

[1]Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST;

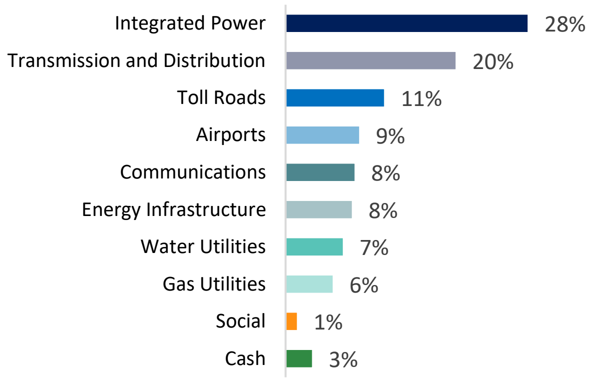
[2]Only applicable to investors who apply for units directly with the Responsible Entity.

Performance*

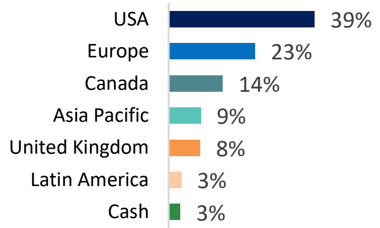
	Fund (%)	Index (%)**	Excess (%)
1 Month	2.6	1.7	0.9
3 Months	3.6	3.2	0.4
6 Months	9.6	10.6	-1.0
1 Year	-5.6	-2.5	-3.1
3 Years (p.a.)	7.7	13.3	-5.6
5 Years (p.a.)	7.1	5.4	1.7
7 Years (p.a.)	6.4	6.0	0.4
10 Years (p.a.)	9.2	7.2	2.0
Since Inception (p.a.)	11.2	7.7	3.5

Past performance is not a reliable indicator of future performance.

Sector Exposure#



Geographical Exposure#



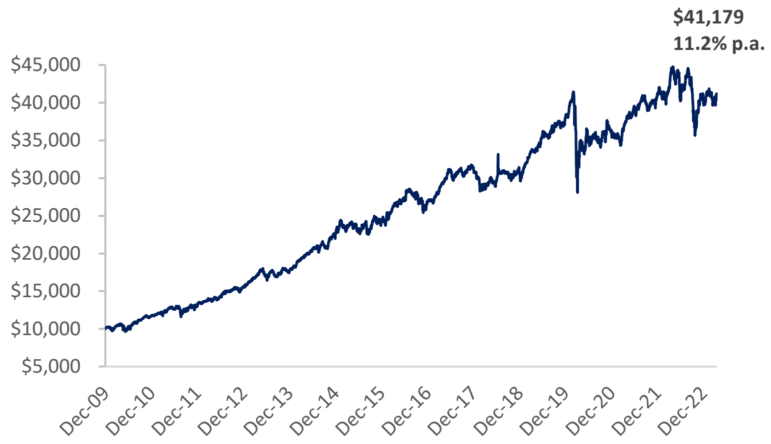
^ The Fund was established on 17 December 2009 as an unregistered managed investment scheme. On 19 November 2020, the Fund's name was changed to MFG Core Infrastructure Fund and on 30 November 2020 the Fund was registered with ASIC as a registered managed investment scheme and became available to retail 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 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.

Sectors are internally defined. Geographical exposure is by domicile of listing. Cash exposure includes profit/loss on currency hedging. Exposures may not sum to 100% due to rounding.

Performance Chart growth of AUD $10,000*



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Top 10 Positions

Company	Sector#	%
National Grid Plc	Transmission and Distribution	3.01
Vinci SA	Toll Roads	2.98
Transurban Group	Toll Roads	2.97
TC Energy Corporation	Energy Infrastructure	2.94
Cellnex Telecom SA	Communications	2.91
Fortis Inc	Transmission and Distribution	2.89
Enbridge Inc	Energy Infrastructure	2.76
Ferrovial SA	Toll Roads	2.62
Aena SME SA	Airports	2.26
Terna SpA	Transmission and Distribution	2.25
	TOTAL:	27.59

Fund Commentary

The portfolio recorded a positive return for quarter ended March 31 as inflation and 10-year bond rates pulled back on recession concerns.

Stocks contributing most over the period included Aena, Cellnex and Vinci. Aena jumped as its traffic levels exceeded 2019 levels and as 2022 earnings and 2023 guidance exceeded consensus. Cellnex increased over the period due to declining bond yields that impact the valuation of the company more than average given the longer duration of its cashflows. Vinci's share price lifted as earnings came in ahead of consensus and as airport passenger traffic continued to rebound across its portfolio.

Some of the largest stock detractors over the month were Dominion Energy, Elia Group and Duke Energy. US-based utility, Dominion Energy, declined after management underwhelmed investors with limited information about its planned business restructure. Elia Group declined as a combination of factors, including concerns over funding a significant capex pipeline and uncertainty regarding Germany’s plan to merge the country's transmission companies impacted investor confidence. Duke Energy fell after the release of its 4Q result which included a $1.3bn write-down of its renewables portfolio that management ear-marked for sale later in the calendar year.

Index movements and 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. We consider the strategy can provide investors with returns that exceed inflation over the longer term. 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 our view, the current uncertain economic and investment climate, and 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.

Story: Ferrovial

(Ben McVicar- Portfolio Manager)

In the US and Canada, despite these countries being viewed as bastions of free enterprise, private ownership of toll roads and airports is uncommon, notwithstanding long-held investor expectations that the market would follow trends seen in other places like Europe or Australia. For investors this has left these markets as outliers for the size of their economies, and with limited opportunity for private investment in these key transport assets. Despite the constraints, one company that has developed a foothold in this market is Ferrovial.

Ferrovial is a multinational company that focuses on toll roads and airports, as well as having construction and services businesses. Within the infrastructure part of the business, its North American toll roads represent the most important part of its operation with assets like its flagship investment in the 407 ETR in Toronto, as well as its managed lanes in the United States; and airports, with investments in major hub airports like Heathrow in London and JFK in New York.

The 407 ETR in Canada is arguably one of the most attractive toll road concessions in the market, where Ferrovial holds a 43.23% stake in the asset. The road provides a route across Toronto to the north of the city with the main competing route being the 401 highway, which is often regarded as the busiest road in North America and suffers from major congestion issues. In addition, the 407 ETR operates under a long-term contract that extends to 2098, and toll price increases that have few restrictions – with no specific cap on toll prices so long as traffic remains above specified levels. The pricing flexibility is key and stands in contrast to many toll roads that have more restrictive pricing clauses embedded in their contracts. We believe traffic conditions should remain favourable given positive migration dynamics, a solid economic outlook, and its role as a transit route across the high-population areas of Toronto, which has Lake Ontario to the southern side limiting the ability for an effective competing route to be built. This ongoing traffic growth across the city provides not only a growing market, but with the major congestion on the competing 401 Highway, our view is this should also drive more cars onto the 407 ETR.

The 407 ETR is a key investment attraction within Ferrovial; however, the company has been growing its business throughout the United States by developing its high-occupancy toll lanes (“HOT” lanes) or managed lanes. The distinguishing feature of these HOT lanes is they operate using dynamic pricing. This means that to guarantee and maintain a minimum average speed, the tolls are automatically adjusted higher as the speed of vehicles drops towards the minimum threshold. Users are charged based on their marginal willingness to pay, rather than a cap set by the concession grantor. While this can lead to high tolls at certain periods, some feedback suggests customer satisfaction is higher when tolls are higher, as it means the competing free road is heavily congested and therefore the time savings are even greater.

The company operates a portfolio of these managed lanes including key assets in the fast-growing region of Dallas-Fort-Worth, Texas; Charlotte, North Carolina; and in a highly congested yet affluent area of Virginia that serves traffic heading to Washington D.C. Further, the company has flagged ongoing potential opportunity for new developments in Georgia where the company has submitted bids for a prospective managed lane project. We believe that the success of Ferrovial's HOT lanes and its innovative, world-leading dynamic pricing model demonstrates the company's strong IP and competitive advantage.

Ferrovial's primary airport holding is a 25% stake in Heathrow. Heathrow operates under a "single till" model meaning the entire operation is subject to price regulation. This model is less attractive than a "dual till" model that allows for the separation of the regulated aeronautical business from commercial operations (such as retail or property developments). However, the single till model does provide strong inflation protection. In addition to some smaller holdings in the airport sector, the company is also undertaking a major project in New York, with the development of a new JFK International Terminal 1 called New Terminal One (NTO), which is expected to see Ferrovial invest US$1.1 BN to develop a new 38-year concession that will see NTO take over from Terminals 1, 2 and 3.

Ferrovial also operates a construction business. While we do not view this business as particularly advantaged or attractive, the size of the business is minor in the context of Ferrovial and we consider it an acceptable risk to gain access to such high-quality toll road assets, particularly the 407 ETR and US-managed HOT lanes.

While Ferrovial is currently based in Spain, given its ongoing strategy to grow and develop its US business, the company is undertaking a process intended to see it ultimately become dual listed in the US, enhancing liquidity and access to capital that should allow it to continue to capitalise on its world-leading position that it has established in this market.

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