Magellan Infrastructure Fund

ARSN 126 367 226

Fund Update: 30 June 2012

Fund Overview

The **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, political and regulatory framework; 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 Listed Infrastructure Fund ($A hedged)

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

Buy/Sell Spread*
0.15%/0.15%

Fund Size
$A220.3 million

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 and the Absolute Return Hurdle (Australian Government 10-year bond yield). Additionally, the Performance Fees are subject to a high water mark.

* All fees are inclusive of the net effect of GST

Portfolio Summary

For the quarter ended 30 June 2012, the Magellan Infrastructure Fund (the Fund) generated a positive return of 2.3% (net of fees), exceeding the market benchmark (the UBS Global Infrastructure & Utilities Index) by 0.5%. For the 12 months ended 30 June 2012, the Fund returned 7.6%, which exceeded the benchmark by 2.6%.

As at 30 June 2012, the portfolio consisted of 29 stocks (there were 29 stocks at 31 March 2012).

Top 10 Holdings

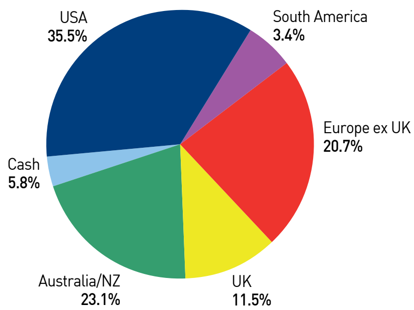
	GICS Sector
Transurban Group	Urban Toll Roads
American Water Works	Water Utilities
National Grid	Transmission and Distribution
Spark Infrastructure	Transmission and Distribution
Wisconsin Energy	Integrated Regulated
Zurich Airport	Airports
ITC Holdings	Transmission and Distribution
Fraport	Airports
Auckland Airport	Airports
SES	Communications

The composition of the Fund by sector at 31 March 2012 and 30 June 2012 was as follows:

	Portfolio weight (%) 31 March 2012	30 June 2012
Toll Roads	16.8%	13.3%
Airports	17.3%	15.0%
Ports	3.4%	2.8%
Communications	0.0%	6.0%
Energy Utilities	45.5%	42.4%
Water Utilities	13.9%	16.0%
Other	0.6%	0.0%
Cash	2.5%	4.6%

The major sector changes to portfolio composition during the period were a reduction in exposure to toll roads and energy utilities offset by an increase in the weighting of water utilities and communications infrastructure assets.

The composition of the portfolio by geography at and 30 June 2012 was as follows:



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MFG MAGELLAN ASSET MANAGEMENT LIMITED

Portfolio Strategy

Generally, infrastructure assets are natural monopolies that provide an essential service to the community. Infrastructure assets offer investors protection from the impacts of inflation because their earnings generally have some direct linkage to inflation. Over time the stable, reliable earnings of infrastructure assets are expected to lead to a combination of income and capital growth for investors. The return from the infrastructure universe (as defined by Magellan) was more than 10% p.a. for the decade to the end of 2011. Just under half of that return was income.

The universe of infrastructure assets that we consider for the Fund is made up of 2 main sectors:

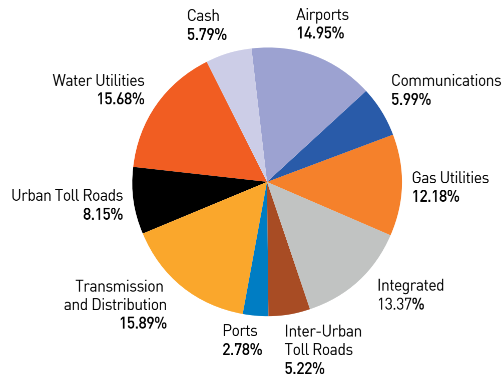
- **Utilities**, including both regulated energy utilities and regulated water utilities. We estimate that utilities comprise more than 75% of the potential universe for the Fund. Utilities are typically regulated by a government sponsored entity. Such regulation requires the utility to efficiently provide an essential service to the community and, in return, permits the utility to earn a fair rate of return on the capital it has invested in its operations. As the utility provides a basic necessity, e.g. energy or water, there is minimal fluctuation in demanded volumes in response to the economic cycle and the price charged for the utility service can be adjusted with limited impact upon demanded volumes. As a result, the earnings of regulated utilities have been and are expected to continue to be stable irrespective of economic conditions; and

- **Infrastructure**, which includes airports, ports, toll roads and communications infrastructure. Regulation of infrastructure companies is generally less intensive than for utilities and allows companies to accrue the benefits of volume growth i.e. the returns of infrastructure companies are linked to growth in passengers, vehicles or containers. As economies develop, grow and become more inter-dependent, we expect the underlying level of aviation, shipping and vehicle traffic to increase. As a result, the revenues and earnings derived by infrastructure assets are expected to grow.

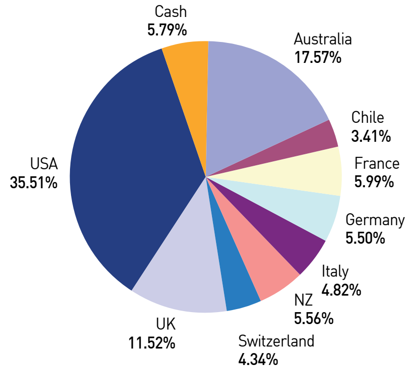
Both utilities and infrastructure companies provide an essential service while facing limited (if any) competition, and, because the service is essential, the price charged for the service can be adjusted with limited impact upon demanded volumes. As a consequence, earnings are considerably more reliable than those for a typical industrial or mining company.

Performance Chart Growth of $1,000 (net of fees)

Industry Breakdown



Curency Exposure - by Listing



Performance Summary as at 30 June 2012

	1 Month	3 Months	6 Months	12 Months	2 Years (% p.a.)	3 Years (% p.a.)	4 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)†	Since Inception†
Fund	2.60%	2.31%	6.13%	7.60%	19.97%	18.02%	7.29%	2.00%	2.00%	10.40%
Index*	4.92%	1.77%	4.90%	5.01%	10.89%	10.30%	-0.28%	-0.31%	-0.31%	-1.53%
Excess Return	-2.31%	0.54%	1.24%	2.59%	9.08%	7.72%	7.57%	2.31%	2.31%	11.93%

* S.I = Since Inception of Magellan Infrastructure Fund on 1 July 2007. UBS Developed Infrastructure & Utilities Net TR Index ($A 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). Past performance is not necessarily indicative of future results and no person guarantees the performance of any Magellan financial product or service or the amount or timing of any return from it. There can be no assurance that a Magellan financial product or service will achieve any targeted returns, that asset allocations will be met or that a Magellan financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.

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