Fund Update: 30 June 2015

Magellan Infrastructure Fund

ARSN: 126 367 226

Fund Facts

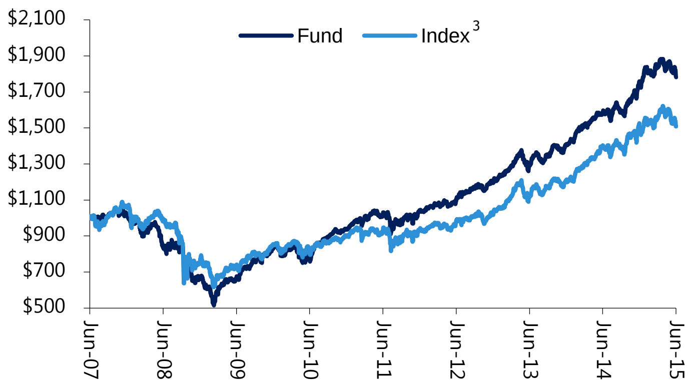
Portfolio Manager	Gerald Stack
Structure	Global Listed Infrastructure Fund, $AUD Hedged
Inception Date	1 July 2007
Management & Administration Fee[1]	1.05%
Buy/Sell Spread[1]	0.15%/0.15%
Fund Size	AUD $807.4 million
Performance Fee[1]	10.0% of the excess return of the Units of the Fund above the higher of the Index Relative hurdle (S&P Global Infrastructure Index A$ Hedged Net Total Return) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

[1]All fees are exclusive of the net effect of GST

Fund Features

- Offers investors a pure, benchmark-unaware exposure to global listed infrastructure
- Conservative definition of core infrastructure: invests in companies that generate over 75% of their earnings from the ownership of infrastructure assets
- Relatively concentrated portfolio of typically 20 to 40 investments
- Seeks to substantially hedge the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian dollars
- Maximum cash position of 20%
- $20,000 minimum investment amount.

Performance Chart growth of AUD $1,000[2]



Fund Performance[2]

	Fund (%)	Index (%)[3]	Excess (%)
1 Month	-4.4	-5.1	0.7
3 Months	-2.9	-3.0	0.1
6 Months	3.2	1.2	2.0
1 Year	12.3	7.5	4.8
2 Years (% p.a.)	17.1	15.7	1.4
3 Years (% p.a.)	17.3	15.3	2.0
5 Years (% p.a.)	18.4	13.5	4.9
7 Years (% p.a.)	11.5	6.1	5.4
Since Inception (% p.a.)	7.5	5.3	2.2

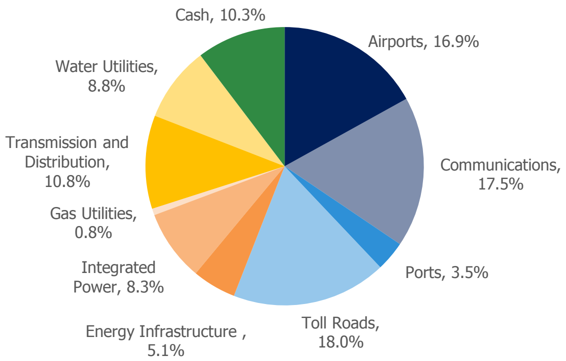
Fund Risk Measures[5]

	3 years	5 years	Since inception[2]
Upside capture	1.0	1.0	0.9
Downside capture	0.6	0.4	0.7

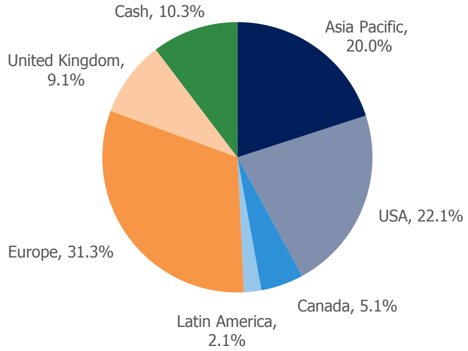
Top 10 Holdings

	GICS Sectors	% of Fund
Transurban Group	Toll Roads	9.2
Crown Castle International Corp	Communications	7.2
Atlantia Spa	Toll Roads	6.4
National Grid Plc	Transmission and Distribution	6.1
SES	Communications	5.9
Enbridge Inc	Energy Infrastructure	5.1
Flughafen Zeurich AG	Airports	4.8
Eutelsat Communications	Communications	4.4
Fraport AG Frankfurt Airport Services	Airports	4.3
Auckland International Airport	Airports	4.2
	TOTAL:	57.6

Industry Exposure by Source of Revenues[4]



Geographical Exposure by Source of Revenues[4]



[2]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. 1 July 2007.
[3]S&P Global Infrastructure Index A$ Hedged Net spliced with UBS Developed Infrastructure and Utilities Net Total Return Index (hedged to AUD). Note: as the UBS Developed Infrastructure and Utilities Net Total Return Index (hedged to AUD) ceased to be published from 31 March 2015, it was replaced by Magellan on 1 January 2015 with the S&P Global Infrastructure Index A$ Hedged Net Total Return.
[4]The exposures are by domicile of listing. It is the Fund's intention to substantially hedge the capital component of the foreign currency exposure of the Fund arising from investments in overseas markets back to Australian Dollars.
[5]Upside/downside capture shows if a fund has outperformed a benchmark during periods of market strength and weakness, and if so, by how much.

Performance

During the June 2015 quarter, in Australian dollar hedged terms, the Magellan Infrastructure Fund ('The Fund') returned -2.9% net of fees. This was 0.1% better than the benchmark[1] of -3.0%. The 1 year return to 30 June 2015 for the Fund was +12.3%, 4.8% better than the benchmark return of +7.5%.

The negative return for the quarter was largely the result of the market's reaction to the crisis in Greece. The Fund's units fell by more than 3% in the last five trading days of the quarter. We strongly believe that the market had been irrational, particularly regarding the very high quality, defensive holdings in the Fund and we expect those stocks to recover going forward. Indeed, the Fund recovered over 1.5% in the first trading day of July. Notwithstanding, the quarter also saw a selloff in US Utilities as the prospects of a rise in interest rates in the US increase. The worst performing stocks in the Fund during the quarter were US Utilities ITC (Total Shareholder Return of -13.6%) and Westar (-10.8%). Regionally, stocks in the US were the worst performers for the quarter with an average return of -6.7%. On the positive side, airports continued their strong run with Auckland Airport returning +9.7% for the quarter and German company Fraport +4.0%. The fall in the price of US Utilities over recent months mean that many are now trading well below Magellan's valuations for the first time in some years.

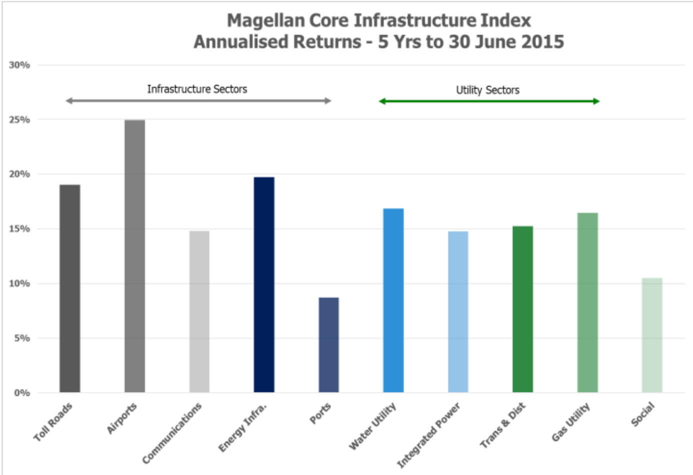
During the quarter, there were divergent returns from stocks included in commonly used benchmark indices but excluded from Magellan's universe of investable stocks. On the positive side, Japanese Power Utilities were up over 24% for the quarter, Japanese Rail Companies were up over 13%, Chinese Infrastructure stocks increased by an average of 18% and Brazilian stocks were up over 7%. In contrast, US rail companies were down over 12%, US competitive energy businesses declined by an average of 5% and US Oil & Gas MLPs were down an average 4%.

A Reflection on the Last Five Years

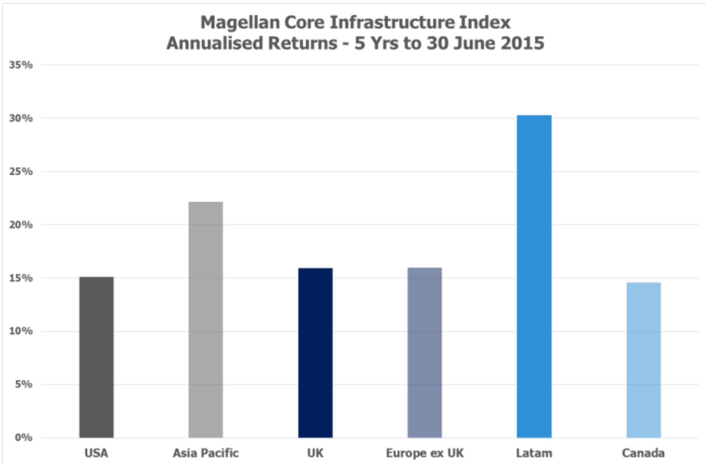
As we have discussed in previous investor letters, there is no universally agreed definition of what is or is not an infrastructure asset. Therefore, every manager needs to define their investment universe as the first step in building a portfolio. Magellan uses what most asset consultants and research houses judge to be the most conservative definition of the term infrastructure of all listed infrastructure managers globally. Magellan refers to the universe of stocks meeting our definition as the Magellan Core Infrastructure Index. The following analysis uses the performance of stocks included in this index to review the key trends in the last five years.

Over the last 5 years, the Magellan Core Infrastructure Index returned 18.4% per annum gross of fees (compared to a gross return from the Magellan Infrastructure Fund of 19.8% per annum). The following graph shows returns by sector over this period (which we calculate by taking the average local currency return of the stocks in that sector). The key observations to be made from this data are:

- As we would expect, the returns from the Utility sectors were more consistent than the non-Utility sectors
- The higher returning non-Utility sectors were led by the Airports sector which returned 25% pa over the period.



The next graph shows returns by region. Clearly, the Latin American returns, which are primarily driven by four Mexican airport companies, were outstanding while the Asia Pacific stocks also performed very strongly (note that we only include developed markets in the Asia Pacific region). It is worth noting that, despite the ongoing economic problems in Europe, stocks from that region performed in line with the US, UK and Canada.



In terms of individual stock performance:

- The best performing stock was Mexican airport company OMAB with a TSR of 38.5%;
- 5 of the 6 best performing stocks were airports;
- Pleasingly, only one stock of the 86 stocks in the index delivered a negative return over the five year period.

Finally, one of the key reasons that investors choose to include global listed infrastructure in their asset allocation is to diversify their exposures from global equity markets. One

[1] The Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Index AUD Hedged NTR Index and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure AUD Hedged NTR Index.

of the key criteria used to measure how effective an investment is at risk reduction and diversification is called 'Downside Capture'. This measures how the investment performs when equity markets go down. An analysis of performance over the five years to 30 June 2015 shows that the Magellan Core Infrastructure Index downside capture ratio was -0.1 (and indeed the Fund achieved the same result). This means that, on average, the index delivers investors a positive return when global equity markets fall.

Outlook and Strategy

The Fund seeks to provide investors with attractive risk-adjusted returns from the infrastructure asset class. It does this by investing in a portfolio of listed infrastructure companies that meet our strict definition of infrastructure at discounts to their assessed intrinsic values. We expect that the Fund should provide investors with real returns of approximately 5% to 6% 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, given the predictable nature of earnings and the structural linkage of those earnings to inflation, the investment returns generated by infrastructure assets are different from standard asset classes and offer investors valuable diversification when included in an investment portfolio. In the current uncertain economic and investment climate, the reliable financial performance of infrastructure investments makes them particularly attractive and an investment in listed infrastructure can be expected to reward patient investors with a three to five year timeframe.