Strategy Update: 30 June 2021

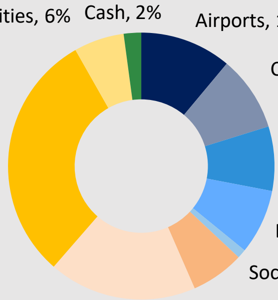
MFG Global Core Infrastructure (USD)

Portfolio Manager	Strategy Inception Date	Total Strategy Assets	Total Infrastructure Assets[1]
Gerald Stack	18 January 2012	USD $6,812.7 million	USD $14,225.6 million

Objective	Approach
Capital preservation in adverse markets Pre-fee return of CPI plus 5%p.a. through the economic cycle	Diversified rules-based portfolio applying our proprietary infrastructure classification Highly defensive, inflation-linked exposure Benchmark unaware

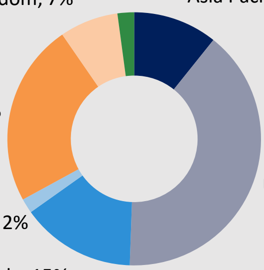
Top 10 Holdings[2]	Sector[2]	%
Transurban Group	Toll Roads	3.0
Enbridge Inc	Energy Infrastructure	3.0
TC Energy Corporation	Energy Infrastructure	3.0
Aena SME SA	Airports	3.0
Vinci SA	Toll Roads	3.0
Cellnex Telecom SA	Communications	2.9
National Grid PLC	Transmission and Distribution	2.9
Fortis Inc	Transmission and Distribution	2.9
Snam SpA	Gas Utilities	2.7
Terna SpA	Transmission and Distribution	2.2
	TOTAL:	28.6

Sector Exposure[2]



USD 5 Year Risk Measures[3]	Against MSCI World NTR Index (A$ Hedged)	Against Infrastructure Benchmark[4]
Upside Capture	0.5	0.9
Downside Capture	0.5	0.8
Beta	0.6	0.7
Correlation	0.7	0.9

Geographical Exposure[2]



3 Year rolling returns[5] (measured monthly)	Last 12 Months	Last 36 Months	Last 60 Months	Since Inception (79 Months)
Against the Infrastructure Benchmark[4]				
Average excess return (% p.a.) (Gross)	5.2	3.6	4.0	4.0
Average excess return (% p.a.) (Net)	4.5	2.9	3.2	3.3
Outperformance consistency (Gross)	100%	92%	95%	96%
Outperformance consistency (Net)	100%	86%	92%	94%

Cumulative Performance[3]	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	Since Inception (% p.a.)
Composite (Gross)	3.7	16.3	9.4	7.5	7.7	10.5
Composite (Net)	3.6	15.7	8.8	6.8	7.0	9.8
Global Infrastructure Benchmark[4]	2.1	22.2	4.7	5.3	3.5	6.4
Excess (Gross)	1.6	-5.9	4.7	2.2	4.2	4.1
MSCI World NTR Index	7.7	39.0	15.0	14.8	10.2	12.3

Annual Performance[3]	CYTD (%)	2020	2019	2018	2017	2016	2015	2014	2013	2012*
Composite (Gross)	6.1	-1.3	29.0	-6.1	21.2	7.2	-0.1	17.4	14.0	16.4
Composite (Net)	5.9	-1.8	28.2	-6.7	20.4	6.5	-0.8	16.6	13.2	15.6
Global Infrastructure Benchmark[4]	5.0	-6.5	25.8	-10.4	19.1	11.4	-12.2	14.1	14.4	7.0
Excess (Gross)	1.1	5.2	3.2	4.3	2.1	-4.2	12.1	3.3	-0.4	9.4
MSCI World NTR Index	13.0	15.9	27.7	-8.7	22.4	7.5	-0.9	4.9	26.7	13.0

[1] Comprised of all Infrastructure Strategies.
[2] The data is based on a representative portfolio for the strategy. Refer to the GIPS Disclosure below for further information. Sectors are internally defined. Geographical exposure is by domicile of listing. Exposures may not sum to 100% due to rounding.
[3] Risk measures are for the Global Core Infrastructure Composite before fees. The Global Equity Index is the MSCI World NTR Index.
[4] The Benchmark or Global Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities NTR Index and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index. Note: the UBS Developed Infrastructure and Utilities NTR Index ceased to be published from 31 May 2015, replaced on 1 January 2015 with the S&P Global Infrastructure NTR Index.
[5] Rolling 3-year returns are calculated and rolled monthly for the duration of each period shown. The average excess return is then calculated for each period, with the outperformance consistency indicating the percentage of positive excess returns.
[6] Returns are for the Global Core Infrastructure Composite and denoted in USD. Performance would vary if returns were denominated in a currency other than USD. Refer to the GIPS Disclosure section below for further information. Composite (Net) returns are net of fees charged to clients and have been reduced by the amount of the highest fee charged to any client employing that strategy during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Fees are available upon request.
* Returns are only for part year.

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The Global Infrastructure Benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure & Utilities Index Net Total Return and from 1 January 2015 the benchmark is S&P Global Infrastructure Net Total Return Index. The benchmark changed because UBS discontinued their index series.

The UBS Developed Infrastructure & Utilities Index Net Total Return is a market capitalisation weighted index that is designed to measure the equity performance of listed Infrastructure and Utility stocks. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

The S&P Global Infrastructure Net Total Return Index is a market capitalisation weighted index that is designed to track 75 companies from around the world diversified across three infrastructure sectors energy, transportation and utilities. Index results assume the reinvestment of all distributions of capital gain and net investment income using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

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The Global Core Infrastructure composite is a global strategy investing in strictly defined or "pure" infrastructure companies (typically 80-100). The filtered investment universe is comprised of stocks that 1. generate reliable income streams, 2. benefit from inflation protection and have an appropriate capital structure. The investment objective of the strategy is to minimise the risk of permanent capital loss; and achieve superior risk adjusted investment returns over the medium to long-term. The composite was created in February 2012.

To achieve investment objectives, the composite may also use derivative financial instruments including, but not limited to, options, swaps, futures and forwards. Derivatives are subject to the risk of changes in the market price of the underlying securities instruments, and the risk of the loss due to changes in interest rates. The use of certain derivatives may have a leveraging effect, which may increase the volatility of the composite and may reduce its returns.

A copy of the composite's GIPS compliant presentation and/or the firm's list of composite descriptions are available upon request by emailing client.reporting@magellangroup.com.au

The representative portfolio is an account in the composite that closely reflects the portfolio management style of the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio may differ from those of the composite and of the other accounts in the composite. Information regarding the representative portfolio and the other accounts in the composite is available upon request.

USD is the currency used to calculate performance.

Strategy Commentary

The strategy recorded a positive return in the June quarter when utilities was the only sector of 11 in the MSCI World Index to decline in US dollars. The stocks that contributed the most were the investments in Cellnex Telecom of Spain, National Grid of the UK and Enbridge of Canada. Cellnex, a wireless telecommunications infrastructure and services company with more than 50,000 sites across Europe, gained as the market overhang associated with the company's recent capital raising dissipated. National Grid, an electricity and gas utility with operations in the UK and the US, rose after its operating profit for fiscal 2021 beat consensus by 2 percentage points. Enbridge rose on the back of strong first-quarter results, which revealed that the company's critical Mainline asset is once again operating in a fully utilised and apportioned manner, after disruptions associated with the health crisis weighed on volumes during 2020. Trading in the company's stock was also supported by a favourable judgment, issued by the Minnesota Court of Appeals, reaffirming the regulator's approval of the company's Line 3 replacement project. The decision reassured investors that the project would meet its previously guided fourth-quarter 2021 in-service date.

The stocks that detracted the most were the investments in Sydney Airport, Eversource Energy of the US and APA Group of Australia. Sydney Airport slid after Melbourne then Sydney were placed in 'lockdown' after the virus escaped quarantine. Eversource Energy fell after the Connecticut Public Utility Regulatory Authority slammed the utility that through subsidiaries offers electricity, natural gas and water services for its preparation for and response to Tropical Storm Isaias that hit in 2020. In a politically charged decision, the authority found that Eversource did not satisfy relevant performance standards, ordered an indefinite reduction of 90 basis points to subsidiary Connecticut Light & Power's authorised return on equity, ordered the opening of a regulatory docket to consider issuing civil penalties against the subsidiary and foreshadowed the disallowance of certain costs that the authority asserts were imprudently incurred were Eversource to seek recovery. Eversource has indicated it will appeal these findings. APA declined amid talk that the assets of Australia's largest natural gas infrastructure business would be worth less in the transition to cleaner energy.

In relative terms, the portfolio outperformed the benchmark index over the quarter. Outperformance relative to the benchmark was principally attributable to the portfolio's overweight exposure to regulated utilities in developed markets, which comprise more than 60% of the portfolio and less than 20% of the benchmark. Regulated utilities performed strongly during the quarter, supported by softening nominal yields on 10 year US Treasury bonds. Nominal yields on the key risk-free rate proxy declined by about 30 basis points during the quarter, despite comments from the US Federal Reserve that it is likely to begin tightening monetary policy sooner than previously signalled. This pronouncement by the Fed prompted market participants to revise their expectations of future inflation lower, driving real yields on 10-year US Treasury bonds even more deeply negative. Relative performance also benefited from the greater global diversification of our regulated utility holdings in comparison with the benchmark; regulated utilities domiciled outside the US, which performed strongly during the quarter, comprise more than 25% of our portfolio compared with just under 2% of the benchmark.

Stock story: CMS Energy

CMS Energy is a high-quality US regulated utility delivering consistent earnings growth with exposure to the net-zero structural shift.

CMS operates in the supportive US regulatory jurisdiction of Michigan, serving 1.9 million electric customers and 1.8 million natural gas customers. Michigan's above-average authorised returns and incremental allowances for renewables and efficiency position CMS as one of the most attractive regulated utilities in the US. Moreover, Michigan's forward-looking test-year rate-setting methodology reduces regulatory lag and dampens inflation risk, providing a high degree of confidence that the company will earn its authorised rate of return in full. Bipartisan support for a highly regulated utility sector in Michigan accentuates the constructive environment in which CMS operates.

CMS is in the early stages of its shift to renewables, a transition that is likely to support attractive growth in the company's rate base and earnings well into the future. In 2020, just 11% of the electricity delivered by CMS was sourced from renewables. Yet this figure is set to rise dramatically. CMS recently outlined one of the most aggressive decarbonisation goals in the industry, targeting an exit from coal-fired generation by 2025 and net-zero emissions by 2040. The capital required to achieve this goal will sustain high levels of investment for the next 20 years. Beyond this, Michigan's goal to be carbon neutral by 2050 and the resulting increase in electrification should sustain CMS's investment in the electricity grid at relatively high levels. CMS's rate base (the key measure of a utility's earnings potential) is projected to grow at a rate of about 7.5% p.a. over the next decade, supporting growth in earnings per share at a similar level.

We view favourably CMS's recent decision to divest its non-core home improvement lending company, EnerBank. The move reinforces the CMS 'Clean and Lean' strategy, leaving an almost entirely pure-play regulated utility. CMS's June 2021 'Integrated Resource Plan' also sees the company transferring assets from its unregulated business, CMS Enterprises, to its regulated business, sheltering these assets from the risks inherent in competitive wholesale energy markets and providing a further boost to the growth prospects of its core utility operations.

CMS has delivered consistent earnings growth of about 7% p.a. over the past decade and on average earned above its authorised return, reflecting support from regulatory incentives and adder mechanisms. Considering the constructive regulatory environment in Michigan and a strong capital investment plan supported by decarbonisation goals, CMS is well placed to maintain consistent, reliable earnings growth and cash flows over the next three decades.

Stock story: Alliant Energy

Alliant Energy is a US utility that provides power to nearly one million electricity and 420,000 gas customers in Iowa and Wisconsin. The utility that earned revenue of US$3.4 billion in 2020 (85% from electricity and the remainder mainly from gas) sees its future in renewables.

The company has plans to 'green' its services in the two Midwest states where it operates. The utility is building wind and solar energy capabilities to replace two coal-based facilities in Iowa and plans to retire two large coal-fired plants with solar-based assets in Wisconsin.

Alliant Energy is aiming to reduce carbon emissions by 50% by 2030 compared with 2005 levels. The company is expected to attain this goal as it had achieved a 42% reduction by 2020. Such success has prompted the utility to declare that by 2025, half its generating assets will be renewables.

Alliant Energy says it intends to eliminate all coal generation by 2040 but will likely achieve this feat earlier. Achieving this would help the company meet its aspirational goal of net-zero carbon emissions from the energy it generates by 2050.

The investment appeal of Alliant Energy is that in turning green it will expand its 'rate base', the capital investment on which it earns a regulator-approved return. Alliant Energy is expected to spend US$5.9 billion from 2021 to 2024 and another US$7 billion to US$9 billion in the following five years on going green.

Alliant Energy's plan holds promise because the company operates in states where regulators support investment in renewable energy. The company expects to grow its rate base (on which it can earn regulator-approved returns) from about US$11 billion in 2020 to about US$14 billion in 2024.

Alliant Energy has delivered 5% to 7% underlying earnings-per-share growth over the past decade. The utility's green journey has the potential to deliver similar returns in coming years.