

Triumph of cashflow over the long term

Ben McVicar

Magellan Asset Management Limited – Portfolio Manager

Important Information

[2]

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Agenda



[3]

- Infrastructure Asset Class – Definition, Size and Scope
- Infrastructure – Reliable Earnings
- Magellan Infrastructure Fund – Current Positioning

Pure Definition: critical to reliable earnings

[4]

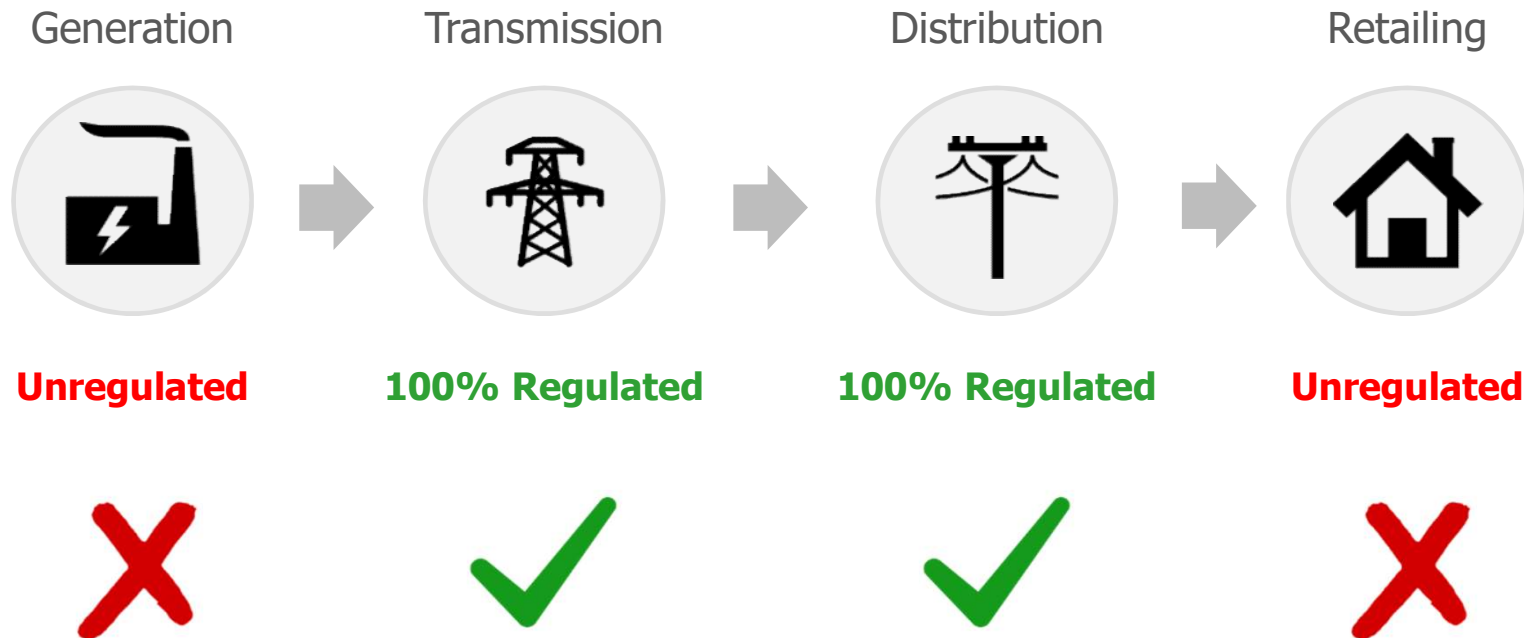
For an asset to qualify as 'infrastructure', it must meet two key requirements:

1. Essential for the efficient functioning of a community; and  Demand and revenue are predictable
2. Earnings are not sensitive to competition, commodity price movements or sovereign risk  Cash flows are reliable

Assets that meet these requirements provide investors with a highly defensive, inflation-linked exposure that exhibits low correlation with other asset classes

Technology Disruption - Utilities

[5]



We do not consider competitive power generation assets as infrastructure yet such companies are routinely included in commonly used benchmark indices

The Listed Infrastructure Universe

Magellan's defined global listed infrastructure universe includes more than 130 stocks with a combined market cap in excess of \$US1.4 trillion

[6]

Utilities

Earnings Regulated



Water Utilities



Gas Utilities



Integrated Power



Energy Transmission and Distribution

Infrastructure

Price Regulated



Airports



Toll Roads



Energy Infrastructure



Communication



Ports



Rail

Social

Contract Regulated



Hospitals



Schools

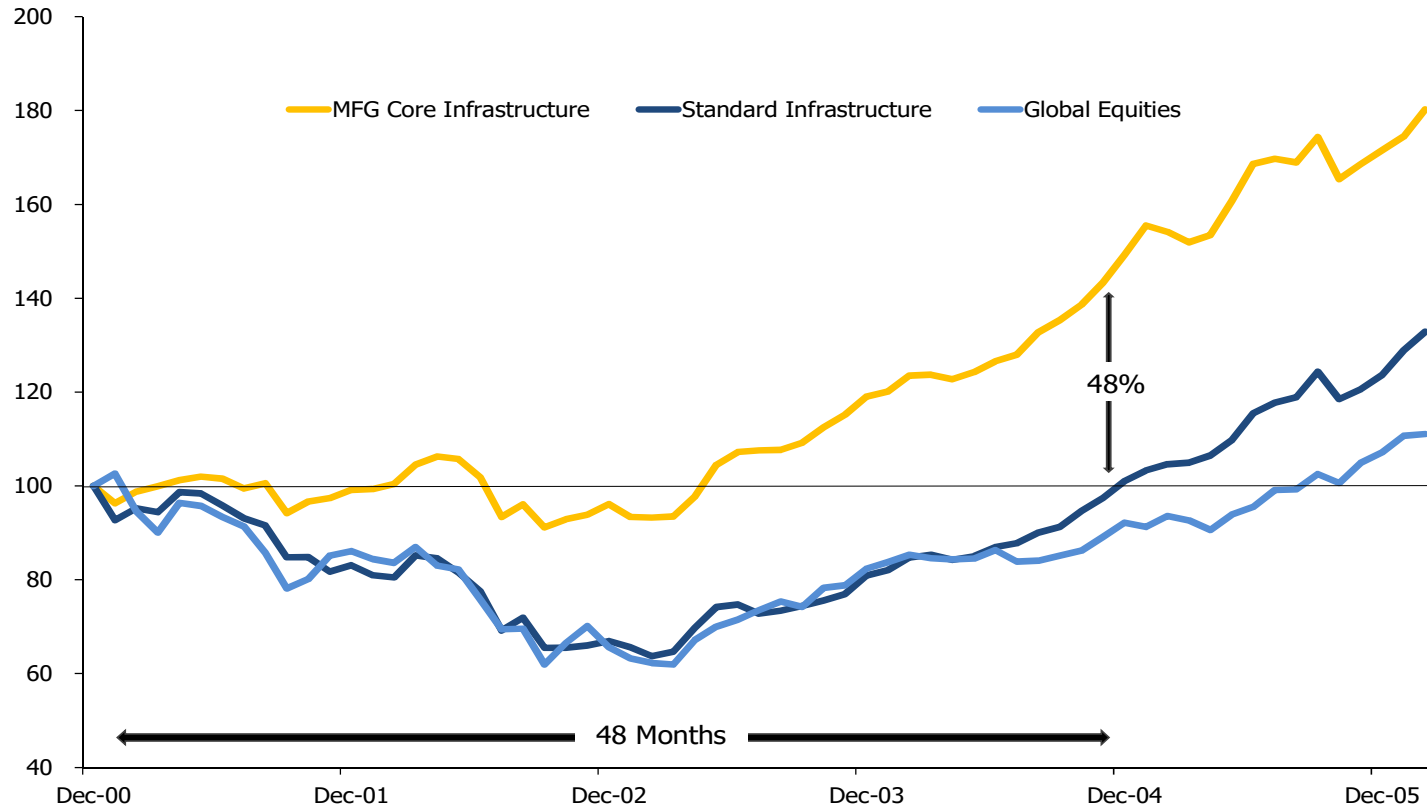


Prisons

Downside Protection

[7]

Tech Wreck Example: Core Infrastructure provided downside protection while the Standard Infrastructure was correlated to Global Equities

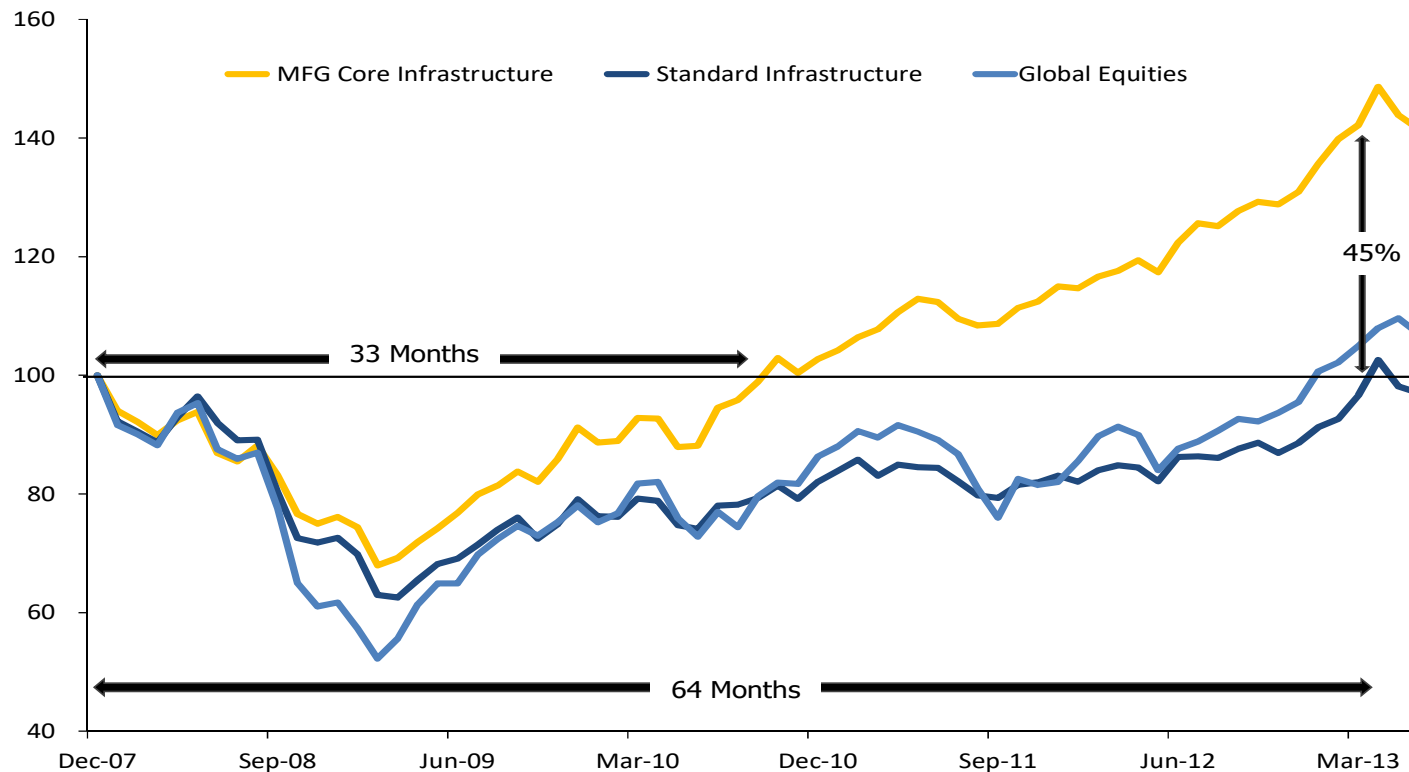


"Core Infrastructure" refers to the MFG Core Infrastructure Index (local currency), "Standard Infrastructure" refers to the UBS Developed Infrastructure & Utilities TR Index (USD Hedged) and "Global Equities" is the MSCI World Total Return Index (local currency).

Downside Protection

[8]

GFC Example: Core Infrastructure recovered more quickly than Standard Infrastructure. Once again Standard Infrastructure was highly correlated with Global Equities.

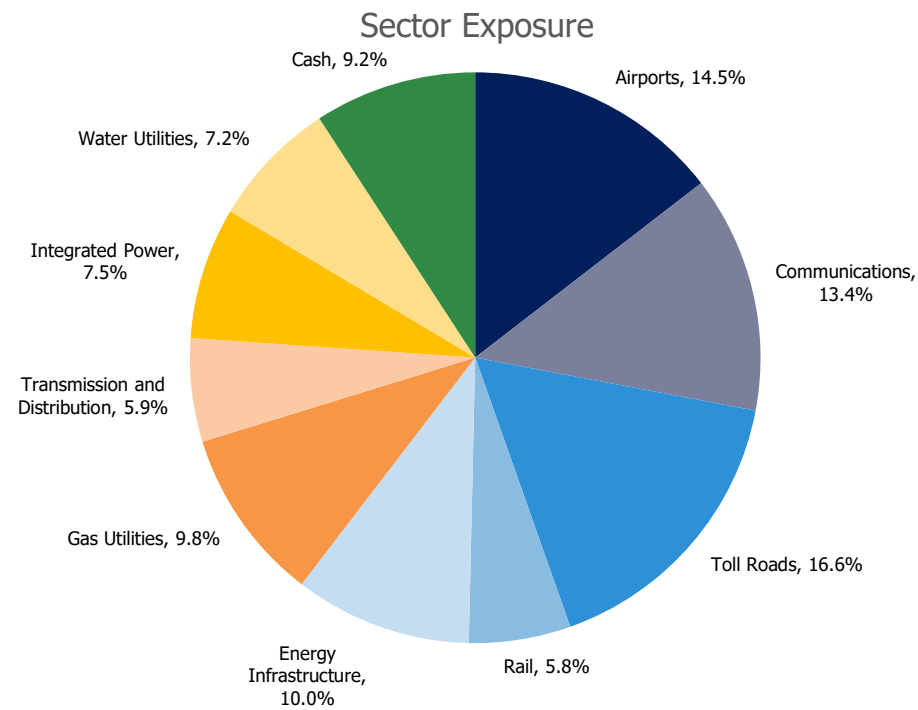


"MFG Core Infrastructure" is the MFG Core Infrastructure Index (local currency), "Standard Infrastructure" is the UBS Developed Infrastructure & Utilities TR Index (USD Hedged) and "Global Equities" is the MSCI World Total Return Index (local currency).

Infrastructure – Reliable Earnings

Magellan Infrastructure Fund

Exposures as at 30 April 2017



Sectors are internally defined. Geographical exposures are by domicile of listing.

Utilities – Nature of Returns

[11]

The regulation of utility earnings leads to stable financial results and ultimately stable investment returns

- Regulation typically allows utilities to earn fair returns with low potential for loss. the utility is protected from:

- Changes in demand;
- Inflation; and
- Changes in interest rates.



The regulation of earnings leads to stable financial results



Regulation is administered by a government body and is transparent and simple.



Stable financial results and transparent regulation lead to stable values for utilities.

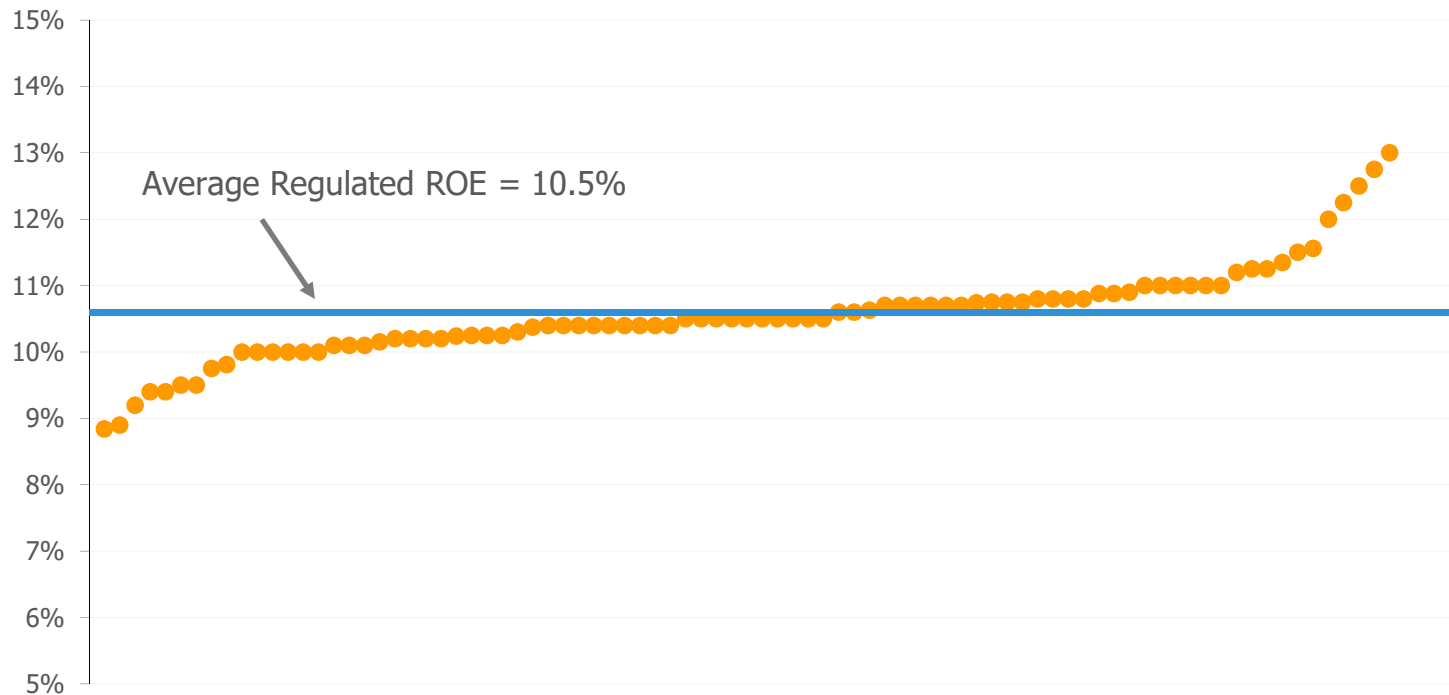


Why is Financial Performance so stable?

Regulators allow utilities to generate a fair return on the capital used in their businesses

[12]

US Electricity and Gas Utilities - Regulated ROEs



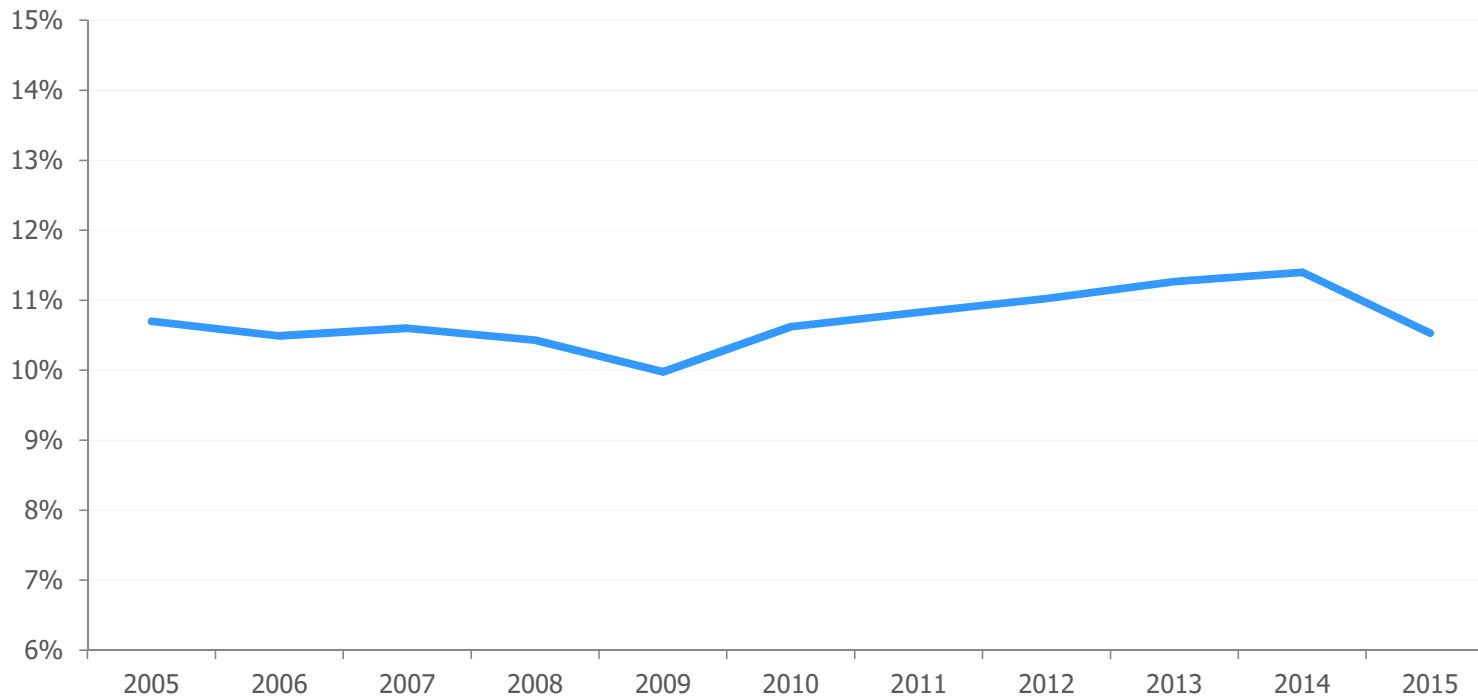
Source: Magellan Asset Management Limited analysis.

Utilities - Financial Performance

Because of the regulated nature of utilities, the historical returns from regulated utilities have been stable through the recession

[13]

**Return On Equity from 2005 to 2015 for the
Magellan US Regulated Energy Utilities Index**



Source: Company accounts, Magellan Asset Management Limited analysis.
Utility group includes Alliant Energy, Atmos Energy, Consolidated Edison, ITC, Southwest Gas, Southern Company, Westar Energy, WGL, Wisconsin Energy & Xcel Energy.

Infrastructure – Nature of Returns

Revenues and earnings reflect patronage growth

[14]

The revenue generated by infrastructure assets are a function of operating volume and price.

Revenue = Volume x Price

Toll Road Revenue = Number of cars x Average Toll

Airport Revenue = Number of passengers x Average Charge/Spend

Port Revenue = Number of containers x Average Charge

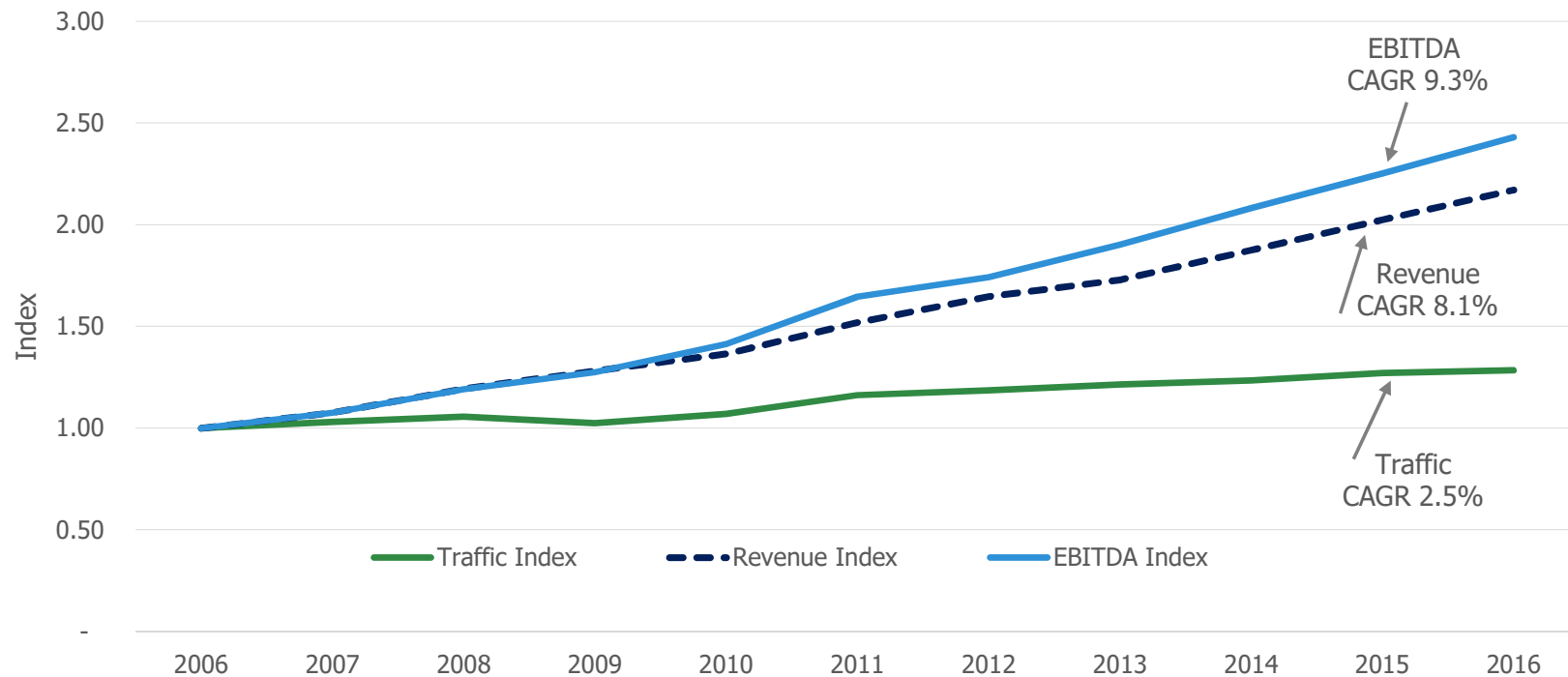


Urban Toll Roads

[15]

Reliable earnings growth reflects patronage growth combined with inflation indexation.

CityLink - Traffic, Revenue and EBITDA (2006 to 2016)



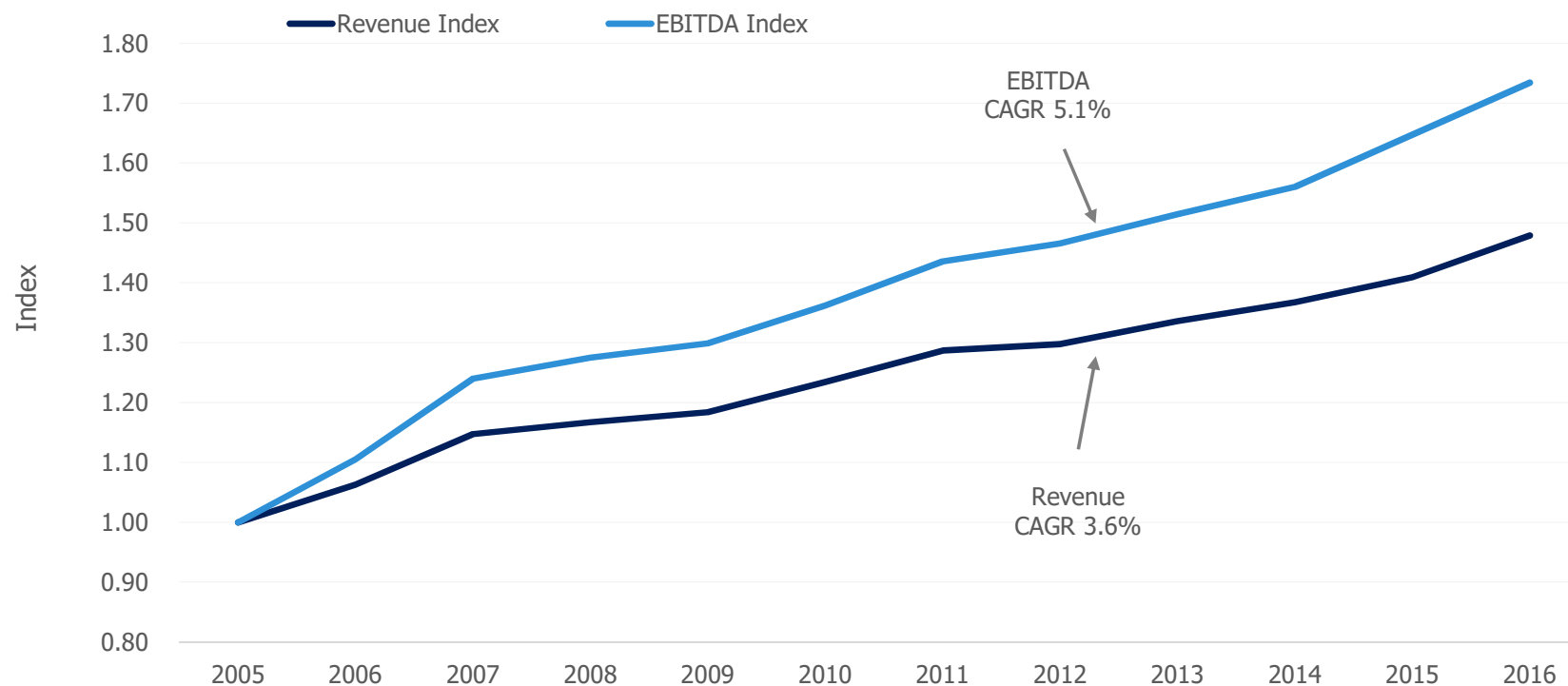
Source: Transurban Group, Magellan Asset Management Limited analysis.

Inter-Urban Toll Roads

[16]

Reliable earnings growth reflects patronage growth combined with inflation indexation.

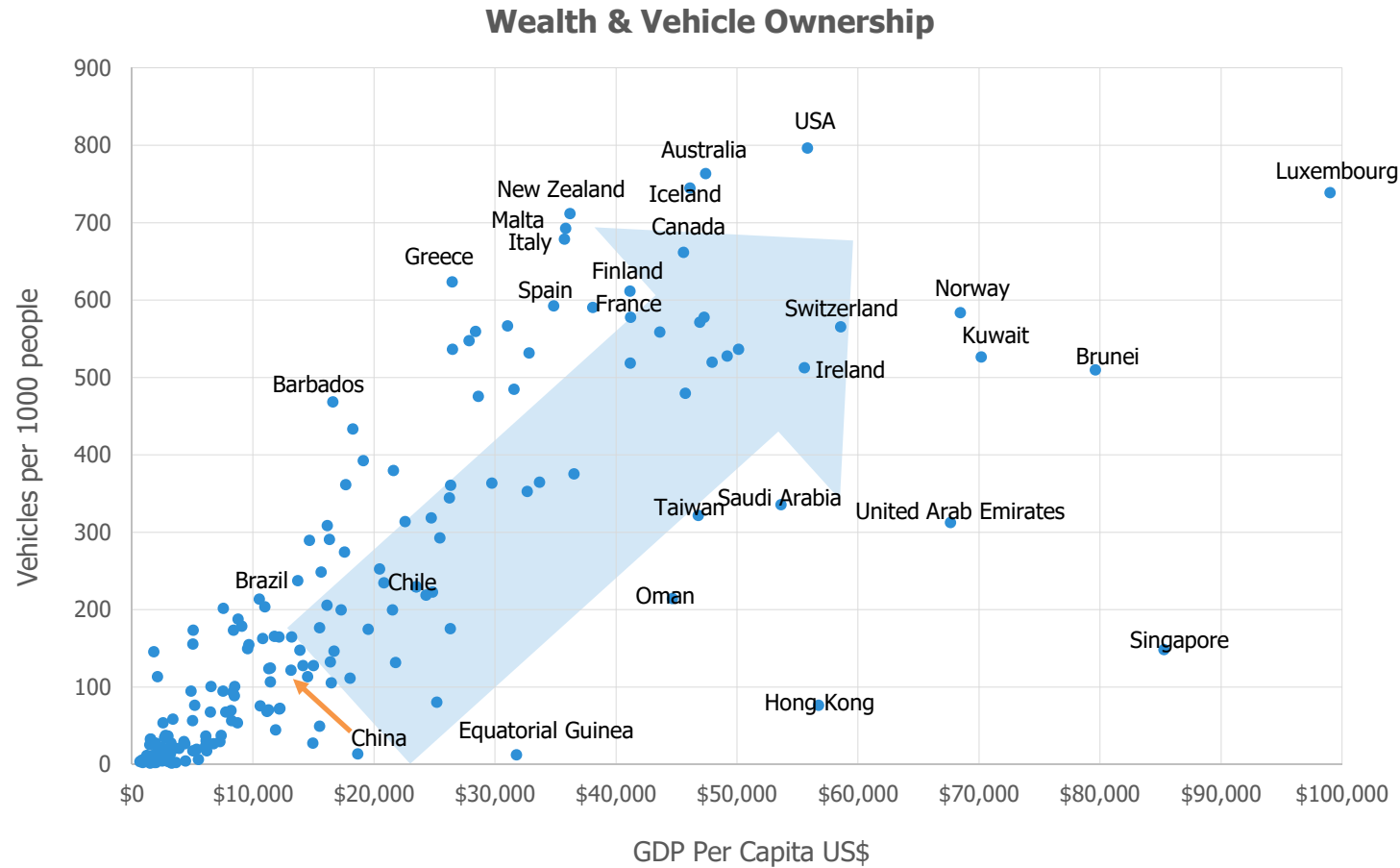
APRR - Revenue and EBITDA (2005 to 2016)



Source: Macquarie Atlas Roads, Magellan Asset Management Limited analysis.

Demand for Roads is Linked to Wealth

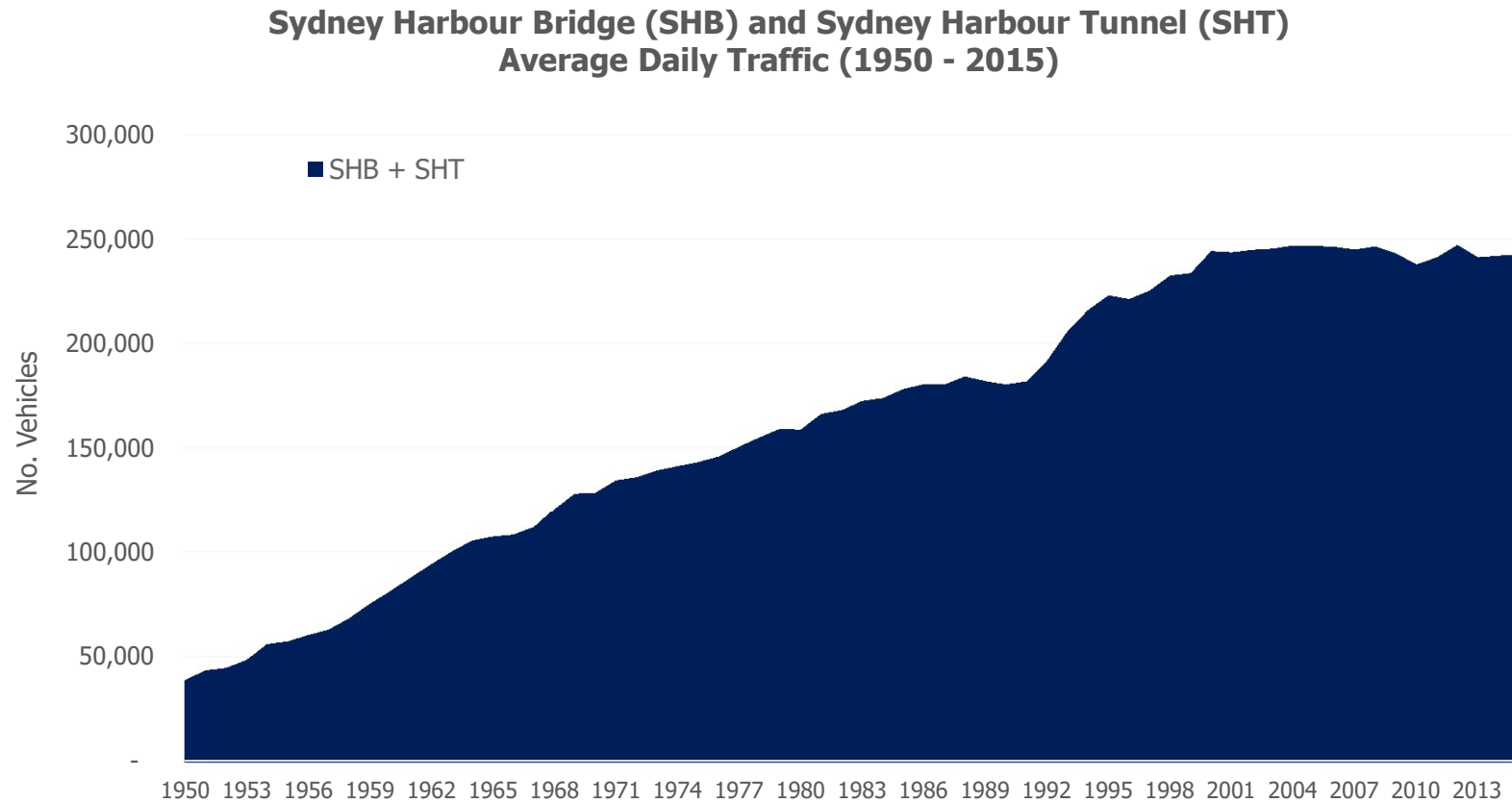
[17]



Source: World Bank 2014, Magellan Asset Management Limited analysis.

Demand for Roads is Linked to Wealth

[18]

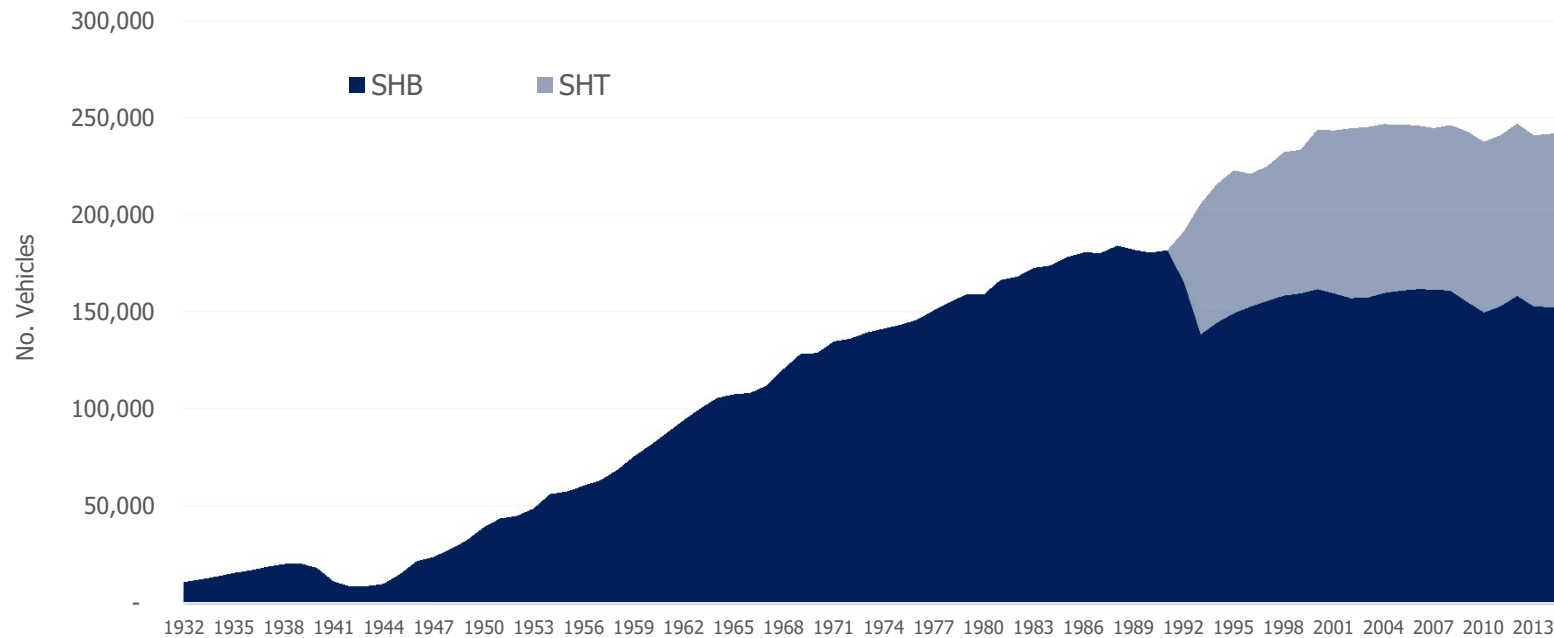


Source: Roads & Traffic Authority, NSW Government, Magellan Asset Management Limited.

New Capacity Can Induce Demand

[19]

**Sydney Harbour Bridge (SHB) and Sydney Harbour Tunnel (SHT)
Average Daily Traffic (1950 – 2015)**

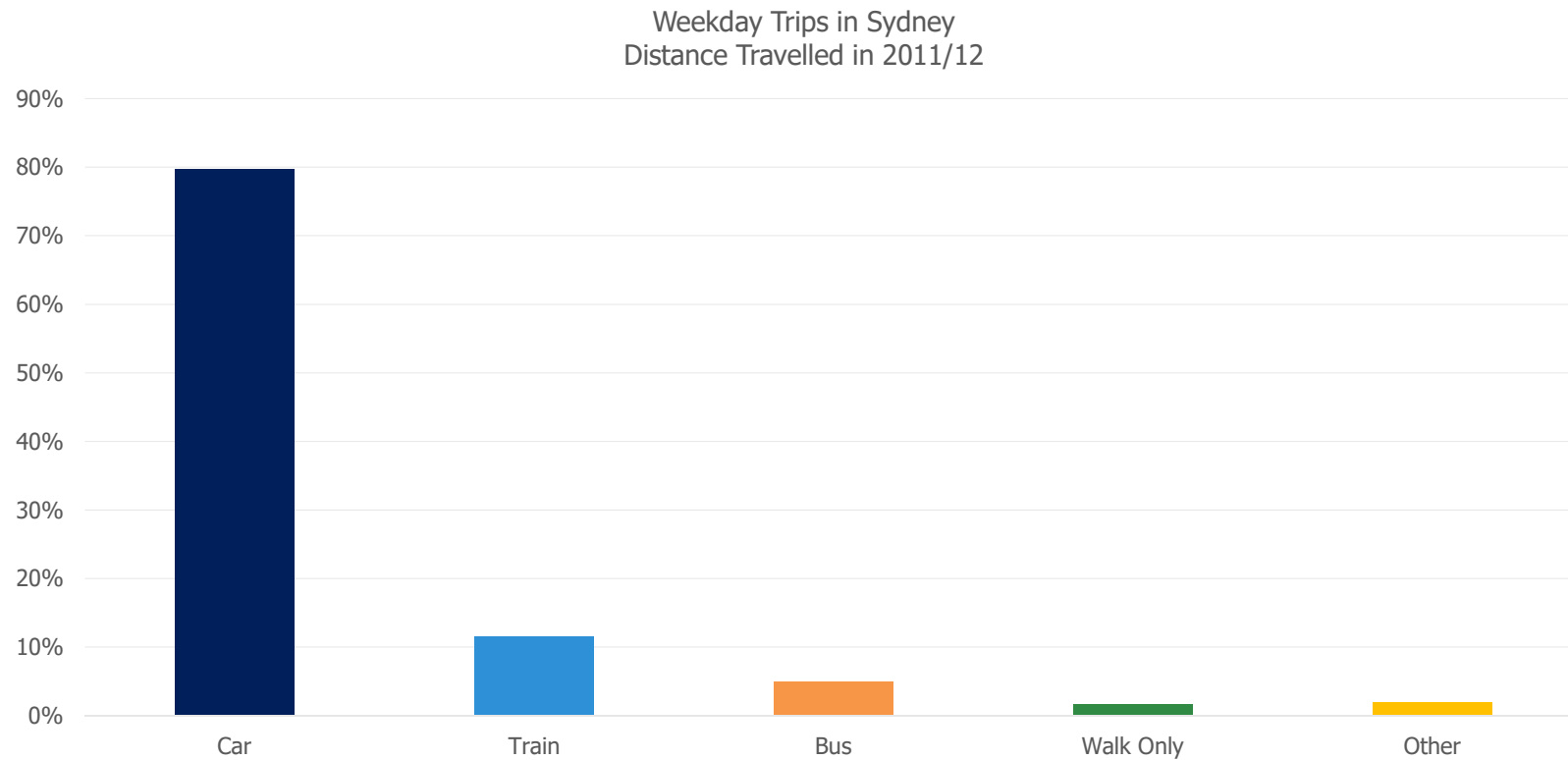


Source: Roads & Traffic Authority, NSW Government, Magellan Asset Management Limited.

Cars Dominate Large City Transport

[20]

The complexity of modern trips and the historic focus of public transport on the CBD makes car travel unavoidable for most people

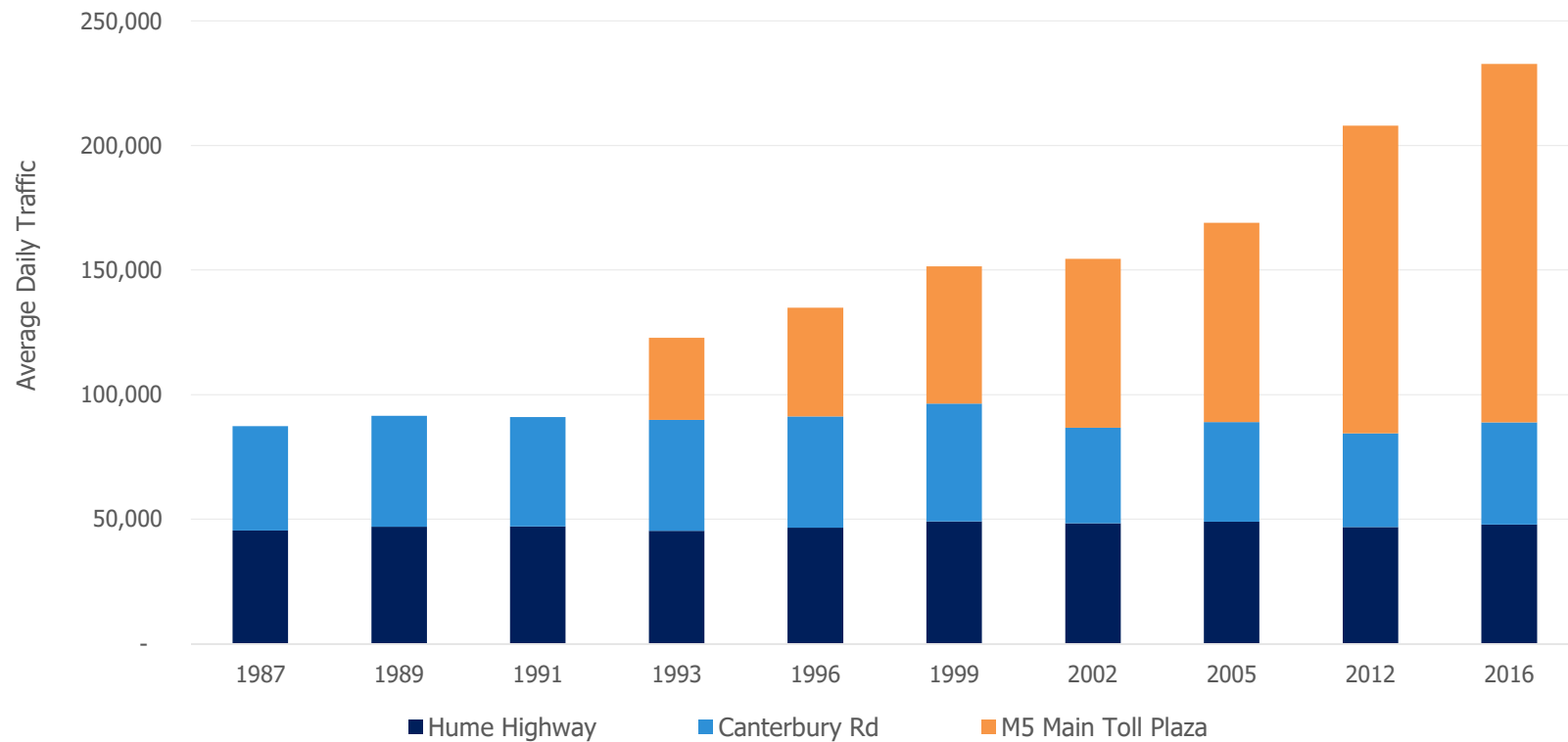


Source: Transport NSW, Magellan Asset Management Limited analysis.

Corridor Effect - Toll Roads Capture Bulk of Traffic

[21]

The toll road is often the only available capacity within the corridor and so benefits from all the growth in the total corridor

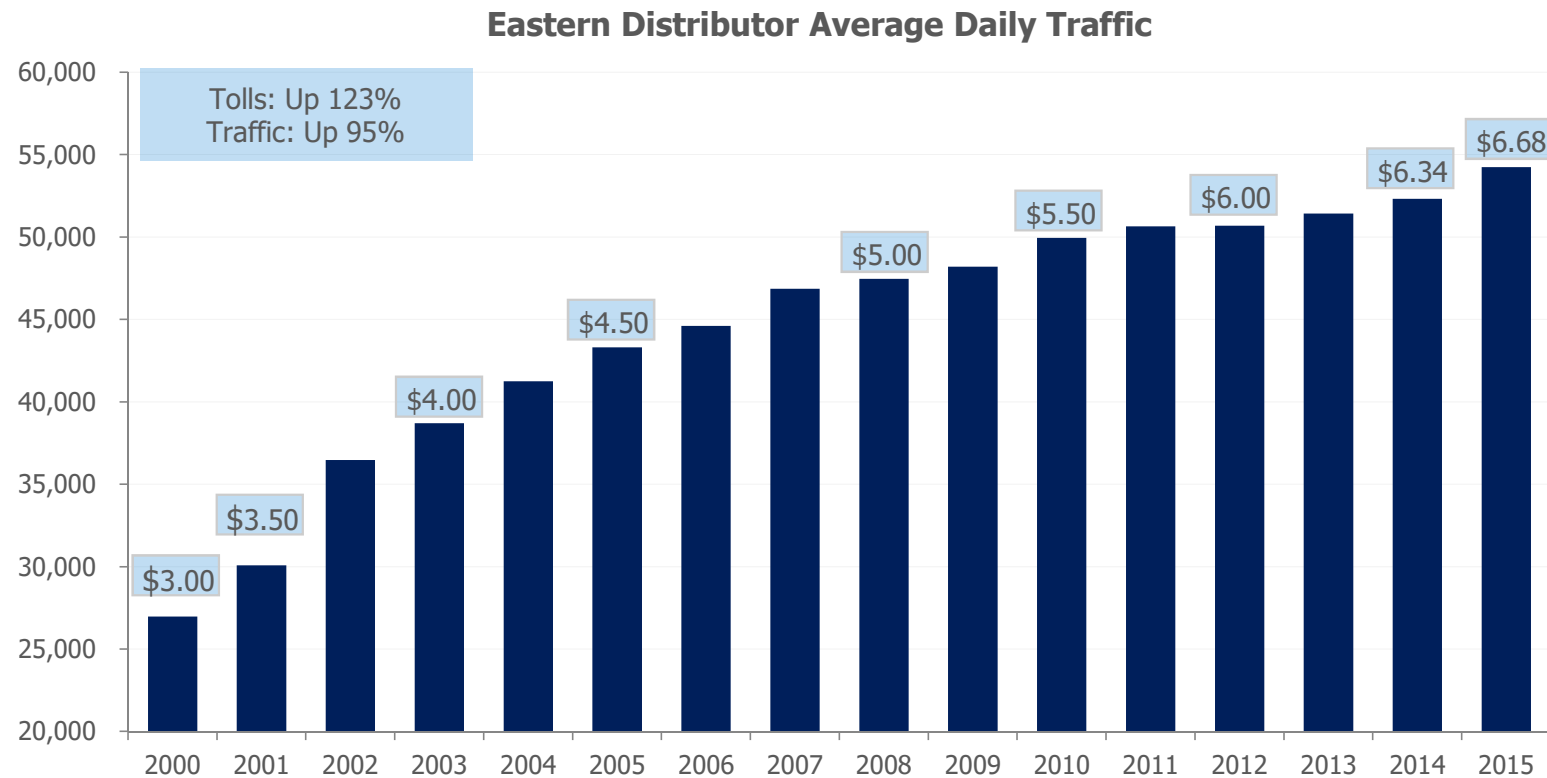


Traffic growth: Corridor: 2.7%; free -0.1%; plaza +7.7%
Source: RTA Traffic Data.

Toll Roads Exhibit Low Price Elasticity

Tolls on Sydney's Eastern Distributor have been increased 8 times since it opened with no measurable impact on traffic numbers

[22]



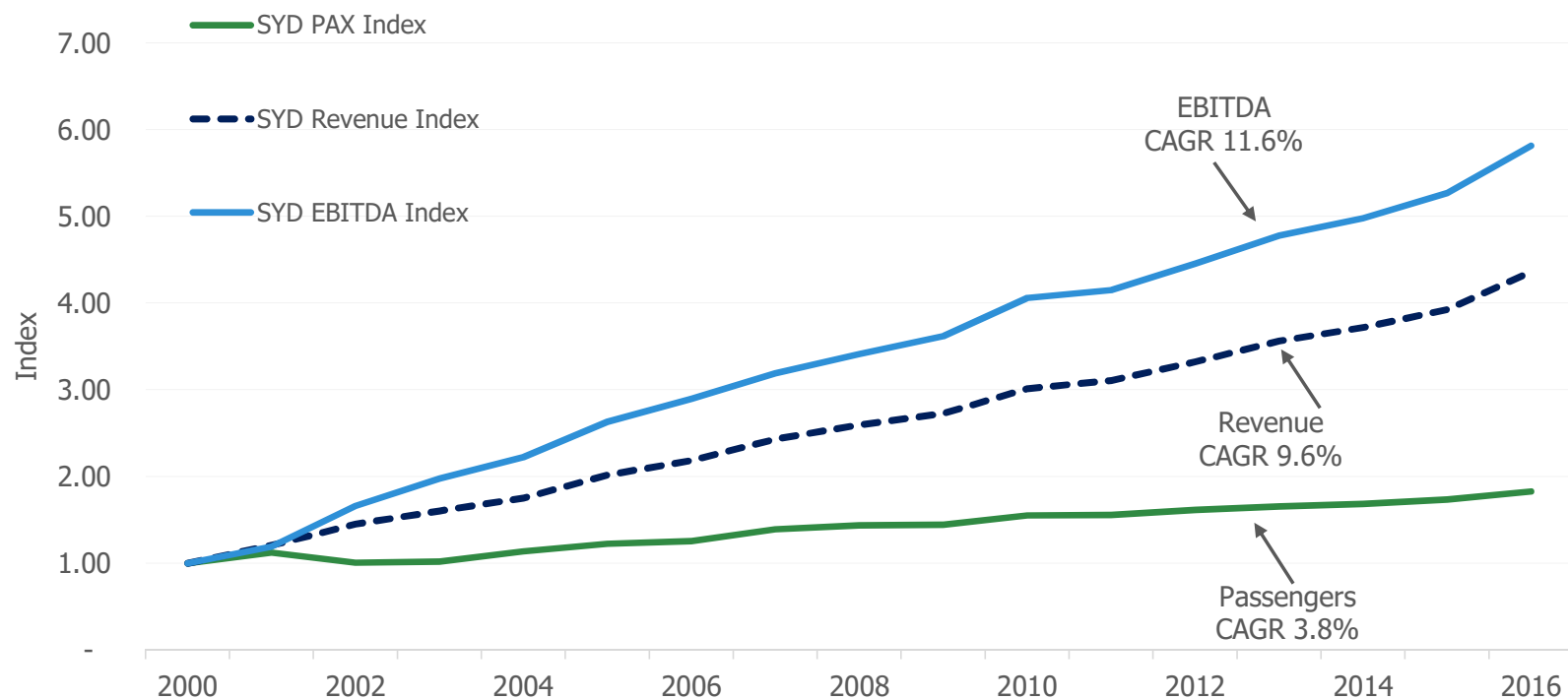
Source: Transurban Group.

Airports – Sydney Airport

[23]

Reliable earnings growth reflects patronage growth combined with inflation capture

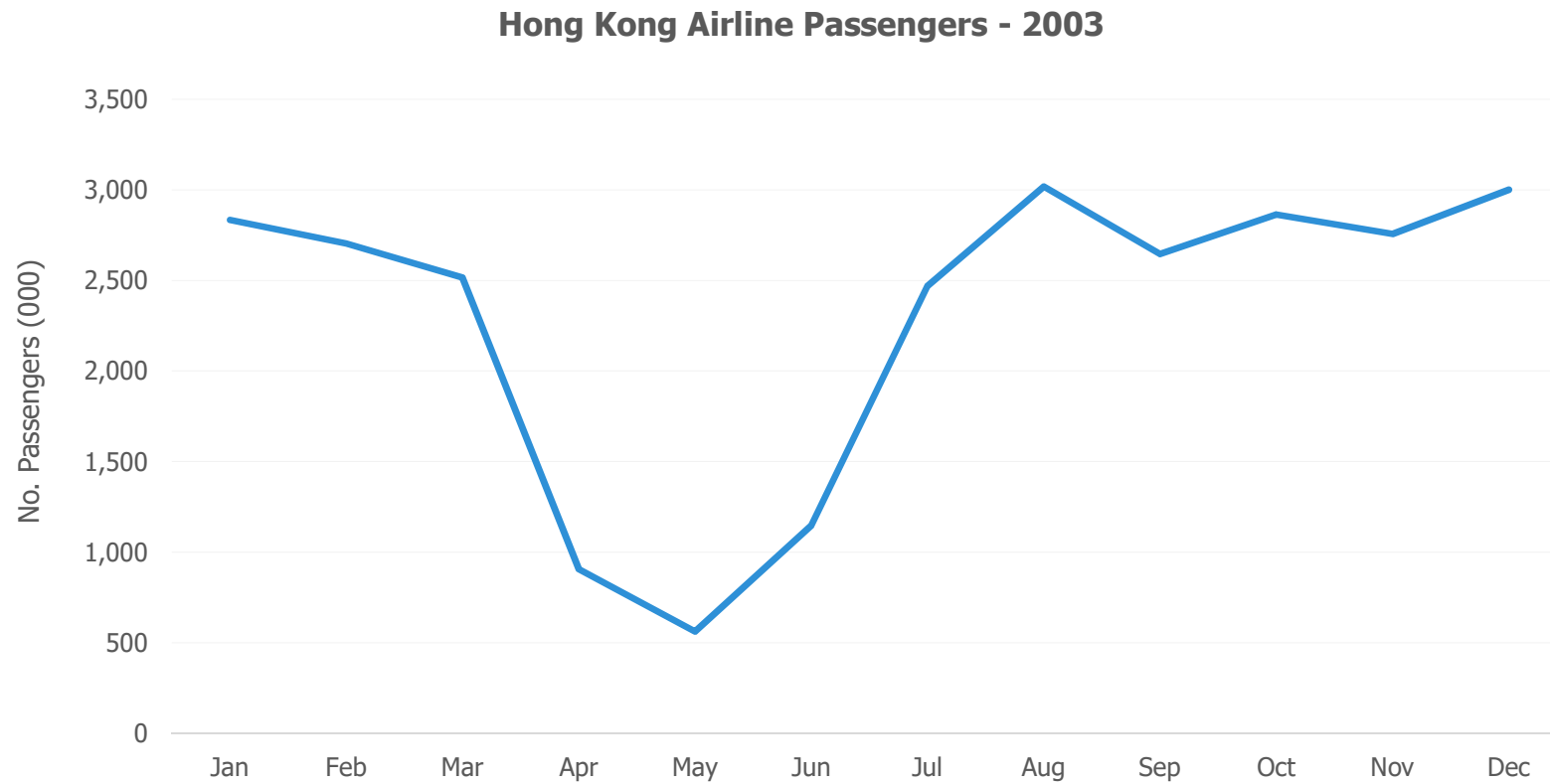
**Sydney Airport - Passengers, Revenue and EBITDA
(2000 to 2016)**



Source: Sydney Airport, Magellan Asset Management Limited analysis.

Impact of Epidemics on Demand - SARS

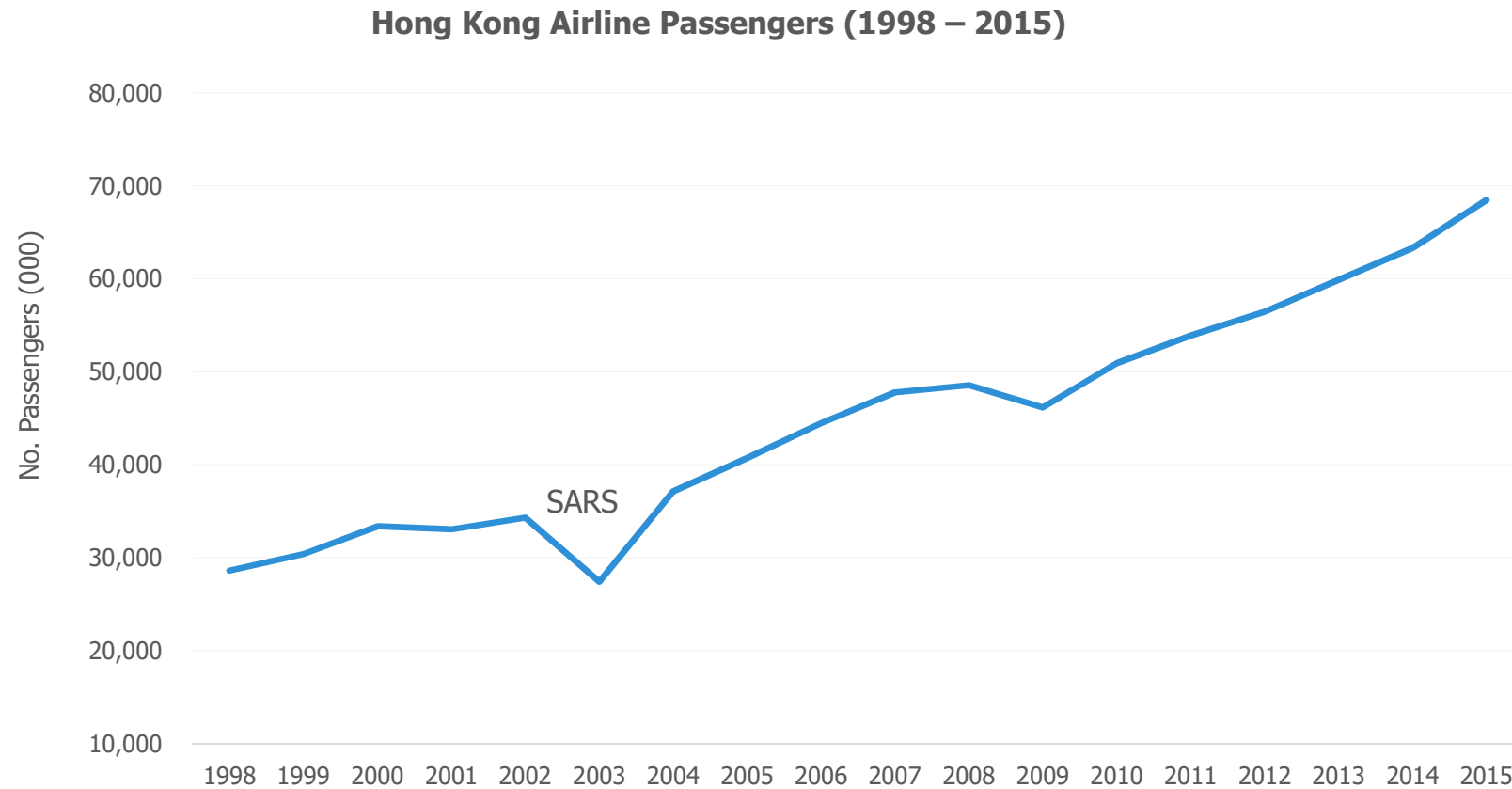
[24]



Source: Hong Kong Airport, Magellan Asset Management Limited analysis.

Impact of Epidemics on Demand - SARS

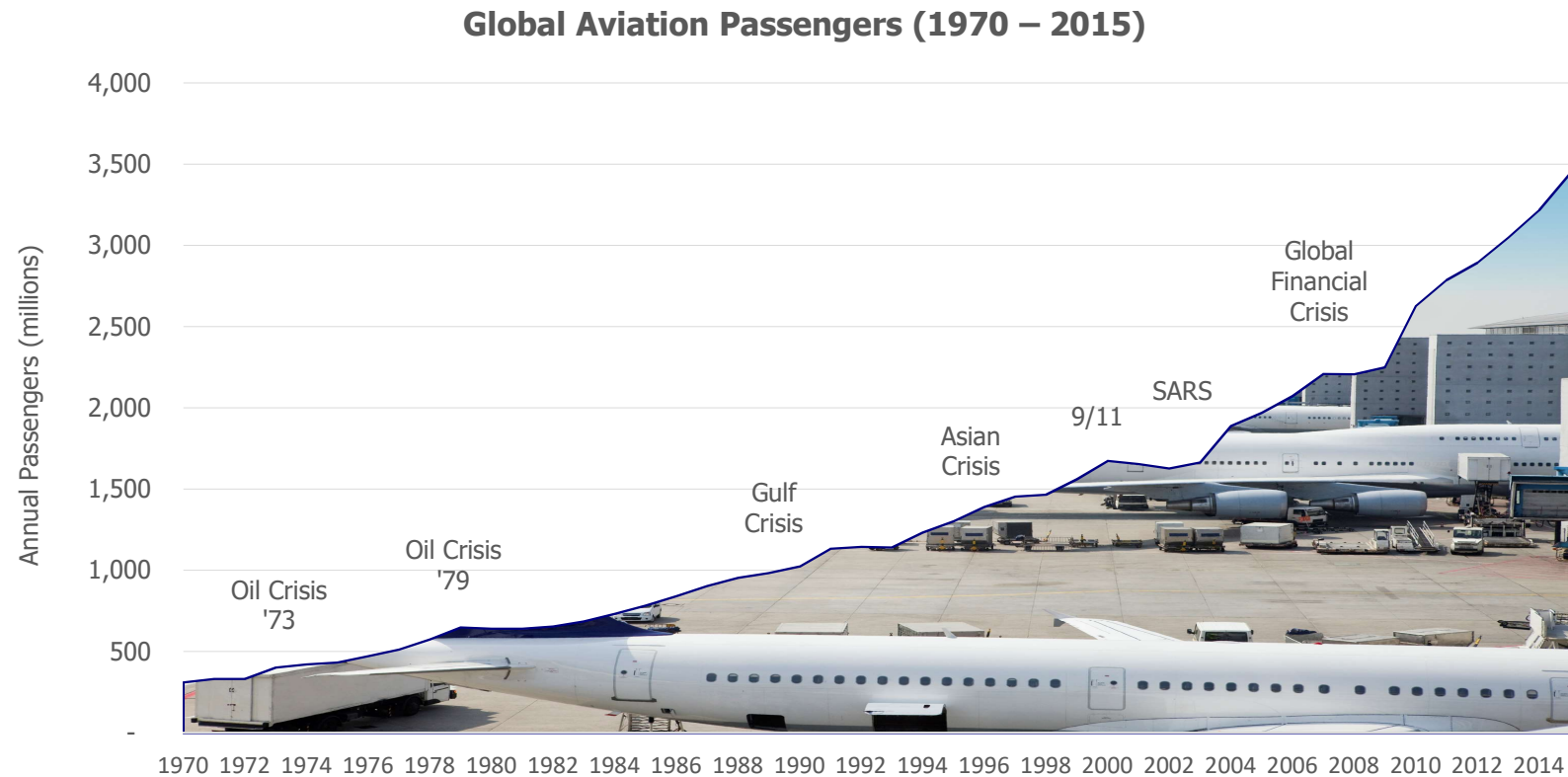
[25]



Source: Hong Kong Airport, Magellan Asset Management Limited analysis.

Impact of Demand Shocks on Aviation

[26]



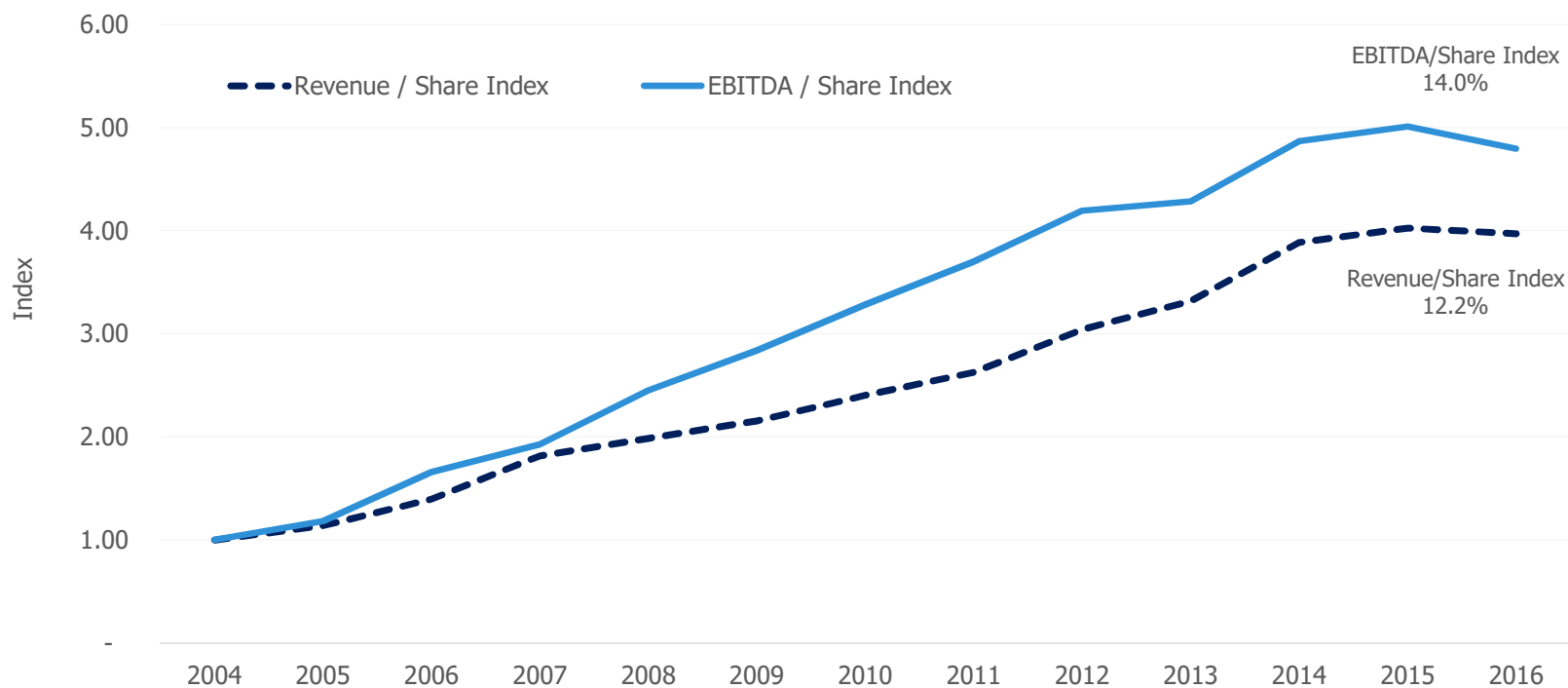
Source: World Bank, Magellan Asset Management Limited analysis.

Communications Infrastructure – Telco Towers

[27]

Reliable earnings growth reflects tenant growth combined with price escalation

**Crown Castle - Revenue/Share and EBITDA/Share
(2004 to 2015)**



Source: Crown Castle, Magellan Asset Management Limited analysis.

Infrastructure – Impact of Changes in Interest Rates

[28]

- Changes to interest rates can impact infrastructure companies in 2 ways:
 - Impact upon the business
 - Impact upon valuation

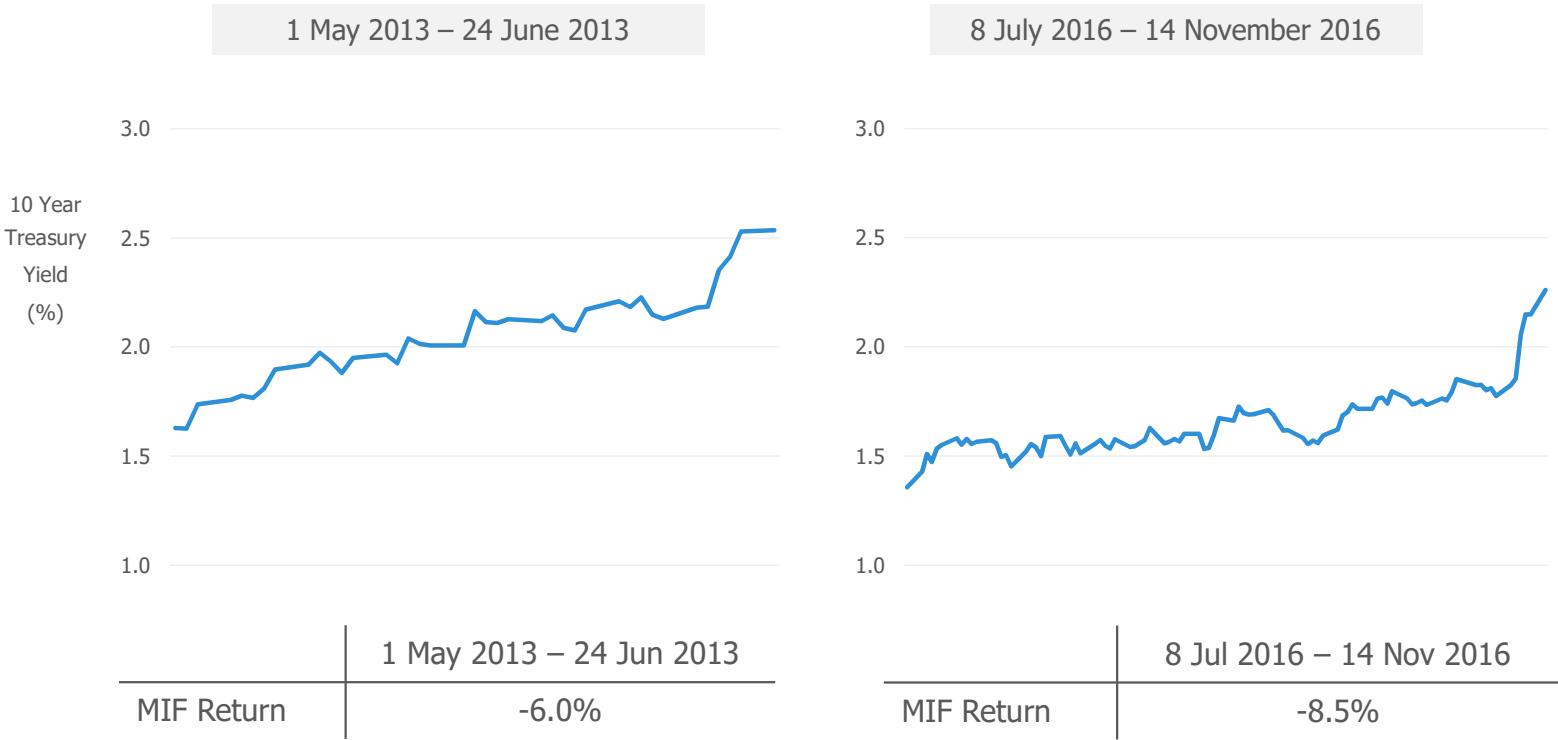
Impact of Interest Rates on Financial Performance

[29]

- Impact of an increase in interest rates on infrastructure businesses is limited:
 - **Utilities** – Economic regulation allows for changes in interest rates (i.e. increased borrowing costs) to be passed through to customers
 - **Infrastructure** – Where increases in interest rates are a consequence of rising inflation then this is captured in toll/price increases
- Infrastructure firms have taken advantage of debt market conditions to lock-in low interest rates well into the future
 - In January 2017 Atlantia raised €750m for 9 years at 1.63%
 - In March 2017, American Tower raised €500m issued 8 year debt at 1.39%
 - In May 2017, Zurich Airport raised CHF350m for 12 years at 0.6214%.

Impact of an Increase in Interest Rates

[30]



Source: Bloomberg, returns are in AUD Hedged. Magellan Infrastructure Fund (MIF).

Impact of an Increase in Interest Rates

MIF performance

[31]



Source: Bloomberg. Magellan Infrastructure Fund (MIF).



RP011

Magellan Infrastructure Fund

Magellan Infrastructure Fund

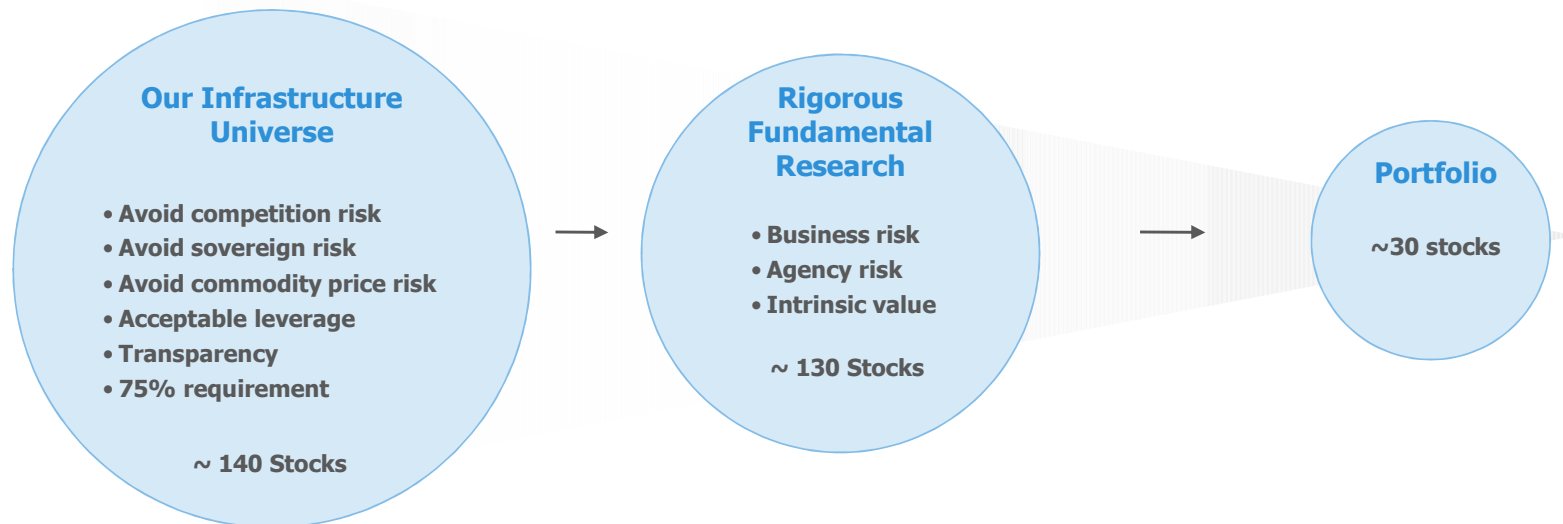
[33]

Thorough and proven investment process: Stock selection

Infrastructure investments, appropriately defined, have a structural advantage to generate reliable investment returns

Rigorous research can identify attractive infrastructure assets trading at a discount to their assessed intrinsic values

Minimizing downside risks is key to generating superior long-term investment returns



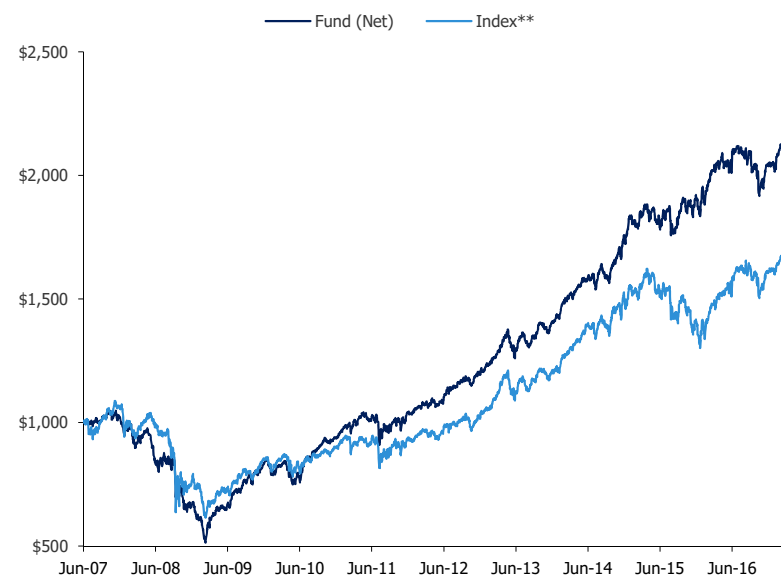
Structured, consistent and pragmatic approach to stock selection

Magellan Infrastructure Fund

AUD Net Performance as at 30 April 2017

	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)	Seven Years (% p.a.)	Since Inception (% p.a.) [#]
Magellan Infrastructure Fund	9.2	13.3	15.4	15.5	8.5
Global Infrastructure Benchmark	14.8	9.6	12.6	10.8	5.8
Excess	-5.6	3.7	2.8	4.7	2.7

Calendar Year	Fund	Index**	Excess Return
2007*	2.2	6.5	-4.3
2008	-34.1	-27.5	-6.6
2009	24.2	10.0	14.2
2010	11.8	5.7	6.1
2011	11.2	4.7	6.5
2012	15.1	9.1	6.0
2013	17.8	18.5	-0.7
2014	22.4	22.9	-0.5
2015	10.6	-5.4	16.0
2016	6.7	14.1	-7.4
2017 (CYTD)*	9.9	8.7	1.2



The inception date is 01 July 2007 inclusive.

** The index is Global Infrastructure Benchmark.

* Part year performance

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

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). Returns are denoted in AUD.



DP002

Infrastructure Characteristics

AUD Hedged Performance – 5 Years to 30 April 2017

[35]

	Global Select Infrastructure Composite Hedged to AUD	Global Infrastructure Benchmark	ASX S&P 200 Index	MSCI World NTR Index AUD Hedged
Returns (p.a.)	16.9%	12.6%	11.0%	14.3%
Standard Deviation	8.0%	9.3%	11.9%	9.9%
Reward for Risk	2.1	1.4	0.9	1.4
Downside Capture – MSCI	-0.1	0.4	0.7	1.0
Downside Capture - ASX 200	0.0	0.2	1.0	0.3
Beta – MSCI	0.4	0.6	0.8	1.0
Correlation – MSCI	0.5	0.6	0.7	1.0
Upside Capture – MSCI	0.7	0.7	0.8	1.0

Returns and Risk Measures are before fees.

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

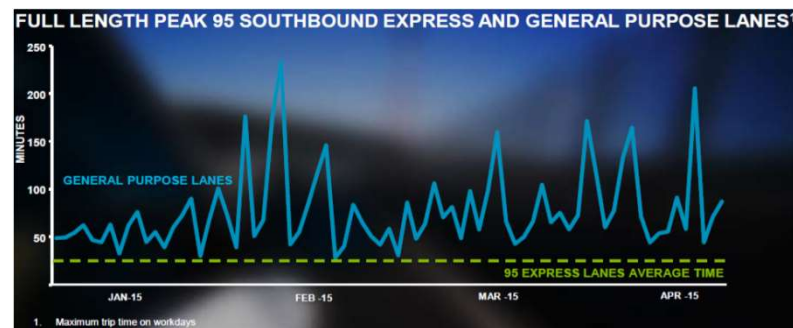


RP015

Stock Examples

[37]

Sydney Network



Stock Example – Aéroports De Paris

[38]

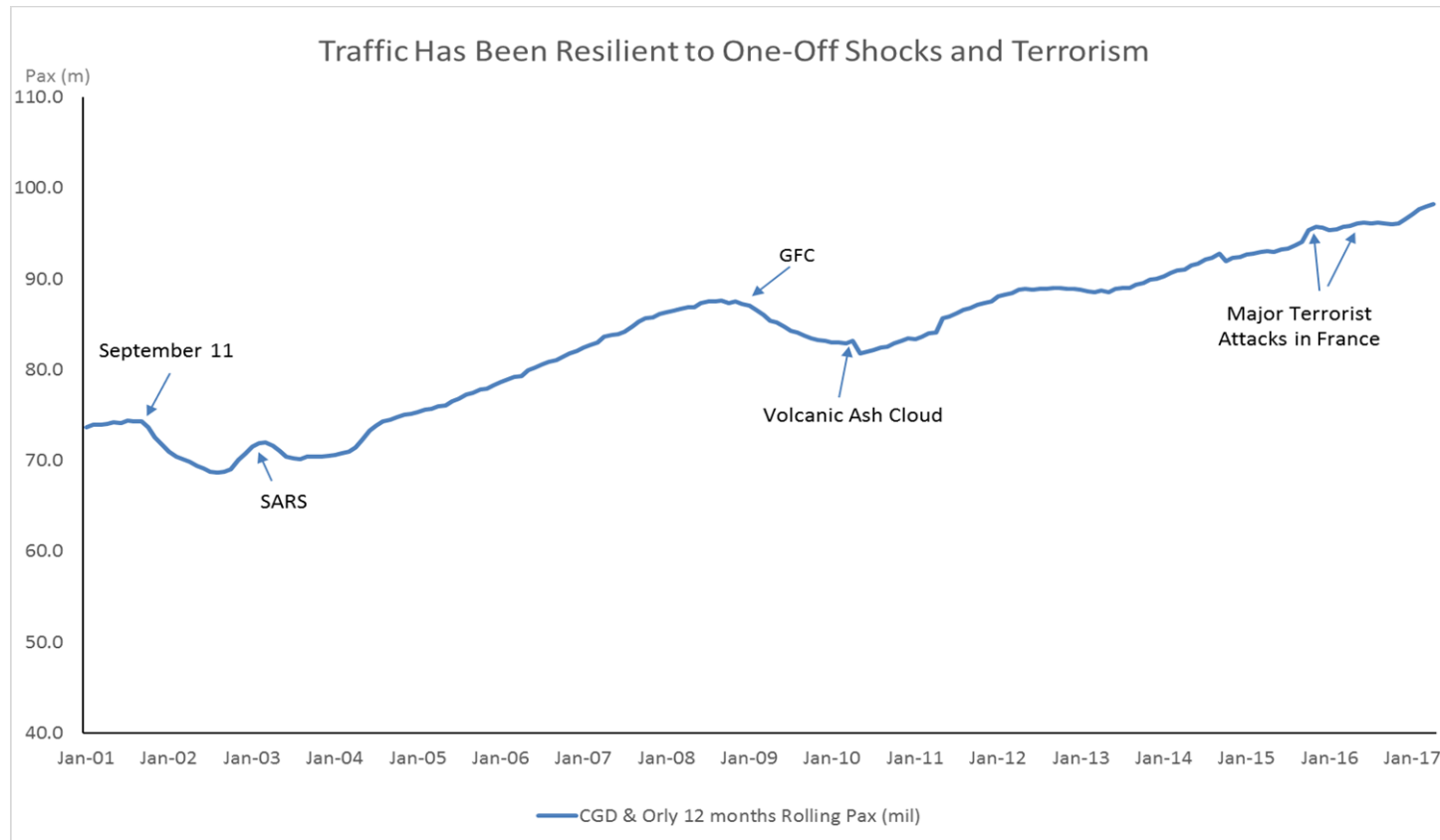
- Owns and operates the main 2 airports serving the city of Paris, Charles de Gaulle and Orly
 - 2017 passenger charge increases >1% above inflation
- Has a number of other stakes in airports globally including in Chile, Croatia and Turkey
- Paris is one of the world's top tourist destinations, supporting higher value ex-EU traffic and higher spend rates per passenger
- Option value from:
 - Returning traffic post terrorism impacts
 - Terminal 1 redevelopment to increase spend rates
 - Government sell down of 50.6% holding.

CDG Terminal Map



Stock Example – Aéroports De Paris

[39]



Source; Aeroports De Paris, Magellan Asset Management

Stock Example – Groupe Eurotunnel

[40]

- Unique asset linking the UK to mainland Europe with long Concession life (expires 2086).
- One tunnel, three businesses:
 - High speed passenger trains (Eurostar)
 - Trucks between UK and the continent
 - Cars
- Significant and sustainable competitive advantage over ferry and airline services for freight and passenger traffic.
- Option value from new high speed route development
- Ability to generate significant cash flow for investors over remaining concession



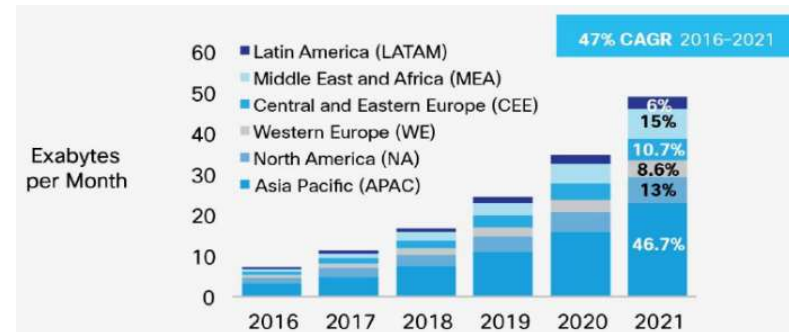
Source: Groupe Eurotunnel company filings, Eurostar, Magellan Asset Management Limited.

Stock Example – American Tower

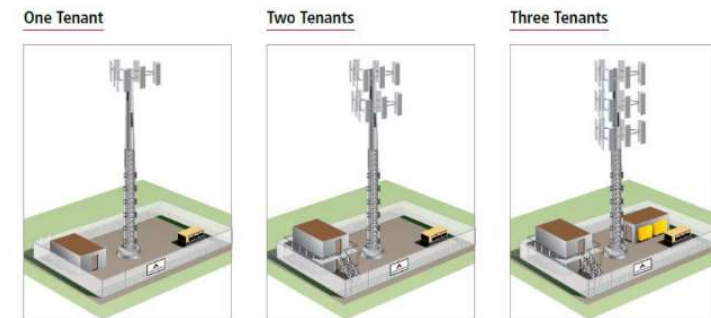
[41]

- Leading independent owner and operator of telecommunications towers
 - Global portfolio with 40% of revenue ex-US
- Growth in mobile data driving need for increased network capacity
- Restrictions on new towers due to permitting requirements and consumer aversion
- Increasing tenants per towers combined with fixed operating costs results in strong cashflow growth
 - AFFO per share 2007-2016 CAGR of 15.6%
- Attractive contract structures
 - LT customer contracts with price escalators
 - 26 years average remaining life on property leases in the U.S.

Global Mobile Data Traffic Forecast by Region



Revenue Growth: Tower Leasing



Adding additional tenants, equipment and upgrades yields additional revenue, while costs remain relatively flat

Stock Example – United Utilities

[42]

- Regulated water and wastewater network in the North West of England.
- Natural monopoly assets:
 - Catchments
 - Treatment plants
 - Reservoirs
 - Pipelines
 - Sewerage network
- Predictable earnings secured by transparent economic regulation and stable underlying demand.
- CPI indexation provides inflation protection.
- Excess returns attributable to operational efficiencies, management of capital structure and outcome delivery incentives.



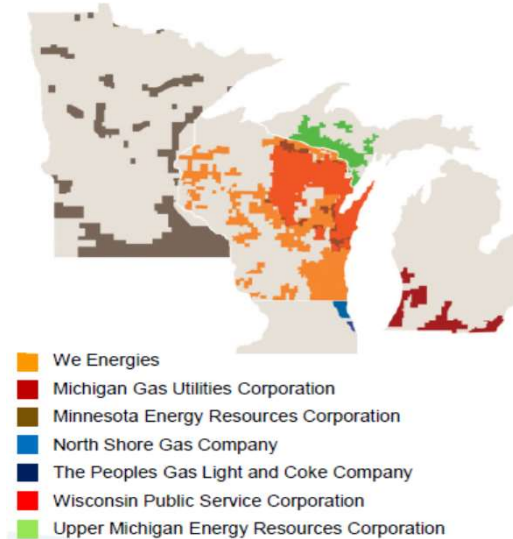
Source: United Utilities.

Stock Example – WEC Energy Group

[43]

- One of the largest gas and electric utilities in U.S.
 - >99% of earnings from regulated operations
 - 69k/46k miles of electric/gas distribution lines
 - \$17.7bn regulated asset base
- Rate base projected to grow >50% by 2021
 - \$9.5-\$10.0bn in regulated investments to modernise and renew networks
- Majority owner of American Transmission Company (60% interest)
 - \$3.3bn rate base to more than double by 2025
- Constructive regulatory environment
 - Allowed ROEs of 9.1% - 10.3%
 - Power-The-Future plan allows ROE of 12.7%
 - Infrastructure surcharges, volume decoupling, fuel pass-throughs and forward test years.

WEC Service Territory



Source: WEC Energy Group, Magellan Asset Management Limited.

Conclusion

[44]

Over the long term, an investment in properly defined infrastructure should generate investment returns of approximately $\text{CPI} + 5\%$ with;

- Reliable earnings through the economic cycle; and
- Strong linkage of earnings to inflation.

Thank You

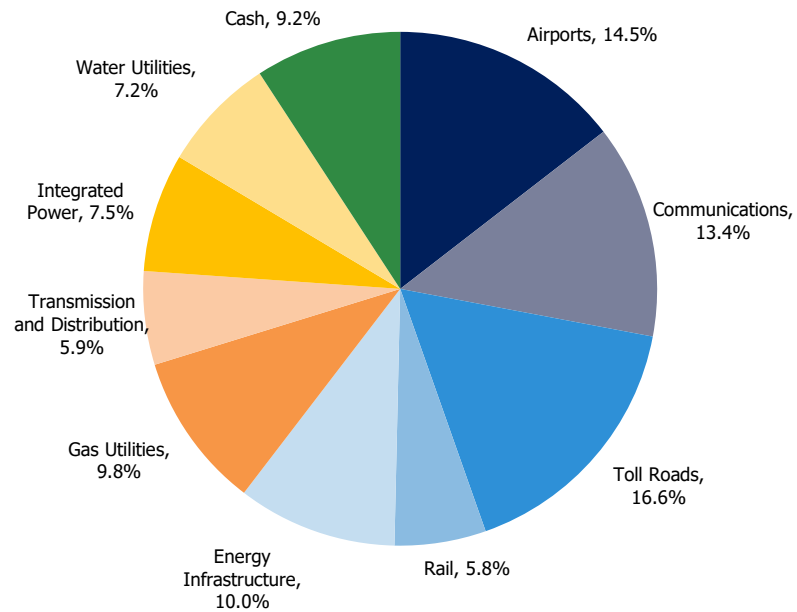
Q&A

Appendix

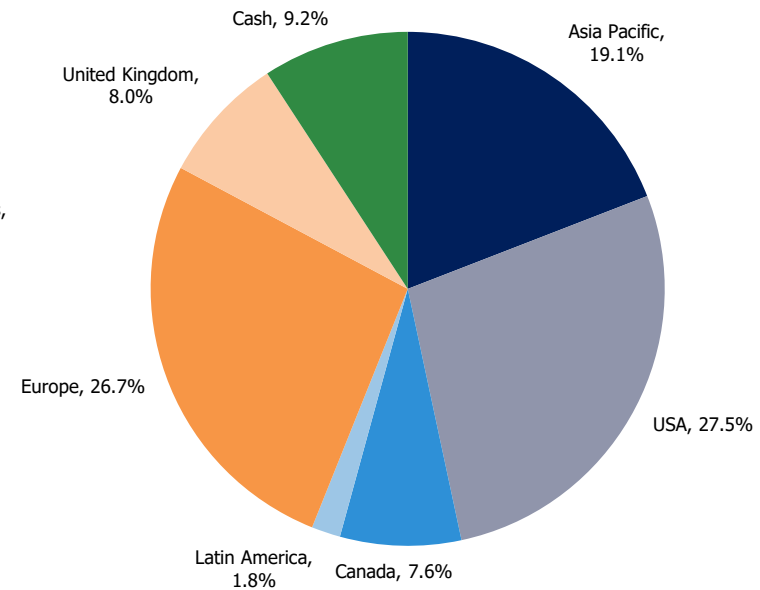
Magellan Infrastructure Fund

Exposures as at 30 April 2017

Sector Exposure



Geographical Exposure

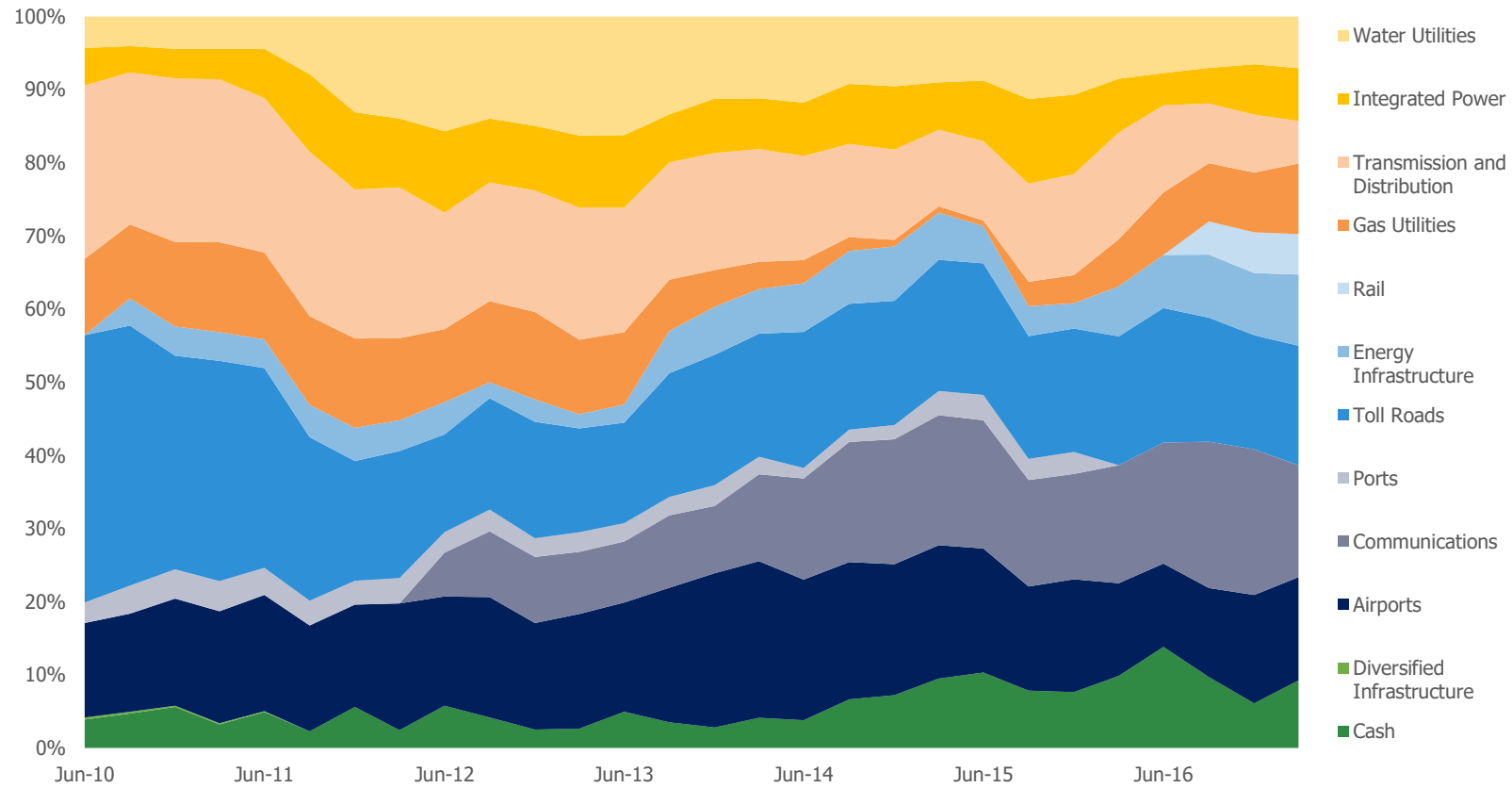


Sectors are internally defined. Geographical exposures are by domicile of listing.

Magellan Infrastructure Fund

Historical Sector Exposures*

[48]

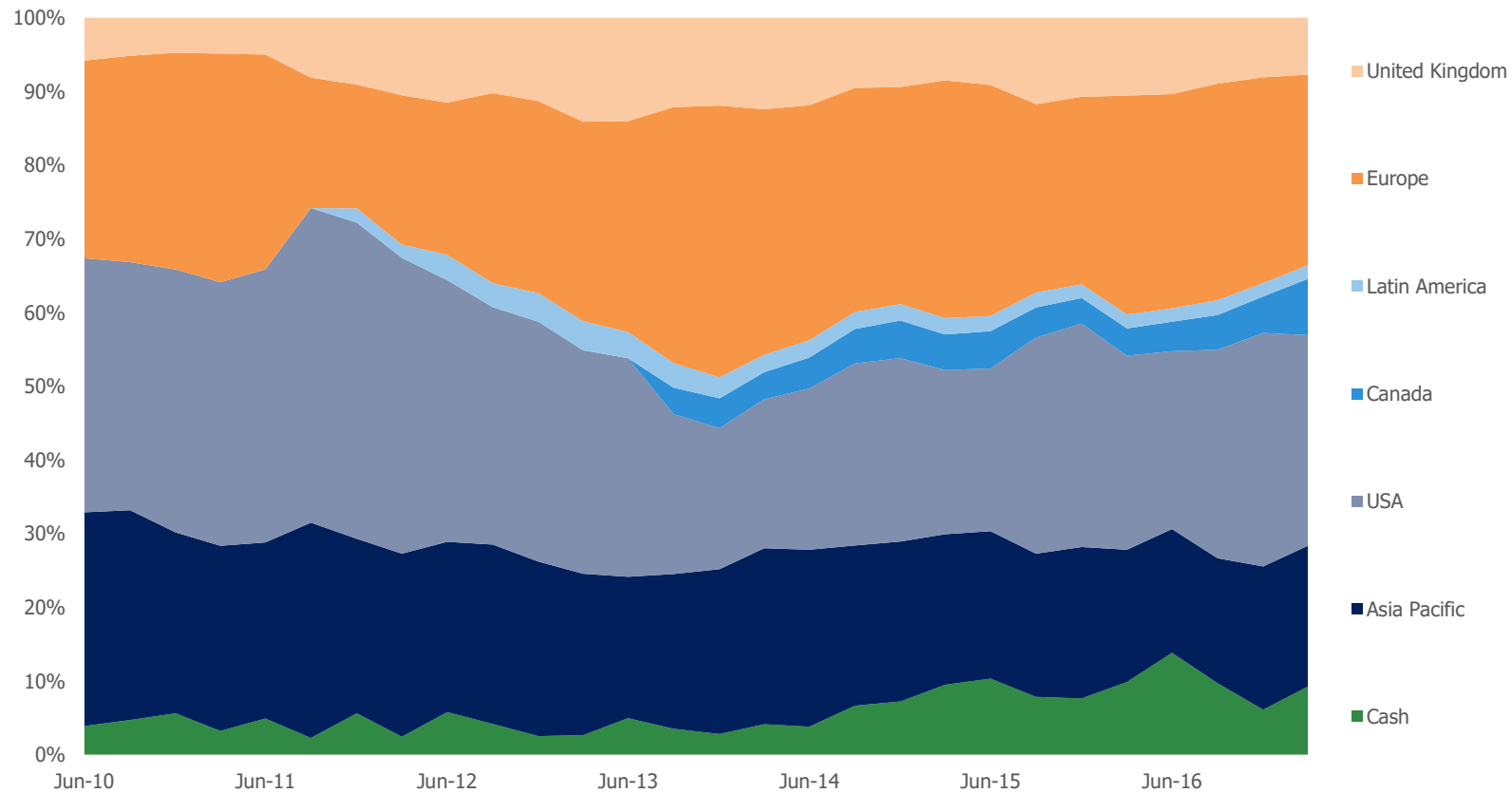


*Sectors are internally defined.

Magellan Infrastructure Fund

Historical Geographical Exposures*

[49]



*Geographical exposures are by domicile of listing.

Strict Application Protects Capital

Oil Price movements since the inception of Magellan Core Infrastructure

[50]

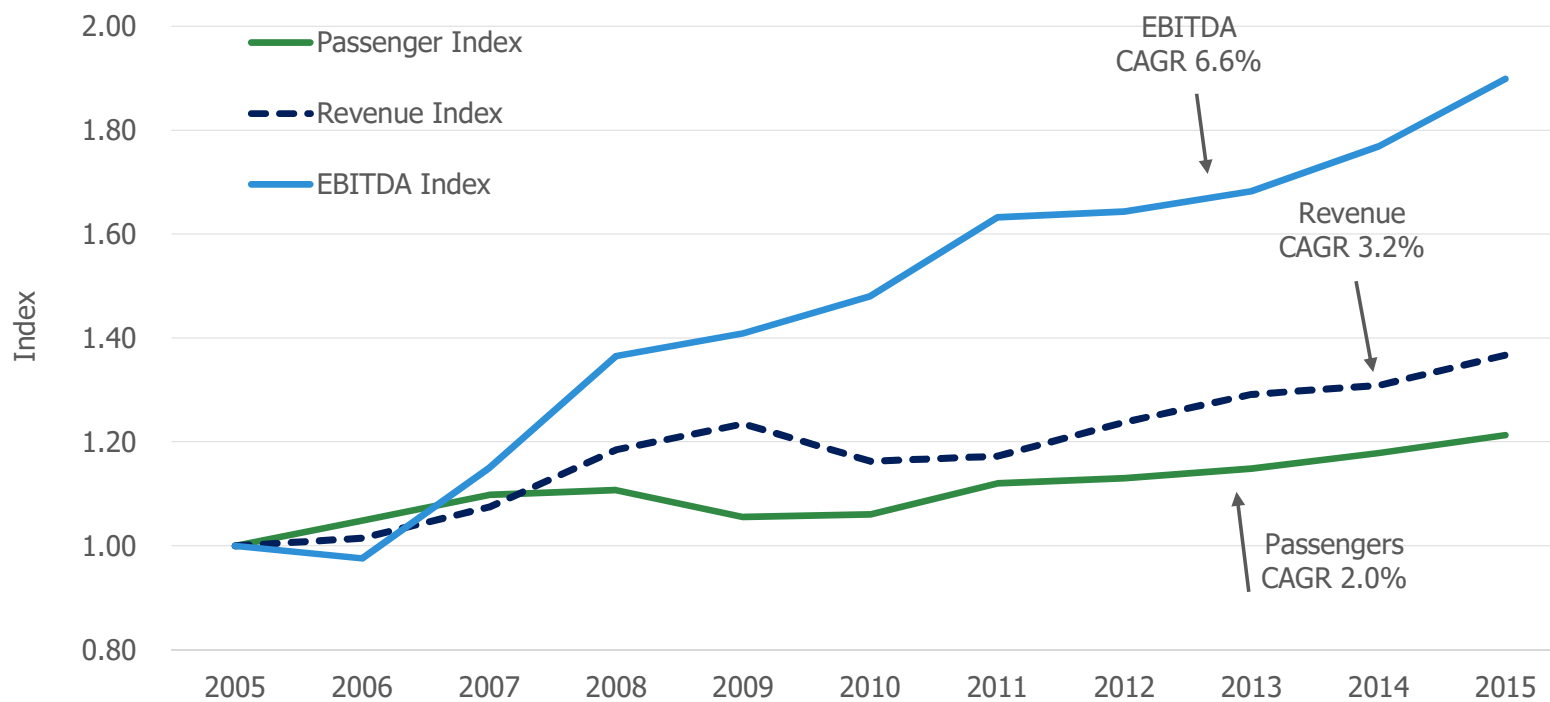
Date Range	WTI Crude USD	Alerian MLP Index USD	S&P Global Infrastructure NTR Index AUD Hedged	MSCI World NTR AUD Hedged	MIF Net AUD Hedged
January 2010 – August 2010	-9.4%	17.1%	-0.9%	-3.6%	3.1%
September 2010 – April 2011	58.4%	27.0%	15.8%	25.4%	18.8%
May 2011 – September 2011	-30.5%	-10.6%	-9.0%	-16.1%	-3.7%
October 2011 – February 2012	35.2%	23.6%	12.2%	19.0%	7.8%
March 2012 – June 2014	-1.6%	46.4%	46.4%	52.1%	49.0%
July 2014 – January 2016	-68.1%	-46.0%	-0.6%	3.5%	22.5%
February 2016 – December 2016	59.8%	33.1%	13.8%	16.7%	4.9%

Airports – Aeroports de Paris

Reliable earnings growth reflects patronage growth combined with inflation capture

[51]

ADP - Passengers, Revenue, EBITDA (2005 to 2015)

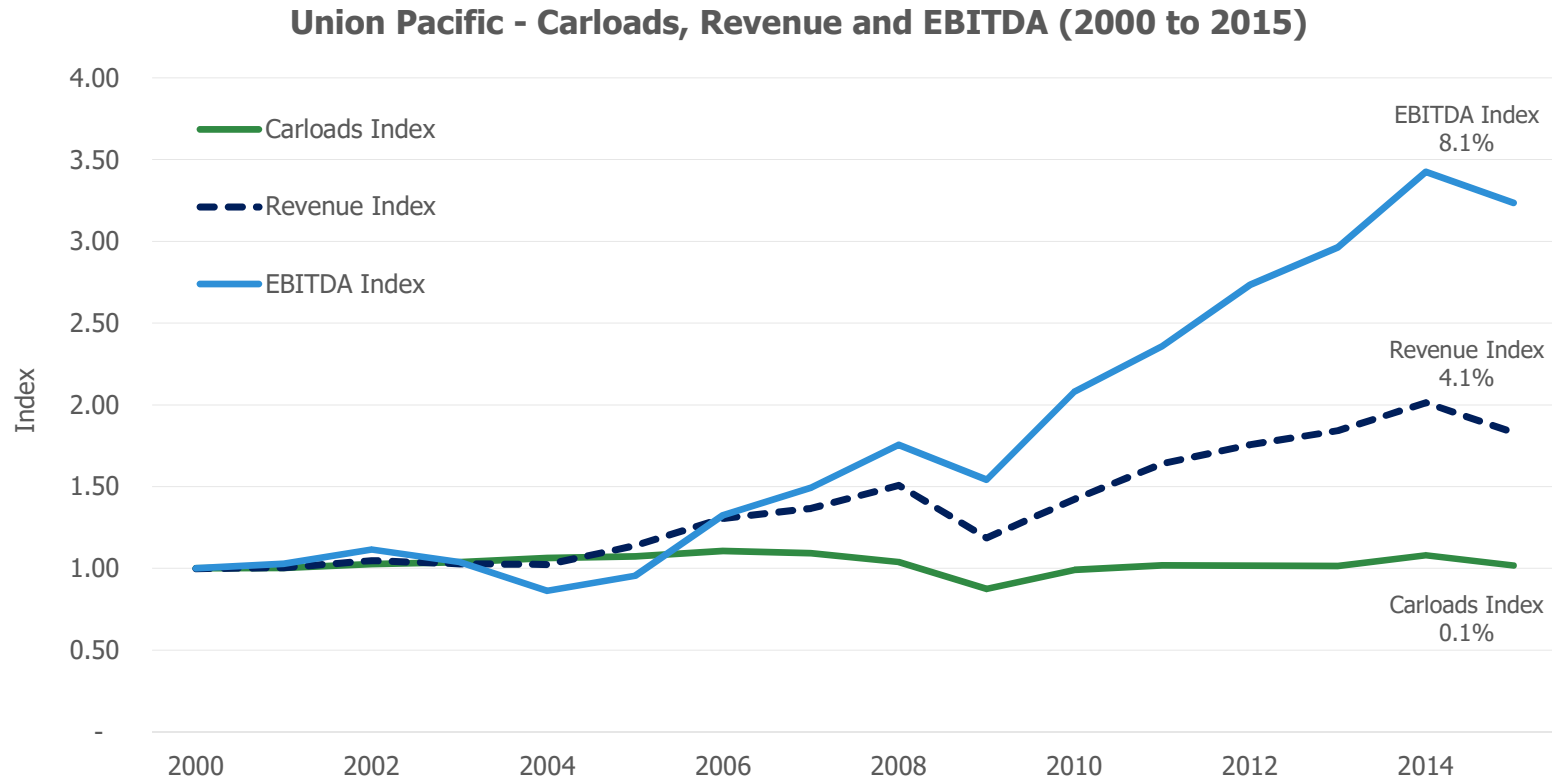


Source: ADP, Magellan Asset Management Limited analysis.

Rail

[52]

Reliable earnings growth reflects operating efficiencies combined with real pricing growth.



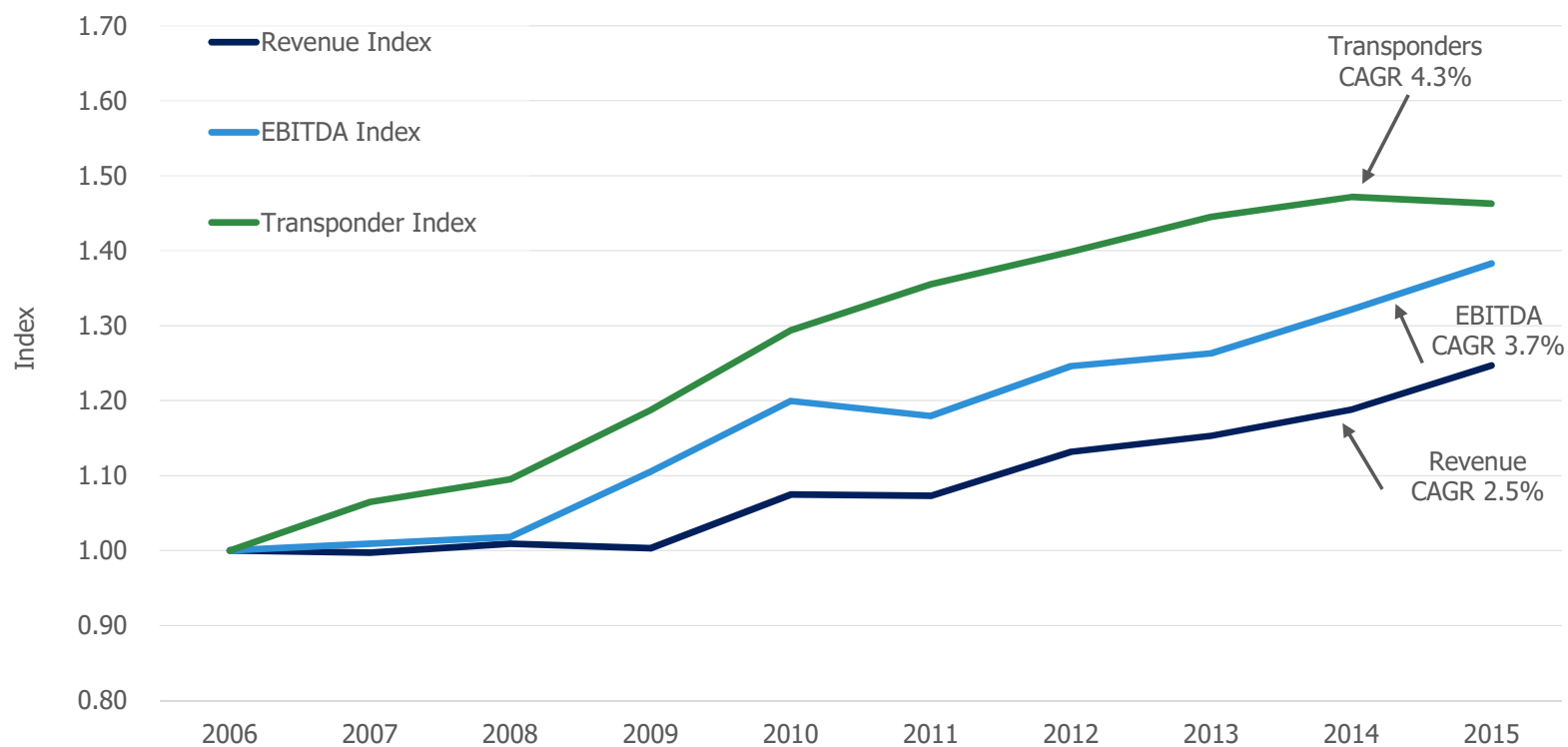
Source: Union Pacific, Magellan Asset Management Limited analysis.

Communications Infrastructure - Satellites

[53]

Reliable earnings growth reflects patronage growth combined with inflation indexation.

SES - Transponders, Revenue, EBITDA (2006 to 2015)



Source: SES, Magellan Asset Management Limited analysis.