MFG Select Infrastructure Fund - Class 1

MFG ASSET MANAGEMENT

MARKETING COMMUNICATION

AS AT 30 SEPTEMBER 2023

PORTFOLIO MANAGER GERALD STACK

INVESTMENT PHILOSOPHY	OBJECTIVES	PORTFOLIO CONSTRUCTION
To prudently invest in outstanding infrastructure and utilities companies at attractive prices that exhibit highly predictable cashflows.	To seek to achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.	Concentrated 20-40 stock portfolio applying MFG Asset Management's proprietary infrastructure classification Valuation driven strategy; portfolio construction is not constrained by an index. Typical cash and cash equivalents exposure between 0 – 20%.

MFG SELECT INFRASTRUCTURE FUND - CLASS 1

FUND SIZE	TOTAL SELECT INFRASTRUCTURE ASSETS[1]	MANAGEMENT FEES	INCEPTION DATE
USD $191.0 million	USD $4,881.8 million	Management fee for the Fund is 0.80% per annum	30 December 2016

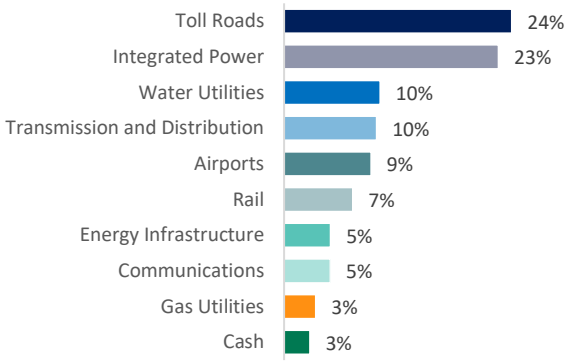
USD PERFORMANCE[#]

	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception[2] (% p.a.)	OUTPERFORMANCE CONSISTENCY[3]
MFG Select Infrastructure Fund - Class 1 (Before Fees)	-4.6	-9.1	5.8	2.0	2.9	5.2	59%
MFG Select Infrastructure Fund - Class 1 (After Fees)	-4.6	-9.3	4.9	1.2	2.1	4.4	48%
S&P Global Infrastructure NTR Index	-4.8	-7.5	5.9	6.5	3.2	4.2	

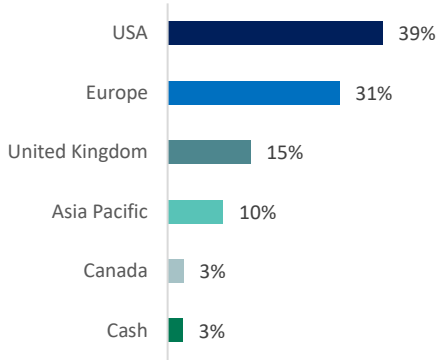
CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)
MFG Select Infrastructure Fund - Class 1 (Before Fees)	-5.2	-7.1	13.4	-5.9	26.9	-4.8	24.2
MFG Select Infrastructure Fund - Class 1 (After Fees)	-5.7	-7.8	12.5	-6.7	25.9	-5.5	23.2
S&P Global Infrastructure NTR Index	-4.5	-1.0	11.0	-6.5	25.8	-10.4	19.1

Past performance does not predict future returns.

SECTOR EXPOSURE[4]



GEOGRAPHICAL EXPOSURE[4]

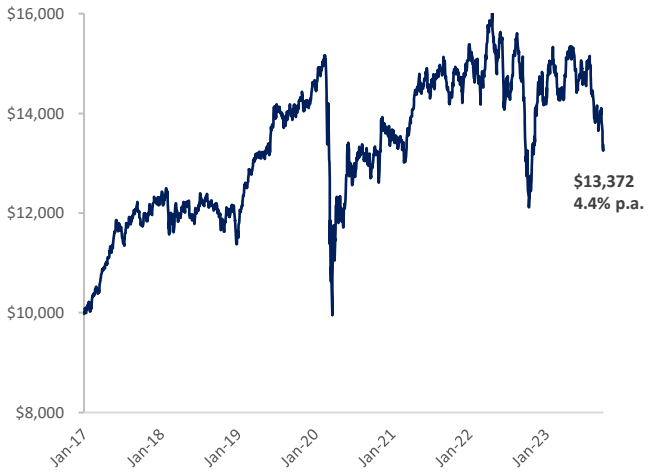


[1] Comprised of all Select Infrastructure strategies managed by MFG Asset Management.
[2] Inception date of the Fund (Class 1) is 30 December 2016.
[3] Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.
[4] Sectors are internally defined. Geographical exposures are by domicile of listing. Exposures may not sum to 100% due to rounding.
[#] Shares are denominated in USD. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a different currency, for example, Euro. These include the risk that exchange rates may significantly change. An increase in the value of the investor's currency against USD would decrease the investor's currency equivalent value of the Net Asset Value and Net Asset Value per Share.

TOP 10 HOLDINGS

STOCK	SECTOR[4]	%
Vinci SA	Toll Roads	6.5
Transurban Group	Toll Roads	6.4
Ferrovial SE	Toll Roads	6.3
Aena SME SA	Airports	5.8
National Grid Plc	Transmission and Distribution	5.6
Severn Trent	Water Utilities	4.7
United Utilities Group Plc	Water Utilities	4.6
Sempra Energy	Integrated Power	4.4
Norfolk Southern Corporation	Rail	4.1
WEC Energy Group Inc	Integrated Power	4.0
	TOTAL:	52.4

PERFORMANCE CHART GROWTH OF USD $10,000[5]



Past performance does not predict future returns.

CAPITAL PRESERVATION MEASURES[6]

ADVERSE MARKETS	3 Years	5 Years	Since Inception
No of observations	15	23	26
Outperformance consistency	47%	57%	58%
Average return - Fund (%)	-4.4	-4.1	-3.7
Average return - Index (%)	-4.2	-4.8	-4.5
Down Market Capture	1.0	0.8	0.8
DRAWDOWN			
Maximum Drawdown - Fund (%)	-18.8	-22.2	-22.2
Maximum Drawdown - Index (%)	-16.8	-30.4	-30.4

[5] Growth of USD $10,000 is calculated using USD returns after fees and since inception.
[6] Capital preservation measures are calculated before fees. An adverse market is defined as a negative monthly return for the MSCI World NTR Index (USD). Down market capture shows how the fund performed relative to the index while the market is falling.

IMPORTANT INFORMATION

MFG Select Infrastructure Fund - Class 1 ('**Fund**') is a sub-fund of MFG Investment Fund plc, an open-ended umbrella fund with segregated liability between sub-funds, which is incorporated in Ireland and authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended). This is a marketing communication and is not a contractually binding document. Please refer to the Prospectus of MFG Investment Fund plc and the Supplement and KIID for the Fund and do not base any final investment decision on this communication alone. The Prospectus, Supplement, KIID and a summary of investor rights are available in English at www.magellangroup.com.au. For investors located in Germany, the KIID is available in German at www.magellangroup.com.au.

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The investment program of the Fund presented herein is speculative and may involve a high degree of risk. It is not intended as a complete investment program and is suitable only for sophisticated investors who can bear the risk of loss. The Fund may lack diversification, which can increase the risk of loss to investors. The Fund's performance may be volatile. The past performance of the Fund is not necessarily indicative of future results and no person guarantees the performance of the Fund or the amount or timing of any return from it. There can be no assurance that the Fund will achieve any targeted returns, that asset allocations will be met or that the Fund will be able to implement its investment strategy or achieve its investment objective. This document may contain 'forward-looking statements'. Actual events or results or the actual performance of a Fund may differ materially from those reflected or contemplated in such forward-looking statements. The management fees, incentive fees and allocation and other expenses of the Fund will reduce trading profits, if any, or increase losses. The Fund will have limited liquidity, no secondary market for interests in the Fund is expected to develop and there are restrictions on an investor's ability to withdraw and transfer interests in the Fund. In making an investment decision, you must rely on your own examination of any offering documents relating to the Fund.

An investment in shares of the Fund does not represent a direct interest in any of the underlying assets owned by the Fund which may be freely acquired and disposed of by MFG Asset Management for and on behalf of the Fund.

The Fund will invest in companies that generate the dominant part of their earnings from the ownership of infrastructure assets and the Fund's portfolio of 20 to 40 investments is designed to provide sufficient diversification so that investors are not overly correlated to any single company, industry segment-specific or macroeconomic risk. The Fund is actively managed, meaning that investment decisions are made on a fully discretionary basis. The performance of the Fund is measured against the S&P Global Infrastructure Net Total Return Index. Therefore, the Fund can be said to be managed by reference to the S&P Global Infrastructure Net Total Return Index, but as a performance reference benchmark only. 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. Further information regarding any benchmark referred to herein can be found at www.mfgam.com.au/funds/benchmark-information/. Any third-party trademarks contained herein are the property of their respective owners and MFG Asset Management claims no ownership in, nor any affiliation with, such trademarks. Any third-party trademarks that appear in this material are used for information purposes and only to identify the company names or brands of their respective owners. No affiliation, sponsorship or endorsement should be inferred from the use of these trademarks.

Fund Commentary

The portfolio recorded a negative return in the September quarter as 10-year bond rates lifted rapidly as jobs and spending remained resilient, suggesting central banks would need to do more to tame inflation. The stocks that detracted the most were the investments in Australian toll road company Transurban, U.S. rail company Norfolk Southern and U.S. tower company American Tower. Australian toll road operator Transurban traded down on rising Australian bond yields and weaker-than-expected traffic in one of its key markets. U.S.-based rail company Norfolk Southern fell as U.S. bond yields jumped and as they reduced full-year revenue expectations at their H1 result in late July on a slower-than-expected recovery in volumes post the derailment as well as declining fuel surcharges and storage revenue. American Tower declined on the back of higher rates, and as key customers faced potential remediation costs and other liabilities associated with the use of legacy lead cables up until the 1950s.

The only stock that contributed was Netherlands-listed toll road and airport group Ferrovial. The Ferrovial share price rose on better-than-expected traffic from its largest asset, the 407 ETR toll road in Canada, and strong traffic performance from Heathrow Airport.

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 at discounts to their assessed intrinsic value. 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. We believe that in the current uncertain economic and investment climate, 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.

Stock Story: Norfolk Southern

(Yathavan Suthaharan – Investment Analyst)

On 3 February 2023, a freight train operated by Norfolk Southern derailed in the quiet town of East Palestine, Ohio. The derailment resulted in the spillage of hazardous chemicals and a large fire that made international news. It was a significant amount of adverse publicity for a business that has otherwise largely stayed out of the headlines. Despite its low profile, Norfolk Southern's rail network, along with the rest of North America's freight railroads, represents a critical piece of infrastructure, responsible for transporting close to 30% of the freight moved in the region.

The core of the North American freight rail network consists of six major (termed class one) rail networks, which are in turn supplemented by regional and short-line railroads. Norfolk Southern is one of the six major class one railroads.

To provide some context around its sheer scale, the company's network, which spans across the eastern states of the US, consists of approximately 19,100 route miles of track infrastructure and is responsible for moving 179 billion tonne-miles (weight x distance of the goods) of freight every year. Norfolk Southern generated over US$12.7 billion in revenue last year.

We believe the adverse share price reaction to the derailment is unwarranted given the cash flow impact of the derailment is likely to be immaterial to the intrinsic value of the franchise. We predicate this view on the basis that: 1) the derailment did not result in any injuries, fatalities or material property damage; and 2) the rail car that was the primary driver of the derailment was not owned by the railroad, providing a potential opportunity for recovery of any damages.

More importantly, the news about the derailment masks the long-term value of the franchise. We view Norfolk Southern as an attractive business to own given:

1. the company operates in a favourable and sustainable duopoly industry structure – akin to its other class one peers; and
2. rail is more cost efficient than truck – the other primary form of land-based freight movement.

The North American class one railroad industry is structured as three sets of duopolies with two covering Canada and the northern US states (Canadian National and Canadian Pacific), two covering the western US states (Union Pacific and BNSF) and two covering the eastern states (Norfolk Southern and CSX). We believe the duopoly between Norfolk Southern and CSX is sustainable due to high barriers to entry and strong network effects. The key barriers to entry are the cost and ability to build a rail network. For context on cost, the value of Norfolk Southern's property, plant and equipment on its balance sheet is ~US$32 billion, albeit the replacement cost would likely be much higher than this. In terms of ability, building a network of tracks is difficult in practice because a new entrant would need to acquire or lease the land,

and face potential NIMBY-ism dynamics. Norfolk Southern also benefits from network effects given the incremental cost of shipping a unit of freight is lower than the average cost.

The core reason rail is more cost efficient than truck is because trains are much longer than trucks on average. Most semi-trailers in the US are 20 metres long; by contrast, the typical length of a train is about 1.6 kilometres, with some trains in the US exceeding 4.3 kilometres in length. Longer trains lead to lower per-unit costs of transportation because the fixed cost of labour and fuel (typically 60-70% of operating costs for both trucks and rail) can be spread over more units of goods. In basic terms, the cost of labour for rail is splitting the cost of two train drivers over 1.6 kilometres worth of goods versus trucks splitting the cost of a single driver over 20 metres worth of goods. In terms of fuel, the basic physics associated with how a train moves from point A to point B relative to a truck, means that trains can move three to four times more tonnes per gallon of fuel relative to trucks. This is also beneficial for the environment given freight rail's carbon footprint is up to seven times more efficient than trucking.

These attractive characteristics are reflected in Norfolk Southern's high returns on capital employed and strong pricing power, with rates increasing faster than inflation over the last 20 years.

The major change in Norfolk Sothern's operating model over the last decade has been the implementation of precision scheduled railroading (also known as PSR) in 2019. PSR is a railroad operating model pioneered by the late Hunter Harrison. Mr Harrison first implemented PSR at Illinois Central Railroad in 1993 and went on to implement PSR at several other class one railroads including Canadian National in 1998, Canadian Pacific in 2014 and CSX in 2017.

The core objective of PSR is to reduce the average time it takes to move a customer's rail car from origin to destination. As a result, PSR is a win-win for customers and shareholders.

Customers win because PSR increases the reliability of rail as a transportation method; i.e., the goods arrive at the scheduled time. The proportion of CSX trains that arrived on time increased from 51% in 2015 (prior to PSR implementation) to 75% in 2018 (post implementation of PSR).

We believe the benefits to shareholders are both immediate and enduring. The significant improvements in asset utilisation driven by PSR (moving the same amount of goods with fewer people and locomotives) resulted in a rapid increase in margins over 24 months. CSX's adjusted operating margins increased from 30% in 2015 to 40% in 2018. We believe Norfolk Southern's margins will follow a similar trajectory given its network footprint is similar to that of CSX. The longer-term benefit is increased capture of volumes currently moving by truck as the reliability gap between truck and rail closes. Given these volumes are likely to be added at high incremental margins, we believe that this should lead to profits growing faster than revenues over the long term.