



Frontier MFG Core Infrastructure Fund

Dear Investor,

The last year was a volatile year for many investors. Buffeted by rising geopolitical risk, disruptive new technologies and an increasingly uncertain economic outlook, financial markets ricocheted between euphoria and anxiety. Amidst this uncertainty, global listed infrastructure has continued to hum along – delivering dependable growth.

At Magellan, we see this as infrastructure’s core purpose in investor portfolios; to enhance risk-adjusted returns by providing diversification and capital appreciation in challenging market conditions. We maintain a strict definition and seek out businesses that can lessen the impact of commodity prices, material competition or significant sovereign risk. What remains – predominantly regulated utilities, toll road and airport concessions, contracted energy networks and communications towers – has historically produced predictable, inflation-linked earnings through recessions and shocks.

The past year ending June 30, 2025, was a strong year for Magellan’s Infrastructure Strategy. Reflecting its distinguished quality characteristics and inherent defensiveness, the Strategy demonstrated its resilience during the downdrafts. In the quarter ending September 30, 2024, the Strategy recorded strong performance as market sentiment weakened, with recession fears emerging as softening economic conditions, evident in jobs data and business activity, reduced investor confidence.

While the quarter ended December 31st was characterized by market exuberance in anticipation of, and following, Trump’s victory in the US election, only a few months later significant uncertainty and volatility ensued. Nerves rose at the end of the March 31st, 2025, quarter and into the June 30th, 2025 quarter, as the reality of the new U.S. administration set in. Equities recorded three consecutive months of declines from February 2025 to April 2025, with the market down over 5%¹ in March alone. The inauguration of President Trump marked the beginning of a slew of executive orders that disrupted multiple sectors of the economy. Tariff policy was a particular pain point, culminating in “Liberation Day” on April 2, 2025, with the announcement of the highest, widespread global tariffs since the 1930s. The consequences of this were pervasive, prompting a rotation to defensive assets, particularly European defensive assets. The Strategy recorded solid positive performance against a backdrop of falling global markets, again highlighting the diversification benefits of a well-defined infrastructure portfolio.

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Our conviction in our definition of infrastructure was affirmed when the Artificial Intelligence (AI) theme that has been widespread across the broader market, was temporarily knocked off course by technological innovation. The unveiling of DeepSeek, an open-source AI model, drove a sell-off in AI- and data center-exposed companies, including the merchant power producers who supply them. Shares in merchant generators with this exposure sank. For example, two companies in the space experienced volatility: Vistra fell 28% on January 27, 2025, while Constellation dropped 21%, as investors reassessed their thesis that exponential growth in AI workloads would drive persistently higher power prices. As a reminder, the Strategy excludes economically sensitive assets with material exposure to competition from our investable universe, including merchant generators and data center companies, due to such potential volatility.

As always, our investment decisions focus on the fundamentals and quality of the businesses in which the Strategy is invested. We saw many of the long-standing positions perform well during the market volatility. This includes utility holdings such as WEC Energy, which continued to perform strongly and



Source: istock

exceeded expectations. Xcel Energy also had good results and shook off speculation on excessive wildfire liability from a fire in Texas in mid-2024.

Looking ahead, we remain positive on the outlook for a well-constructed global listed infrastructure portfolio. In the near term, a weakening economic outlook and potential market jitters on growth and inflation risks can be expected. At the same time, interest rates are falling or stable in major economies. This environment is a timely reminder that essential services assets are highly resilient in a downturn, with demand profiles that face far more limited impacts from economic conditions. Over time, infrastructure is positioned to earn real growth. This is apparent in utilities, where significant

capital investment is expected to replace ageing assets or decarbonize, and in communications infrastructure, with new investment and infill to meet ongoing robust data demand. Aviation and motorway assets could also benefit from the tailwinds of population and real wealth growth.

¹ MSCI World Net Total Return Index, AUD hedged

We expect investing in a well-defined universe of infrastructure investments could deliver attractive risk adjusted returns through an investment cycle. Our focus and commitment to investors is to provide a dependable strategy for achieving strong, stable returns over the long term.



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