

OCTOBER 31, 2008

# Monthly Report



## MACQUARIE GLOBAL INFRASTRUCTURE TOTAL RETURN FUND (MGU)

All data in this report is as of October 31, 2008 unless noted otherwise.

### OVERVIEW

MGU is a closed-end fund that seeks to provide investors with a total return over the medium-to-long term consisting of income and capital growth by investing in a diversified portfolio of equity, debt, preferred or convertible securities and other instruments issued by US and non-US companies that own, operate or manage infrastructure assets, are essential service providers in nature and offer potentially attractive risk/return profiles.

Inception Date	August 26, 2005
Ticker	MGU
CUSIP	55608D101
Portfolio Managers	Jon Fitch & Justin Lannen

### STATISTICS *As of October 31, 2008*

Closing Share Price	\$13.08
NAV	\$16.12
Discount to NAV	(18.9)%
Quarterly Dividend	\$0.40/share
Dividend Yield <sup>2</sup>	12.2%
Leverage Ratio	24.4%
Net Assets	\$279.1 million

### FUND MANAGEMENT

MGU's investment adviser is Macquarie Capital Investment Management LLC (the "Manager"), which is a part of Macquarie Funds Group ("MFG") and a wholly-owned, indirect subsidiary of Macquarie Group Limited ("Macquarie Group").

Macquarie Group is a diversified international provider of financial, advisory and investment services, with approximately A\$239 billion of total assets under management as of September 30, 2008. Headquartered in Sydney, Australia, Macquarie Group (ASX:MQG) is listed on the Australian Securities Exchange and employs over 13,800 people in 27 countries as of September 30, 2008.

MFG is the full service fund manager of Macquarie Group. MFG has over 25 years of asset management experience, over 700 staff across 16 offices globally, and over US\$56 billion in assets under management as of September 30, 2008. MFG offers a diverse range of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds, and fund of funds.

<sup>2</sup> Based on annualized most recent declared distribution as of October 31, 2008 and closing market price.

### PERFORMANCE<sup>1</sup>

	1 Month	3 Months	YTD	1 Year	3 Year (Annualized)	Since Inception (Annualized)
Net Asset Value (NAV) (%)	(18.26)	(34.94)	(44.65)	(45.59)	(0.72)	(1.83)
Share Price (%)	(13.78)	(39.52)	(53.77)	(49.39)	(5.13)	(9.39)

<sup>1</sup> Past performance is not indicative of future results. Dividends are considered reinvested.

### MARKET REVIEW

October delivered the worst monthly performance for global equity markets in more than 20 years. Global markets experienced one of the most volatile months on record, as deepening dislocation in the financial system (which included historically high relative yields in the interbank money market) began to be reflected in macroeconomic data and corporate developments. Market participants globally were nervous and continued to delever, which in turn caused sell-offs in global equity markets, reduced liquidity and increased volatility. Weaker economic data also contributed to the sharp declines and volatility amid fears of the possibility of a deep global economic downturn.

The volatility was not limited to stock prices, as evidenced by the oil price, which fell 33% during October, making this the weakest month for that market since oil futures began trading in 1983. Oil has more than halved in price to just under USD 68 per barrel, from a peak over USD 145 in July. Currency markets were also very volatile, with the US dollar and Japanese Yen being the strongest of the major currencies, while the Euro, British pound and the Australian dollar in particular were quite weak.

Governments, central banks and regulators around the globe implemented steps to try to restore confidence and stability. Central banks remained vigilant in seeking to bring relief to the markets and assist their respective economies through further interest rate cuts and cash injections. The US Treasury Department's plan to inject capital directly into the banking system under its Troubled Asset Relief Program drew plenty of participants.

### PORTFOLIO REVIEW

Infrastructure stocks continued to be dragged lower by the sharp sell-off in global equity markets during October, as investors remained focused on the global financial sector's difficulties and the negative ramifications for global economic growth. As was the case in September, macroeconomic developments and the ongoing credit market issues served to exacerbate the market's concerns regarding leverage, leading to further underperformance by stocks with "higher" leverage, including those in the infrastructure sector. As noted last month, notwithstanding the impact of the more difficult credit environment, in the Manager's view, the market's approach to leverage does not adequately recognize that the appropriate level of debt for each company is different. Companies with a higher level of stability and predictability of their cash flows are well placed to service that debt.

The infrastructure sector overall is characterized as having more defensive attributes, relative to many other sectors of the equity markets (such as materials, construction, retail). Within infrastructure, the sensitivity of the sub-sectors to economic conditions varies. As concerns about the economic outlook increased, the infrastructure sub-sectors with greater sensitivity to economic growth, such as airports, seaports and some tollroads, tended to underperform, despite the further sharp decline in the oil price.

Airport stocks underperformed earlier in the year as the oil price soared on concerns about the perceived impact of declining airline profitability on airports. While that concern has reduced, investors are now concerned that passenger traffic would fall sharply in an economic downturn. Data from the Airports Council International (ACI) showed that passenger traffic declined in September, with total passengers worldwide falling by 4% compared to the same month last year. The Manager notes that passenger traffic has historically been resilient and any period of flat or negative growth has been followed by a resumption of the strong uptrend of the last 40 years or so. However in the current environment, markets appear to be pricing the near-term softer traffic outlook, rather than looking through to the longer term growth. The Manager believes that airports with lower exposure to low cost carriers and leisure travel are better placed.

Seaports came under significant stock price pressure, on concerns about the impact of slower global growth on trade volumes. MGU's investments in seaports are focused on assets with strong strategic positions that are expected to perform defensively through the downturn. For example, Hamburger Hafen und Logistik in the port of Hamburg is one of the major trade gateways to/from Germany/Eastern Europe for trade with the strong growth economies of Asia. Only approximately 5% of the port's trade is with the US.

Tollroad stocks were mixed for the month. While tollroad assets are somewhat sensitive to economic growth, each road needs to be assessed individually. For example, traffic on metropolitan roads, which carry commuter and other essential traffic, is typically more inelastic and thus these roads are more defensive. A city perimeter road like the 407 outside Toronto operated by Cintra Concesiones de Infraestructuras de Transporte, S.A. (Cintra) is more defensive than an inter-city road, which typically carries a higher proportion of non-essential traffic. It is also important to consider traffic numbers together with tolls, to understand each road's revenue growth. During the month, a number of the tollroad stocks in MGU reported positive news. Spanish tollroad owner and operator Cintra reported year to date EBITDA up 5% YoY. The result was driven by higher tolls on key assets, offset by weaker traffic over the last six months in Spain and the United States. Transurban Group announced revenue increases ranging from 5% to 12% YoY across three of its major Australian roads for the

## PORTFOLIO COMPOSITION<sup>3</sup>

Number of Holdings	47
% in Developed Markets	88.5
% in Emerging Markets	8.4
% in Cash / Other	3.1

## BY INDUSTRY<sup>3</sup> (%)

Pipelines	35.0
Toll Roads / Transportation	12.3
Electricity & Gas Distribution	10.3
Airports	9.4
Electric Utility	8.8
Water	8.3
Electricity Transmission	6.1
Electricity Generation	4.6
Diversified	2.1
Cash / Other	3.1

## BY COUNTRY<sup>3</sup> (%)

United States	26.6
Australia	10.1
Spain	9.0
United Kingdom	8.3
Canada	7.3
Italy	5.8
France	5.3
Germany	5.2
Japan	5.1
Brazil	3.2
China	2.9
Switzerland	2.9
New Zealand	1.5
Mexico	1.2
Thailand	1.1
Malaysia	0.6
United Arab Emirates	0.6
Austria	0.2
Cash / Other	3.1

## TOP 10 HOLDINGS (%)

Energy Transfer Partners LP	5.4
Magellan Midstream Partners LP	5.3
Enbridge Energy Partners LP	4.7
Enterprise Products Partners LP	4.6
Kinder Morgan Partners LP	4.1
Severn Trent Plc	4.0
Spark Infrastructure Group	3.7
Enbridge Inc.	3.6
Enagas	3.4
Toyko Gas Co. Ltd.	3.3

<sup>3</sup> Based on Total Assets as defined in MGU's Prospectus. Total Return Swap positions have been included on a "mark to market" basis and are included under the appropriate industry and country classifications.

## PORTFOLIO REVIEW *continued*

September quarter. Overall, these results indicate resilience of the underlying roads to higher petrol prices and slower economic growth.

In recent months, as the economic outlook has deteriorated, the Manager has decreased MGU's overall exposure to the sub-sectors with greater sensitivity to economic conditions, and focused on the most defensive stocks within these sub-sectors. Taken together, the Airports and Toll Roads / Transportation sub-sectors comprise approximately one fifth of the portfolio.

The Fund's Pipeline holdings in the United States and Canada generated the strongest sub-sector returns for the month. Indeed, the majority of these holdings actually recorded a positive share price return, demonstrating their defensive nature. They are typically conservatively managed and generate very predictable cash flows. By way of example, some of the positive news from the Fund's pipeline holdings included:

- Kinder Morgan Energy Partners LP (KMP) reported that 3Q08 profit jumped 54% and it increased the cash distribution 3%.
- Enterprise Products Partners LP (EPD) increased its quarterly cash distribution rate by 6.6% relative to the third quarter of 2007 after reporting robust 3Q08 earnings. EPD has now increased its cash distribution rate in 17 consecutive quarters.
- Enbridge Inc. projected at least 10% per annum earnings per share growth over the next five years. Enbridge noted that 90% of its revenue is generated by investment grade industrial customers and over 95% of its earnings come from regulated businesses. Management confirmed that construction and funding of key growth projects remain on track.
- TransCanada Corp. reported its 3Q08 results above market expectations and an increase of 11% over the comparable period last year.
- Energy Transfer Partners LP (ETP) and KMP announced that they will jointly develop the Fayetteville Express Pipeline which will interconnect with other pipelines owned by both ETP and KMP, to be transported to market. The project has already been secured with binding commitments for 10 years for 80% of the initial capacity, which highlights the demand for new natural gas infrastructure.

The defensive regulated sub-sectors such as water and electricity and gas distribution outperformed. For example, MGU's UK water stocks delivered a positive return, having recently advised the market that they are performing in line with expectations.

In regards to the Fund's leverage, MGU announced on November 6, 2008 that it had executed a one-year renewal of its commercial paper conduit ("CP Conduit") with TSL (USA) Inc. as conduit lender, and National Australia Bank, New York branch as secondary lender, on October 31, 2008. The Fund reduced the maximum commitment under the CP Conduit from \$200 million to \$150 million.

To be in line with the Fund's historical asset coverage ratio levels, the Manager decided to reduce the amount outstanding on the CP Conduit by \$48 million during October, bringing the total amount outstanding to \$90 million as of October 31, 2008. The Fund's asset coverage ratio stood at 376% as of October 31, 2008, which is above the 300% minimum outlined in the Fund's prospectus.

## OUTLOOK

In addition to fundamental concerns about the impact of the credit market dislocation and tighter liquidity on economic growth, markets were also buffeted by technical flows, such as selling to fund redemptions and to enable general deleveraging of positions. There were signs that mutual fund outflows, which had been high in September and peaked early in October had slowed later in the month. The Manager notes that such selling can create opportunities for patient, long-term investors.

Further volatility can be expected in the near to medium term as macroeconomic developments unfold, and companies across the broad equity market begin to report earnings that reflect the impact of the slowdown in growth. The Manager believes that the Fund is defensively positioned in high quality businesses that are well placed to meet the challenges in the current environment. MGU has been tilted in recent months towards the more defensive regulated/contracted sub-sectors, such as water utilities in the United Kingdom, electricity and gas distribution businesses and pipelines.

In the more difficult economic and credit environment, it is particularly important to hold high quality stocks that are well positioned in their respective businesses. The Manager has focused MGU on the highest quality and most defensive securities in each infrastructure sub-sector across the portfolio. The operational performance of the companies in the portfolio that have reported recently has generally been in line with the Manager's expectations, continuing to demonstrate the general resilience of the infrastructure assets in the face of macroeconomic headwinds and downward pressure on their stock prices.

## For more information on the Macquarie Global Infrastructure Total Return Fund:

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### DISCLAIMER

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The Fund is not intended to be a complete investment program. An investment in the Fund involves risks, and the Fund may or may not be able to achieve its investment objective for a variety of reasons. The following summarizes some of the Fund's risks but does not purport to be a complete listing of all of the risks. Investors should carefully review the Fund's Prospectus and consult their own advisers. The opinions expressed herein are the opinions of the Fund's advisers as of the date of this document, are based on market conditions as of that date, and are subject to change. The opinions should not be considered advice or recommendations. Past performance is not indicative of future results.

The above commentary and outlook reflects the views of the portfolio managers through October 31, 2008 and may include forward-looking statements. The statements may include projections, estimates and descriptions of future events. These statements are subject to a variety

of risks and uncertainties, which may cause actual results to differ materially from this commentary and outlook. The portfolio managers' views are subject to change as market and other conditions warrant and should not be construed as a recommendation for any securities discussed herein.

Unlike open-end funds, closed-end funds are not continuously offered. After a one-time public offering, shares of closed-end funds are sold in the secondary market and frequently trade at a discount to net asset value.

Specific information on the Fund is provided for informational purposes only and is not intended for purposes of purchasing or selling shares of the Fund.

Adviser Risk. MCIML, the Fund's adviser, is an investment adviser with limited investment history or track record. The Fund is further dependent on Mr. Jon Fitch and Mr. Justin Lannen, portfolio managers for the Fund. There is no guarantee an adequate replacement could be found for MCIML should Mr. Fitch's and/or Mr. Lannen's services no longer be available. The Fund is also subject to risk because it is an actively managed portfolio. Industry Concentration and Infrastructure Industry Risk. The Fund will be concentrated in the infrastructure industry, and will be more susceptible to adverse economic or regulatory occurrences affecting that industry than a fund that is not concentrated in a specific industry.

Non-U.S. Investment Risk. A majority of the Fund's investments will be

in non-U.S. issuers and a substantial portion of the trades executed for the Fund will take place on foreign exchanges. Investments in securities and instruments of non-U.S. issuers involve certain considerations and risks not ordinarily associated with investments in those of U.S. issuers.

Emerging Markets Risk. In addition to non-US investment risk, investments in emerging markets may expose the fund to heightened risks that may be more volatile than investments in developed markets.

Use of Derivatives and Hedging. The Fund may use derivatives and employ a variety of hedging techniques. Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large impact on the Fund's performance. Certain of the investment techniques that the Fund may employ for hedging or to increase income or total return will expose the Fund to additional risks.

Leverage Risk. The Fund expects to employ leverage as part of its investing strategy. The use of leverage will increase the volatility of the Fund and increase risk to investors. Any difficulty in maintaining the Fund's leverage could cause a diversion of cash flow and/or require liquidation of some portion of the Fund's portfolio. Restrictions imposed as a result of any leverage may directly or indirectly inhibit the Fund's ability to take actions that otherwise may be taken in an unleveraged portfolio of similar assets.

Non-Diversified Status. The Fund is non-diversified within the meaning of the Investment Company Act of 1940.