

Magellan Global Fund (Closed Class)



TICKER: MGF | ARSN: 126 366 961

AS AT 31 OCTOBER 2023

PORTFOLIO MANAGERS

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INVESTMENT PHILOSOPHY

To invest in outstanding companies at attractive prices, while exercising a deep understanding of the macroeconomic environment to manage investment risk.

OBJECTIVES

To achieve attractive risk-adjusted returns over the medium to long term; while reducing the risk of permanent capital loss.
Aims to deliver 9% p.a. net of fees over the economic cycle.

PORTFOLIO CONSTRUCTION

A relatively concentrated portfolio of 20-40 high quality securities constructed with strict risk discipline and macroeconomic insight seeking to achieve strong risk-adjusted, not benchmark-relative returns.
Cash and cash equivalents exposure between 0 - 20%.

MAGELLAN GLOBAL FUND (CLOSED CLASS): KEY PORTFOLIO INFORMATION

TICKER	FUND SIZE	NAV PER UNIT	MANAGEMENT AND PERFORMANCE FEES ¹	INCEPTION DATE
MGF	AUD \$2,677.2 million	\$1.9068 per unit	1.35% p.a. and performance fee of 10% of dual hurdle excess return [^]	30 November 2020

[^] 10.0% of the excess return of the Closed Class units of the fund above the higher of the Index Relative Hurdle (MSCI World NTR Index (AUD)) and the Absolute Return Hurdle (the yield of 10-year Australian Government Bonds). Additionally, the Performance Fees are subject to a high water mark.

CLOSING MARKET PRICE	VALUE OF UNITS BOUGHT BACK SINCE INCEPTION ²	% UNITS BOUGHT BACK SINCE INCEPTION	DISTRIBUTION YIELD ³
\$1.735 per unit	\$487.4 million	24.2%	4.5%

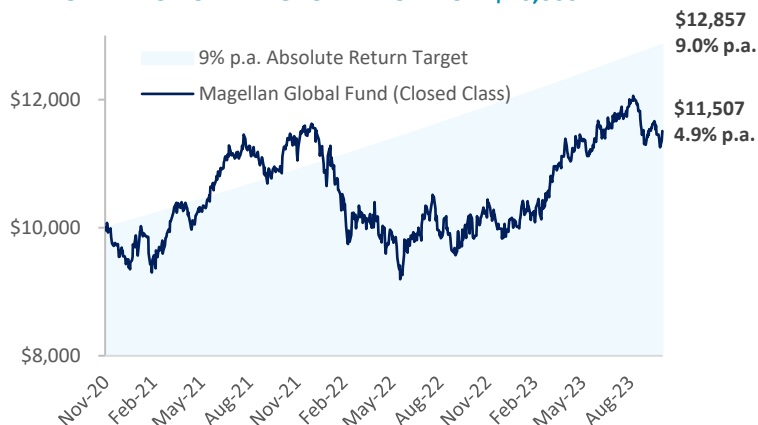
PERFORMANCE⁴

	1 MONTH (%)	3 MONTHS (%)	6 MONTHS (%)	1 YEAR (%)	2 YEARS (% p.a.)	Since Inception (% p.a.)
MGF	1.9	-1.3	1.0	13.4	2.5	4.9
MSCI World NTR Index (AUD)*	-1.0	-3.5	2.7	11.6	3.4	9.4
Excess	2.9	2.2	-1.7	1.8	-0.9	-4.5

CALENDAR YEAR RETURNS	CYTD (%)	2022 (%)	2021 (%)	2020 (% part year)
MGF	16.9	-14.8	19.8	-3.6
MSCI World NTR Index (AUD)*	15.5	-12.2	29.3	-0.8
Excess	1.4	-2.6	-9.5	-2.8

Past performance is not a reliable indicator of future performance.

PERFORMANCE CHART GROWTH OF AUD \$10,000⁴



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¹ Transaction costs may also apply. All fees are inclusive of the net effect of GST.

² The Fund has been exercising its ability to buy back units on market since 11 January 2021.

³ Distribution Yield calculated by applying the aggregate distribution per unit paid over 12 months to 30 June 2023 against the closing market price as at 30 June 2023.

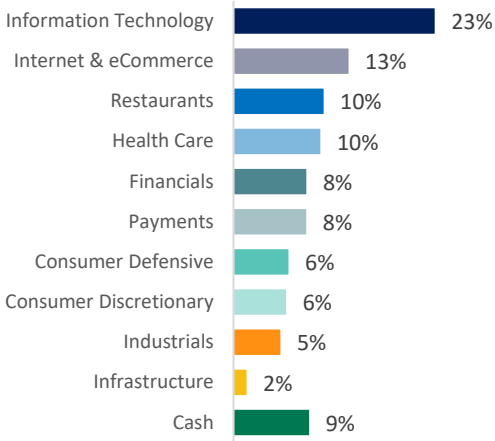
⁴ Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

*MSCI World Net Total Return Index (AUD). All MSCI data used is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI and its affiliates assume no liability for or in connection with the data. Please see complete disclaimer in www.magellangroup.com.au/funds/benchmark-information/

TOP 10 HOLDINGS (ALPHABETICAL ORDER)

STOCK	SECTOR ⁵
Amazon.com Inc	Internet & eCommerce
ASML Holding NV	Information Technology
Chipotle Mexican Grill Inc	Restaurants
Intercontinental Exchange Inc	Financials
Intuit Inc	Information Technology
MasterCard Inc	Payments
Microsoft Corporation	Information Technology
SAP SE	Information Technology
UnitedHealth Group Inc	Health Care
Visa Inc	Payments

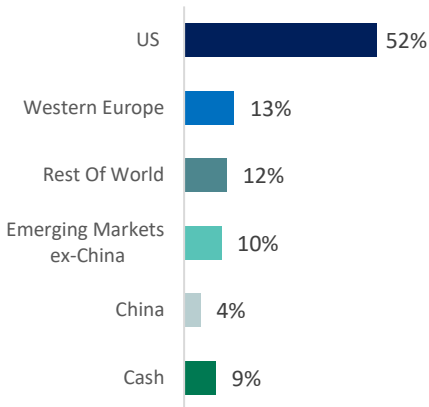
SECTOR EXPOSURE BY SOURCE OF REVENUE⁵



TOP CONTRIBUTORS/DETRACTORS 1 YEAR⁶

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Microsoft Corporation	2.0
SAP SE	1.4
Amazon.com Inc	1.4
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
US Bancorp	-0.7
Brookfield Corporation	-0.3
AIA Group Ltd	-0.3

GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE⁵



MONTHLY SUMMARY

During October the major market influences were the Hamas/Israeli war, ongoing increases in 10-year bonds, an incredibly strong US 3Q GDP growth number (Over 8% nominal) and the bulk of quarterly company result releases. Investors are oscillating between the risks of tighter financial conditions with sustained high interest rates and the possibilities of resilient, albeit slower, economic growth while inflation falls sufficiently to allow an easing of financial conditions. We continue to see evidence of slowing discretionary spending and slowing inflation while results revealed the early evidence of the surge in spend and usage associated with AI. Away from our portfolio evidence of poor returns on many of the investments behind renewables (solar, wind, grid projects) was a reminder that large new addressable markets do not necessarily mean good investment opportunities and careful analysis of competitive activity and economic models is required. Internally, we updated our long-term rate analyses and revised our risk-free rate assumptions, mostly upwards, given the case for long term rates remaining at somewhat higher levels looking forward. It seems quite plausible that long term rates are more volatile in coming years relative to the past one to two decades.

In October, the portfolio was flat in USD, rose in AUD as the AUD depreciated while global markets fell. We held a higher level of cash during the period given risks were elevated into October. Price gains were led by Netflix, Microsoft, AIA Group, United Health and Chipotle Mexican Grill, all up over 5% in the month, due to excellent quarterly results, and AIA recouped weakness from last month. Our top two holdings, Microsoft and Amazon were also the largest contributors. Microsoft delivered excellent 1Q24 results to end September and continues to execute superbly against the large opportunity it is creating around AI. We are seeing evidence that IT spending patterns are stable to improving, with increasing demand for AI cloud services, and improving global PC demand. Amazon’s quarter results resoundingly beat market expectations as all businesses saw materially higher margins and its guidance came in well ahead of expectations. We continue to see significant opportunity for Amazon.

In a weak market, a few holdings retraced in October. The largest, albeit relatively small detractors to the portfolio in the month, were Lowe’s and Mastercard. Lowe’s reports later in November and we expect short term weakness in sales trends given the recent sharp rise in mortgage rates to over 8% is likely to weigh on home renovation project spending, which was likely reflected in the short-term price fall. While Mastercard dipped on a little disappointment in the guided 4Q growth rate, it reported continued excellent results (sales up 14% and EPS up 26%) and there were no material changes to the compelling growth outlook for the business.

Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.

⁵ Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

⁶ Shows how much the stock has contributed to the fund’s gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

IMPORTANT INFORMATION

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