



**MAGELLAN**  
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30 August 2019

ASX Limited  
ASX Market Announcement Office  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2019**

Magellan Global Trust (**MGG**) hereby lodges:

1. Appendix 4E Statement for the period ended 30 June 2019;
2. Annual Financial Report for the period ended 30 June 2019, incorporating the Responsible Entity's Report and annual financial statements.

Yours faithfully,

**Marcia Venegas**  
**Company Secretary**

# Appendix 4E

## Annual Financial Report For The Year Ended 30 June 2019

Name Of Entity

**Magellan Global Trust**

ABN

Reporting Period

Previous Corresponding Period

44 740 925 809

1 July 2018 to 30 June 2019

11 August 2017 to 30 June 2018

### Results For Announcement To The Market

	<b>Change From The Corresponding Period \$'000</b>	<b>30 June 2019 \$'000</b>
<b>Total Revenue</b> (“Revenue From Ordinary Activities”)	Up by 140,754 or 71.9% to	336,603
<b>Net Operating Profit For The Year</b> (“Profit From Ordinary Activities After Tax Attributable To Members”)	Up by 127,573 or 72.2% to	304,212
<b>Total Comprehensive Income</b> (“Net Profit For The Year Attributable To Members”)	Up by 127,573 or 72.2% to	304,212
<b>Total Unitholders' Equity</b>	Up by 535,326 or 31.7% to	2,225,115

### Commentary On Results

Refer to the attached Annual Report and Financial Statements including the Chairman's Report  
Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements.

### Distributions

	<b>Cents per Unit</b>
<b>Interim Distribution (paid 15 January 2019)</b>	<b>3.00</b>
<b>Final Distribution (paid 29 July 2019)</b>	<b>3.00</b>
<b>Total Distribution</b>	<b>6.00</b>
<b>Final distribution dates:</b>	
Ex-distribution date:	Monday, July 1, 2019
Record date:	Tuesday, July 2, 2019
Payment date:	Monday, July 29, 2019

### Net Asset Value (NAV) Per Unit

30 June 2018	\$1.6082
30 June 2019	\$1.7995

### Earnings Per Unit

	<b>30 June 2018</b>	<b>30 June 2019</b>
Basic earnings per share (cents)	16.83	27.45
Diluted earnings per share (cents)	16.83	27.45

### Financial report

This report is based on the 30 June 2019 Annual Report (which includes the financial statements) and has been audited by Ernst & Young.



# ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2019

**MAGELLAN GLOBAL TRUST:** ABN 44 740 925 809

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# MAGELLAN GLOBAL TRUST

## Chairman's Report

### for the year ended 30 June 2019

Dear Unitholders,

We are pleased to present the Annual Financial Report for Magellan Global Trust (the "Fund"). The Fund is a closed end managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager. The Fund is quoted on the Australian Securities Exchange (ticker code: MGG) and commenced trading on 18 October 2017, after raising \$1,575 million at \$1.50 per unit through an initial public offering. As at 30 June 2019, the Fund had net assets of \$2,262 million and a net asset value of \$1.8297 per unit before deducting distributions payable. The Fund paid total distributions of 6 cents per unit for the year ended 30 June 2019.

During the year, the Fund conducted a Unit Purchase Plan ("UPP") allowing eligible investors to invest up to \$15,000 of additional units in the Fund at a discount to net asset value per unit without incurring any brokerage costs. The issue price under the UPP was \$1.5327 representing a 5% discount to the net asset value per unit. Applications under the UPP totalled \$277 million. Magellan Financial Group Limited ("MFG"), the parent company of MAM, paid the Fund a consideration equal to the amount of the discount, to offset the dilutionary impact.

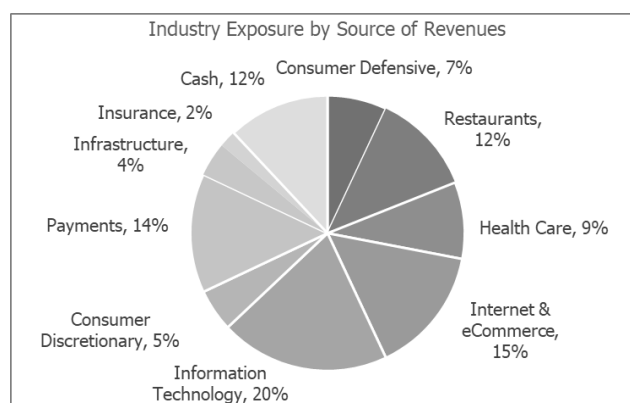
MAM aims to achieve attractive risk-adjusted returns over the medium to long term for unitholders, while reducing the risk of permanent capital loss. To achieve this, the Fund invests in a portfolio of between 15 and 35 high-quality global equity stocks, as assessed by MAM, and has the ability to manage equity market risk by holding up to 50% of its net assets in cash. The Fund may also manage its foreign currency exposure arising from investments in overseas markets and as at 30 June 2019 was 52% hedged to the Australian Dollar. Based on net asset value with distributions reinvested, the Fund returned 16.2% net of fees since inception to 30 June 2019.

The Fund also aims to deliver investors a Target Cash Distribution yield of 4% per annum, paid semi-annually. For investors wishing to reinvest distributions, a distribution reinvestment plan has been established with a 5% discount to the net asset value per unit. To ensure investors electing to receive cash are not disadvantaged due to dilution, MFG will pay the Fund a cash amount equal to the discount, to offset the dilutionary impact.

The inaugural 'In Review' magazine, released in July 2019, has a collection of investor reports for each of MAM's funds, including the Fund, along with some additional insights from our team. Within this magazine the Fund's portfolio managers, Hamish Douglass and Stefan Marcionetti, discuss their thoughts on current markets and portfolio construction. In addition, 'In Review' has an interview with the CEO of Starbucks, several stock pick discussions, thoughts from Michael Morell, a former deputy director of the Central Intelligence Agency, on global politics, and Hamish's reflections on what he has learnt from investing over the past decade or so. The magazine, together with the monthly and quarterly Fund Reports, provide valuable insights into our investment strategies and portfolio managers' thoughts that we would encourage you to read. A copy of this magazine can be found at [www.magellangroup.com.au](http://www.magellangroup.com.au) or, if you would like a hard copy, please call +61 2 9235 4888.

As at 30 June 2019, the Fund consisted of investments in 22 companies, with the top 10 investments (listed below) representing 59.1% of the Fund. The Fund's cash position was 12% which was predominantly held in US Dollars. The Fund's industry exposure by source of revenues is highlighted below.

Top 10 holdings (as at 30 June 2019)	% of Fund
Facebook - class A shares	7.8
Microsoft	7.6
Alphabet - class A and class C shares	6.7
Starbucks	6.7
Apple	6.1
Visa - class A shares	5.9
HCA Healthcare	5.8
MasterCard	5.1
Reckitt Benckiser	3.8
Yum! Brands	3.6
<b>Top 10 Total</b>	<b>59.1</b>



The following report contains relevant financial statements and information which we encourage you to read carefully.

**Robert Fraser**  
Chairman

Sydney, 30 August 2019

# Responsible Entity's Report

for the year ended 30 June 2019

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Magellan Global Trust (the "Fund") present their report on the Fund for the year ended 30 June 2019.

## 1.0 Directors

The following persons were Directors of MAM during the year and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Chief Executive Officer	22 January 2007
Hamish Douglass	Chief Investment Officer <sup>(A)</sup>	21 November 2006
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Chairman	23 April 2014
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director	1 March 2016
Kirsten Morton	Chief Financial Officer	5 October 2018
Karen Phin	Non-Executive Director	23 April 2014

<sup>(A)</sup> On 5 October 2018, Mr Douglass resigned as a Director of MAM and was appointed Chairman of Magellan Financial Group Limited ("MFG") the parent company of MAM.

## 1.1 Principal Activity

The Fund is a registered managed scheme structured as a closed-end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") (ticker code: MGG). It was registered on 11 August 2017.

The Fund invests in a portfolio of between 15 and 35 high quality global equity stocks. To achieve this MAM undertakes rigorous company research to identify what it assesses to be very high quality companies, with an evaluation of the macro-economic environment and a disciplined, risk controlled approach to portfolio construction.

The Fund's investment objective is to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the Product Disclosure Statement, issued 21 August 2017).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. As the Investment Manager, MAM is responsible for selecting and managing the assets of the Fund.

The Fund's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000.

## 1.2 Background Information On The Fund

The Fund raised \$1.57 billion from an initial public offering ("Offer") on 9 October 2017. The Offer comprised a broker firm/general public offer and a priority offer. The priority offer was available to existing shareholders of MFG and unitholders in Magellan funds as at 1 August 2017. Under the priority offer, eligible unitholders were entitled to additional loyalty units worth 6.25% of the value of their initial unit allotment, providing those units were held on 11 December 2017.

On 12 October 2017, units in the Fund were allotted, and on 18 October 2017, the Fund commenced trading on the ASX.

MGT Investment Corp Pty Limited ("MGTI"), a wholly owned company of MFG, subscribed for Class A units of the Fund, to facilitate the issue of the loyalty units to eligible unitholders under the priority offer.

On 11 December 2017, 38,134,220 loyalty units vested to eligible unitholders and these units were subsequently allotted as ordinary units on 15 January 2018. The remaining 1,613,070 units were retained as an investment by an entity in the Magellan Financial Group. The costs of the Offer, including the issue of the loyalty units, were paid by MFG which ensured the opening cash Net Trust Value ("NAV") per unit of the Fund on 18 October 2017 was equal to the application unit price of \$1.50.

On 29 January 2019, a Unit Purchase Plan ("UPP Offer") was announced. The UPP Offer gave eligible unitholders of the Fund the opportunity to acquire up to \$15,000 of new, fully paid ordinary units of the Fund without incurring any brokerage, at a price of \$1.5327 (representing a 5% discount to the Fund's NAV per unit on 28 January 2019). The record date for participating in the UPP Offer was 25 January 2019. On 13 March 2019, \$276,862,000 was raised and 180,624,442 units were issued to participating unitholders. To minimise dilution, MFG paid the Fund \$14,576,000 equal to the cost of the 5% discount to the NAV per unit, on 28 January 2019, on which the UPP Offer price was determined.

# Responsible Entity's Report

for the year ended 30 June 2019

## 1.3 Significant Changes In State Of Affairs

There were no significant changes in the state of affairs of the Fund during the year.

## 1.4 Review Of Financial Results And Operations

### a) Financial Results For The Year

The performance of the Fund, as represented by the results of its operations for the periods ended 30 June, was as follows:

	30 June 2019	Inception to 30 June 2018 (A)
<b>Results</b>		
Total net investment income (\$'000)	336,603	195,849
Total expenses (\$'000)	32,391	19,210
<b>Net Operating Profit/(Loss) (\$'000)</b>	<b>304,212</b>	<b>176,639</b>
<b>Distributions</b>		
Distribution paid and payable to unitholders (\$'000)	68,690	63,017
Distribution paid and payable (cents per unit) (refer (i) below for components)	6.00	6.00
<b>Indirect Cost Ratio<sup>(B)</sup></b>		
Management fee	1.35	0.97
Performance fee	0.17	0.05
<b>Total Indirect Cost Ratio</b>	<b>1.52</b>	<b>1.02</b>
<b>Unit Price (NAV Per Unit) (\$) <sup>(C)</sup></b>	<b>1.7995</b>	<b>1.6082</b>
<b>ASX Reported (NAV Per Unit) (\$) <sup>(D)</sup></b>	<b>1.8297</b>	<b>1.6091</b>

(A) The Fund commenced trading on 18 October 2017 ("inception").

(B) The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage. Management costs, accrued within the Fund's unit prices on a daily basis, include management and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

(C) The Net Trust Value ("NAV") per unit represents the net assets of the Fund presented in the Statement Of Financial Position at 30 June divided by the number of units on issue at 30 June (refer Note 8 to the financial statements).

(D) The NAV per unit reported to the ASX on 1 July 2019 (refer Note 15 to the financial statements).

(i) Distribution components for interim and final distributions, which can be found in the 'Our Funds' section of the MFG website [www.magellangroup.com.au](http://www.magellangroup.com.au), are as follows:

	Interim Distribution Paid 31 December 2018 cents per unit	Final Distribution Payable 30 June 2019 cents per unit	Interim Distribution Paid 31 December 2017 cents per unit	Final Distribution Payable 30 June 2018 cents per unit
<b>Domestic Income</b>				
Interest	-	-	0.0520	0.0520
Other income	-	-	1.0679	1.0679
<b>Foreign Sourced Income</b>				
Foreign income tax offsets	-	-	1.6430	1.6430
	-	-	0.1000	0.1000
<b>Capital Gains</b>				
Other non-attributable amounts (tax deferred amounts)	3.0000	3.0000	0.2371	0.2371
<b>Attribution Amount</b>	<b>3.0000</b>	<b>3.0000</b>	<b>3.1000</b>	<b>3.1000</b>
<b>Tax Offsets</b>				
Foreign income tax offsets	-	-	(0.1000)	(0.1000)
<b>Cash Distribution</b>	<b>3.0000</b>	<b>3.0000</b>	<b>3.0000</b>	<b>3.0000</b>

# Responsible Entity's Report

for the year ended 30 June 2019

## 1.4 Review Of Financial Results And Operations (continued)

### b) Performance Returns

The performance returns shown in the table below are for the periods ended 30 June and have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming the reinvestment of distributions at NAV per unit. The returns are calculated daily, compounded to produce longer period returns.

	30 June 2019	Inception to 30 June 2018 (A)
	%	%
<b>Performance</b>		
Growth return (B)	11.8	7.3
Distribution return (C)	4.1	4.1
<b>Total Return (D)</b>	15.9	11.4

(A) Performance returns from 18 October 2017 to 30 June 2018.

(B) The Growth return is calculated daily as a percentage by dividing the NAV per unit (ex-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

(C) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

(D) The Total return is calculated daily as a percentage by dividing the NAV per unit (cum-distribution) by the previous day's NAV per unit (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

Performance fees are calculated on six monthly measurement periods ending on 31 March and 30 September of each calendar year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given measurement period, as well as exceeding the applicable high watermark and an overall cap. Performance fees crystallise at the end of a measurement period, or from the commencement of the Fund to 31 March 2018 in the case of the first performance fee measurement period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at [www.magellangroup.com.au](http://www.magellangroup.com.au).

### c) Strategy And Future Outlook

The Fund's investment objective is unchanged. The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Therefore, investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides monthly fund updates, quarterly portfolio disclosure and annual investor reports, which can be found in 'Our Funds' section of the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website. The Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 1.5 Interest In The Fund

The movement in units on issue in the Fund is disclosed in Note 8 to the financial statements.

The unitholders' equity of the Fund is \$2,225,115,000 at 30 June 2019 (June 2018: \$1,689,789,000).

## 1.6 Likely Developments And Expected Results Of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

## 1.7 Events Subsequent To The End Of The Year

In the latest release to the ASX on 26 August 2019, the Fund reported a NAV per unit as at 23 August 2019 of \$1.8221.

Other than the items disclosed throughout this Financial Report and the above, there have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial years. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available on the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.



## MAGELLAN GLOBAL TRUST

# Responsible Entity's Report

for the year ended 30 June 2019

### **1.8 Indemnification And Insurance Of Directors And Officers**

The Directors and Officers of MAM, the Responsible Entity, in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity.

During the year MAM paid an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

### **1.9 Rounding Of Amounts**

The Fund is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

### **1.10 Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



**Robert Fraser**

Chairman

Sydney, 30 August 2019



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## Auditor's Independence Declaration to the unitholders of Magellan Global Trust

As lead auditor for the audit of the financial report of Magellan Global Trust for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva  
Partner  
Sydney, 30 August 2019

## MAGELLAN GLOBAL TRUST

# Statement Of Profit Or Loss And Comprehensive Income

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	11 August 2017 to 30 June 2018 (A) \$'000
<b>Investment Income</b>			
Dividend and distribution income		25,437	14,078
Interest income		6,199	4,035
Net change in fair value of investments		286,085	150,315
Net gains/(losses) on foreign exchange settlements, derivative contracts and cash		18,882	27,421
<b>Total Net Investment Income</b>		<b>336,603</b>	<b>195,849</b>
<b>Expenses</b>			
Management fees	10 c) i)	25,423	15,990
Performance fee	10 c) ii)	3,154	877
Brokerage costs		110	144
Withholding tax on dividends		3,633	2,132
Finance costs		71	67
<b>Total Expenses</b>		<b>32,391</b>	<b>19,210</b>
<b>Profit/(Loss) For The Year</b>		<b>304,212</b>	<b>176,639</b>
Other comprehensive income for the year		-	-
<b>Total Comprehensive Income For The Year</b>		<b>304,212</b>	<b>176,639</b>
<b>Basic Earnings Per Unit (cents)</b>	9	27.45	16.83
<b>Diluted Earnings Per Unit (cents)</b>	9	27.45	16.83

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's first reporting period covers 11 August 2017 to 30 June 2018.

The above Statement Of Profit Or Loss And Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

## MAGELLAN GLOBAL TRUST

# Statement Of Financial Position

as at 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	3	249,676	382,816
Receivables	5	2,528	23,382
Investments	6 a)	1,995,243	1,340,350
Derivative assets	6 b)	20,072	-
<b>Total Assets</b>		<b>2,267,519</b>	<b>1,746,548</b>
<b>Liabilities</b>			
Derivative liabilities	6 c)	-	22,076
Distributions payable	2	37,096	31,522
Payables	7	5,308	3,161
<b>Total Liabilities</b>		<b>42,404</b>	<b>56,759</b>
<b>Total Unitholders' Equity</b>		<b>2,225,115</b>	<b>1,689,789</b>

The above Statement Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

## MAGELLAN GLOBAL TRUST

# Statement Of Changes In Equity

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	11 August 2017 to 30 June 2018 (A) \$'000
<b>Total Unitholders' Equity At Beginning Of The Year</b>		1,689,789	-
Transactions with unitholders in their capacity as owners:			
Ordinary units:			
- units issued under priority offer		-	922,376
- units issued under general and broker offer		-	592,775
- issue of loyalty units to eligible unitholders under priority offer		-	57,200
- issue on conversion of Class A units		-	2,420
- units issued under unit purchase plan offer ("UPP Offer")		276,862	-
- units issued under Dividend Reinvestment Plan ("DRP")	2 a)	-	3,899
		276,862	1,578,670
Class A units:			
- units issued		-	59,620
- consolidation of Class A units		-	(57,200)
- conversion of Class A units to Ordinary units		-	(2,420)
		-	-
MFG contribution to offset dilutionary impact of UPP Offer	10 d) ii)	14,576	-
MFG contribution to offset dilutionary impact of DRP discount	2 a)	425	205
Units bought back and cancelled	8 iv)	(130)	(2,708)
Distributions paid and payable	2	(68,690)	(63,017)
Total transactions with unitholders		1,912,832	1,513,150
Comprehensive income for the year:			
Profit/(Loss) for the year		304,212	176,639
Other comprehensive income for the year		-	-
Total comprehensive income for the year		304,212	176,639
<b>Total Unitholders' Equity At End Of The Year</b>		<b>2,217,044</b>	<b>1,689,789</b>

<sup>(A)</sup> The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's first reporting period covers 11 August 2017 to 30 June 2018.

The above Statement Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

# MAGELLAN GLOBAL TRUST

## Statement Of Cash Flows

for the year ended 30 June 2019

	Note	30 June 2019	11 August 2017 to 30 June 2018 (A)
		\$'000	\$'000
<b>Cash Flows From Operating Activities</b>			
Dividends and distributions received (net of withholding tax)		21,385	11,556
Interest received		6,238	3,637
Management and performance fees paid		(26,510)	(13,915)
Brokerage costs paid		(110)	(144)
Finance costs paid		(71)	(67)
Other expenses paid		(209)	(760)
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	4 a)	723	307
<b>Cash Flows From Investing Activities</b>			
Purchase of investments		(693,346)	(1,312,188)
Proceeds from sale of investments		379,885	91,034
Net foreign exchange gains/(losses)		(76,803)	26,009
Net cash flows from settlement of forward foreign currency contracts		32,003	19,797
<b>Net Cash Inflows/(Outflows) From Investing Activities</b>		(358,261)	(1,175,348)
<b>Cash Flows From Financing Activities</b>			
Receipts from issue of units		284,933	1,574,771
MFG contribution to offset dilutionary impact of UPP Offer		14,576	-
MFG contribution to offset dilutionary impact of DRP discount	2 a)	425	205
Payments for buyback of units		(130)	(2,708)
Distributions paid		(63,116)	(27,596)
<b>Net Cash Inflows/(Outflows) From Financing Activities</b>		236,688	1,544,672
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>		(120,850)	369,631
Cash and cash equivalents at the beginning of the year		382,816	-
Effect of exchange rate fluctuations on cash and cash equivalents		(12,290)	13,185
<b>Cash And Cash Equivalents At The End Of The Year</b>	3	249,676	382,816

(A) The Fund was registered on 11 August 2017 and commenced trading on 18 October 2017. The Fund's first reporting period covers 11 August 2017 to 30 June 2018.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

# Notes To The Financial Statements

for the year ended 30 June 2019

## Overview

Magellan Global Trust (the "Fund") is a registered managed scheme structured as a closed-end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") (ticker code: MGG). The Fund was registered on 11 August 2017 and in accordance with the Fund's Constitution, commenced on the date that the first unit was issued, which was 12 October 2017. The Fund terminates on the earlier of the time provided by the Fund's Constitution or by law.

Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This financial report was authorised for issue by the Directors of the Responsible Entity on 30 August 2019. The Directors have the power to amend and reissue this financial report.

The Fund is considered a for-profit unit trust for the purpose of this Annual Financial Report.

## 1. Basis Of Preparation

This general purpose financial report is presented in Australian Dollars and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. It also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Statement Of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at reporting date.

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

### a) Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective as of 1 July 2018 that are described in Note 1 c). The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### b) Adoption Of Attribution Managed Investment Trust ("AMIT") Regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. As announced in the Product Disclosure Statement dated 21 August 2017, the Fund has elected into the AMIT regime effective from the date of registration.

As a consequence, the units in the Fund meet the definition of equity under AASB 132 *Financial Instruments: Presentation* ("AASB 132"). As a result, equity transactions including distributions have been included in the Statement Of Changes In Equity.

### c) New And Amended Accounting Standards

The Fund applied, for the first time from 1 July 2018, AASB 9: *Financial Instruments* ("AASB 9") and AASB 15: *Revenue from Contracts with Customers* ("AASB 15") which require restatement of previous financial statements. The nature and effect of these changes are as follows.

- **AASB 9: Financial Instruments**

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: *Financial Instruments: Recognition and Measurement*. Under the new requirements the four categories of financial assets have been replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also includes new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

## Notes To The Financial Statements

for the year ended 30 June 2019

### 1. Basis Of Preparation (continued)

#### c) New And Amended Accounting Standards (continued)

##### • AASB 9: *Financial Instruments* (continued)

There was no impact on the Fund upon adoption of AASB 9 on 1 July 2018 as the Fund currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Fund does not apply hedge accounting.

##### • AASB 15: *Revenue From Contracts With Customers*

AASB 15 superseded AASB 118 *Revenue* and AASB 111 *Construction Contracts*. Although AASB 15 is principles-based, it is a significant change from the previous revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There was no material impact on the Fund upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest, dividend and distribution income, investment gains/(losses) and foreign exchange gains/(losses) was unaffected as these items are excluded from the scope of AASB 15.

Several other amendments and interpretations apply for the first time in the reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

#### d) Foreign Currency Translation

The functional and presentation currency of the Fund is the Australian Dollar, as determined in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates*. Transactions denominated in foreign currencies are translated into Australian Dollars at the foreign currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate at balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in profit or loss.

#### e) Investment Income

##### Dividend And Distribution Income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax, which is recorded as an expense in profit or loss. Dividends and distributions received are presented net of withholding tax in the Statement Of Cash Flows.

##### Net Change In Fair Value Of Investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

##### Interest Income

Interest income is recognised on an accrual basis using the effective interest rate method.

#### f) Expenses

All expenses are recognised in profit or loss on an accruals basis.

Management fees are set out in Note 10 c) i).

##### Performance fees

A performance fee in respect of a period is recognised in the Statement Of Financial Position where the Fund's performance exceeds certain hurdles over the relevant measurement period. The end of the relevant measurement period is the date where certainty exists that the criteria has been met and a liability is crystallised. Performance fees are set out in note 10 c) ii).



# Notes To The Financial Statements

for the year ended 30 June 2019

## 1. Basis Of Preparation (continued)

### g) Income Tax

Under current income tax legislation, the Fund is not subject to income tax provided the Fund attributes the entirety of its taxable income to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

### h) Goods And Services Tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits at a rate of 55%-75% and is also eligible to recover GST on offshore transactions. Management and performance fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement Of Financial Position as a receivable or payable. Cash flows are included in the Statement Of Cash Flows on a gross basis.

### i) Critical Accounting Estimates And Judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 11 c)). As the investments are valued with reference to the listed quoted prices, and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

## 2. Distributions To Unitholders

	30 June 2019	11 August 2017 to 30 June 2018
Interim distribution paid to unitholders (\$'000)	31,594	31,495
Final distribution payable to unitholders (\$'000)	37,096	31,522
<b>Total Distribution To Unitholders (\$'000)</b>	<b>68,690</b>	<b>63,017</b>
The total distribution consisted of:		
Income (\$'000)	-	4,981
Return of capital (\$'000)	68,690	58,036
<b>Total Distribution (Cents Per Unit)</b>	<b>6.00</b>	<b>6.00</b>

The interim distribution for the six months ended 31 December 2018 was paid on 15 January 2019. The final distribution for the six months ended 30 June 2019 was paid on 29 July 2019 and recognised as a distribution payable in the Statement Of Financial Position at balance date.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

Distributions to unitholders are recognised directly in equity and presented in the Statement Of Changes In Equity. A distribution payable is recognised in the Statement Of Financial Position where the distribution has been declared but remains unpaid at balance date.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 2. Distributions To Unitholders (continued)

On 1 July 2019 the Responsible entity advised that the Target Cash Distribution per unit of the Fund for the six months ended 31 December 2019 is 3.3 cents per unit. The calculation of this distribution is in line with the distribution policy of the Trust as outlined in the Fund's Product Disclosure Statement, that being 2% multiplied by the average of the month-end NAVs per unit over the period commencing 1 November 2017 and ended 28 June 2019.

### a) Distribution Reinvestment Plan ("DRP")

The Fund's DRP was available to eligible unitholders during the current year.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price that is determined by MAM in accordance with the DRP Rules.

Investors who participated in the DRP received units at an issue price that includes a 5% discount to the Net Trust Value ("NAV") per unit. To ensure that unitholders who do not participate in the DRP suffer no dilution as a result of any discount, Magellan Financial Group Limited ("MFG") will pay the Fund consideration equal to the cost of this discount in accordance with the terms of the MFG Subscription and Commitment Deed. The 5% DRP issue price discount, in respect of the final distribution for the year ended 2019, payable by MFG, is recognised as a receivable in the Statement Of Financial Position.

As the DRP issue price may be set with reference to the NAV per unit, the DRP issue price could be at a premium to the trading price of units on the ASX.

Details of the DRP for the interim and final distributions are as follows:

	Interim Distribution Paid 31 December 2018	Final Distribution Payable 30 June 2019	Interim Distribution Paid 31 December 2017	Final Distribution Payable 30 June 2018
DRP issue price (\$)	1.4880	1.7628	1.4637	1.5852
DRP unitholder participation rate (%)	13.57	14.81	12.38	13.65
Number of ordinary units issued under DRP	2,752,144	3,115,819	2,664,196	2,508,324
Value of ordinary units issued under DRP (\$'000)	4,095	5,493	3,899	3,976
DRP 5% issue price discount (\$'000)	216	289	205	209
DRP issue date (distribution payment date)	15 January 2019	29 July 2019	16 January 2018	31 July 2018

## 3. Cash And Cash Equivalents

	30 June 2019 \$'000	30 June 2018 \$'000
Cash at bank - denominated in Australian Dollars	9,620	1,473
Cash at bank - denominated in foreign currency:		
- United States Dollars	240,005	381,282
- Euros	17	29
- British Pounds	19	18
- Swiss Francs	15	14
<b>Total Cash And Cash Equivalents</b>	<b>249,676</b>	<b>382,816</b>

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## MAGELLAN GLOBAL TRUST

# Notes To The Financial Statements

for the year ended 30 June 2019

### 4. Statement Of Cash Flows Reconciliation

	30 June 2019 \$'000	30 June 2018 \$'000
<b>a) Reconciliation Of Net Cash Flows From Operating Activities</b>		
Net operating profit	304,212	176,639
Adjusted for:		
Net change in fair value of investments	(286,085)	(150,315)
Net (gains)/loss on foreign exchange settlements, derivative contracts and cash	(18,779)	(27,421)
Changes in operating receivables and payables		
- Net (increase)/decrease in receivables	(692)	(1,548)
- Net increase/(decrease) in payables	2,067	2,952
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	<b>723</b>	<b>307</b>
<b>b) Non-cash investing and financing activities</b>		
Distributions reinvested into units in the Fund	-	-

### 5. Receivables

	30 June 2019 \$'000	30 June 2018 \$'000
Due from brokers - receivable for securities sold	-	21,470
Recoverable GST and foreign withholding tax	1,880	1,149
Interest receivable	359	398
Other receivable	289	365
<b>Total receivables</b>	<b>2,528</b>	<b>23,382</b>

Receivables comprise amounts due from brokers for sales of assets unsettled at balance date, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method and adjusted for changes in foreign exchange rates where applicable. Until 30 June 2018 a provision was deducted from receivables for uncollectible amounts. From 1 July 2018 this provision is based on expected credit losses. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The Fund applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

#### Ageing Analysis Of Receivables

At balance date, the Fund's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2018: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2018: 30 to 90 days). Foreign withholding tax is due within 2 to 10 years (June 2018: 2 to 10 years) depending on the jurisdiction. No amounts are impaired or past due at 30 June 2019 or 30 June 2018.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 6. Investments

	30 June 2019 \$'000	30 June 2018 \$'000
<b>a) Investments</b>		
International listed equity securities		
- United States	1,653,181	1,277,648
- Switzerland	87,795	59,542
- United Kingdom	85,389	3,160
- Germany	72,267	-
- Belgium	58,488	-
- France	38,123	-
<b>Total Equity Securities</b>	<b>1,995,243</b>	<b>1,340,350</b>
<b>b) Derivative Assets</b>		
Forward foreign currency contracts	20,072	-
<b>Total Derivative Assets</b>	<b>20,072</b>	<b>-</b>
<b>c) Derivative Liabilities</b>		
Forward foreign currency contracts	-	22,076
<b>Total Derivative Liabilities</b>	<b>-</b>	<b>22,076</b>

The Fund classifies its equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss. The classification is based on the contractual cash flow characteristics and the Fund's business model for managing them.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Brokerage costs are expensed immediately in the profit or loss. Subsequent to initial recognition, all financial assets and liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss. The net change in fair value does not include dividend or distribution income.

Purchases and sales are recognised on trade date, being the date the Fund commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price<sup>(A)</sup> for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flows techniques, option pricing models or any other valuation techniques commonly used by market participants.

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement Of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

<sup>(A)</sup> Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 6. Investments (continued)

The equity securities by domicile of primary stock exchange listing, held by the Fund are:

Company Name	Domicile	30 June 2019 Holding	30 June 2018 Holding	30 June 2019 \$'000	30 June 2018 \$'000
Facebook - class A shares	United States	644,724	561,608	177,316	147,690
Microsoft	United States	905,223	452,287	172,802	60,364
Alphabet - class C shares	United States	99,034	80,207	152,543	121,102
Starbucks	United States	1,268,105	1,075,741	151,486	71,124
Apple	United States	489,165	349,415	137,963	86,501
Visa - class A shares	United States	536,337	467,194	132,642	83,891
HCA Healthcare	United States	676,827	636,409	130,369	88,357
MasterCard	United States	306,235	266,756	115,438	70,963
Reckitt Benckiser	United Kingdom	757,679	-	85,389	-
Yum! Brands	United States	511,064	506,993	80,598	53,688
Oracle	United States	955,601	1,083,584	77,578	64,618
Crown Castle International	United States	392,875	342,226	72,976	49,964
SAP	Germany	368,769	-	72,267	-
Lowe's	United States	495,171	724,824	71,204	93,775
American Express	United States	373,503	-	65,700	-
Novartis	Switzerland	495,532	431,649	64,603	44,292
Anheuser-Busch	Belgium	463,021	-	58,488	-
Berkshire Hathaway	United States	139,157	-	42,272	-
McDonald's	United States	133,717	199,954	39,569	42,413
LVMH Moet	France	62,762	-	38,123	-
Eversource Energy	United States	303,125	-	32,725	-
Nestle	Switzerland	157,022	145,635	23,192	15,250
Kraft Heinz	United States	-	1,060,866	-	90,185
Wells Fargo	United States	-	1,091,082	-	81,914
eBay	United States	-	1,020,374	-	50,076
Costco Wholesale	United States	-	74,332	-	21,023
Lloyds Banking Group	United Kingdom	-	2,804,839	-	3,160
<b>Total Equity Securities</b>				<b>1,995,243</b>	<b>1,340,350</b>

### d) Fair Value Disclosures

The Fund classifies the fair value measurements of financial assets and financial liabilities using the three-level fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing price<sup>(B)</sup> for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

<sup>(B)</sup> Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 6. Investments (continued)

### d) Fair Value Disclosures (continued)

The following table presents the fair value measurement hierarchy of the Fund's financial assets:

	30 June 2019 \$'000	30 June 2018 \$'000
<b>Financial Assets Measured At Fair Value</b>		
Level 1: Investments - valued using quoted price <sup>(c)</sup>	1,995,243	1,340,350
Level 2: Forward foreign currency contracts	20,072	-
<b>Total Financial Assets Measured at Fair Value</b>	<u>2,015,315</u>	<u>1,340,350</u>
<b>Financial Liabilities Measured At Fair Value</b>		
Level 2: Forward foreign currency contracts	-	22,076
<b>Total Financial Liabilities Measured At Fair Value</b>	<u>-</u>	<u>22,076</u>

<sup>(c)</sup> All Australian and international equity securities held by the Fund are level 1 assets.

The Fund does not hold any level 3 assets.

There have been no transfers between any of the three levels in the hierarchy during the year and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

### e) Offsetting Financial Assets And Financial Liabilities

Financial assets and financial liabilities are presented net in the Statement of Financial Position where the Fund currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association master netting agreements. Foreign currency contracts are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

There are no derivative assets and liabilities offset as at balance date.

## 7. Payables

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Management fees payable	10 c) i)	2,724	2,110
Performance fees payable	10 c) ii)	2,295	842
Other payables		289	209
<b>Total Payables</b>		<u>5,308</u>	<u>3,161</u>

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.

### Maturities Of Payables

At 30 June 2019, all payables mature in 0 to 90 days (June 2018: 0 to 90 days).

# Notes To The Financial Statements

for the year ended 30 June 2019

## 8. Unitholders' Equity

	Note	30 June 2019 Number of units '000	30 June 2018 Number of units '000
<b>a) Ordinary Units</b>			
Opening balance		1,050,717	-
Units issued under priority offer		-	614,917
Units issued under general and broker offer		-	395,183
Issue of loyalty units to eligible unitholders under priority offer		-	38,134
Issue on conversion of Class A units		-	1,613
Units issued under UPP Offer		180,624	-
Units issued under DRP	2 a)	5,261	2,664
Units bought back on-market and cancelled		(82)	(1,794)
Closing balance		1,236,520	1,050,717
<b>b) Class A Units</b>			
Opening balance		-	-
Units issued		-	39,747
Consolidation of Class A units		-	(38,134)
Conversion of Class A units to ordinary units		-	(1,613)
Closing balance		-	-
<b>Total Units At End Of Year</b>		<b>1,236,520</b>	<b>1,050,717</b>

### i) Unit Purchase Plan Offer ("UPP Offer")

On 29 January 2019, a UPP was announced. The UPP Offer gave eligible unitholders of the Fund the opportunity to acquire up to \$15,000 of new, fully paid ordinary units of the Fund without incurring any brokerage, at a price of \$1.5327 (representing a 5% discount to the Fund's NAV per unit on 28 January 2019). The record date for participating in the UPP Offer was 25 January 2019. On 13 March 2019, \$276,862,000 was raised and 180,624,442 units were issued to participating unitholders. To minimise dilution, MFG paid the Fund \$14,576,000 equal to the cost of the 5% discount to the NAV per unit, on 28 January 2019, on which the UPP Offer price was determined.

### ii) Unit Buy-back

On 17 October 2017, the Responsible Entity of the Fund announced its intention to undertake an on-market buy-back of up to 101,009,956 units. On 31 August 2018, an announcement was made to extend the on-market buy-back to 17 October 2019.

During the year ended 30 June 2019 the Fund purchased on-market and cancelled 81,612 ordinary units, at a total cost of \$130,000. During the prior year ended 30 June 2018, the Fund purchased on-market and cancelled 1,794,196 ordinary units, at a total cost of \$2,708,079.

### Ordinary Units

Ordinary units are listed on the Australian Securities Exchange ("ASX").

Each ordinary unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Fund.

Redemption of units is permitted while the Fund is listed on the ASX.

There are no separate classes of units and each unit in the Fund has the same rights attaching to it as all other units of the Fund.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 8. Unitholders' Equity (continued)

### Class A Units

Class A units had the same terms and conditions as ordinary units and also rank equally with ordinary units, except for the consolidation and conversion to ordinary units. Class A units were not listed on the ASX.

Unitholders who subscribed under the priority offer were entitled to loyalty units worth 6.25% of the value of their initial unit allotment providing those units were held on 11 December 2017 ("eligible unitholders"). To facilitate the issue of loyalty units, 39,747,290 Class A units were issued on 13 October 2017.

On 11 December 2017, 38,134,220 loyalty units vested to eligible unitholders and these were issued on 15 January 2018. Contemporaneously, 38,134,220 Class A units were consolidated. Following the consolidation, the 1,613,070 residual Class A units were converted into ordinary units on a one-for-one basis. Following the consolidation and conversion, the number of Class A units on issue was nil and the number of ordinary units on issue increased by 39,747,290.

## 9. Earnings Per Unit ("EPU")

Basic earnings per unit is calculated as profit/(loss) for the year divided by the weighted number of units on issue. Diluted earnings per share is calculated by adjusting the basic earnings per unit to take into account the effect of any changes in income or expense associated with dilutive potential units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

	30 June 2019	11 August 2017 to 30 June 2018
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	304,212	176,639
Weighted average number of units for basic EPU ('000)	1,108,127	1,049,430
<b>Basic EPU (Cents)</b>	<b>27.45</b>	<b>16.83</b>
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$'000)	304,212	176,639
Weighted average number of units for diluted EPU ('000)	1,108,127	1,049,430
<b>Diluted EPU (Cents)</b>	<b>27.45</b>	<b>16.83</b>
<b>Earnings Reconciliation</b>		
Profit/(loss) used in the calculation of basic and diluted EPU (\$'000)	304,212	176,639

As the Fund has no potential dilutive ordinary units, basic and diluted EPU are equal. Since the end of the year the Responsible Entity has issued ordinary units under the DRP (refer Note 2 a)).



# Notes To The Financial Statements

for the year ended 30 June 2019

## 10. Related Parties

### a) Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of MFG (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity and both are considered to be related parties of the Fund.

### b) Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and is considered to be a KMP. The Fund does not employ personnel in its own right.

The Directors of MAM are considered to be KMP. The Directors of MAM during the year and up to the date of this report are: Dr Brett Cairns, Mr Hamish Douglass (resigned 5 October 2018), Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan, Ms Kirsten Morton (appointed 5 October 2018) and Ms Karen Phin. The Fund did not pay any compensation to the Directors of the Responsible Entity.

### c) Responsible Entity Fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

#### i) Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. The management fee is 1.35% per annum of the value of the Fund, calculated daily. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are reflected in the daily unit prices of the Fund and are payable at the end of each month.

#### ii) Performance Fees

Performance fees are calculated on six monthly measurement periods ending on 31 March and 30 September of each calendar year. The Responsible Entity's entitlement to a performance fee is dependent on the Fund exceeding both index relative and absolute return hurdles over a given measurement period, as well as exceeding the applicable high watermark and an overall cap.

Performance fees crystallise at the end of a measurement period, or from the commencement of the Fund to 31 March 2018 in the case of the first performance fee measurement period. Where units are bought back by the Fund, a portion of the performance fee will crystallise if a performance fee is accrued at that date.

At balance date, no material performance fee has crystallised for the six months to 30 September 2019, as the performance fee measurement period is incomplete. As a result, the performance fee is a contingent liability, as the Fund's performance is subject to market fluctuations and therefore uncertainty exists as to whether the Fund's performance will exceed the performance fee measurement criteria for the period ending 30 September 2019. Due to market volatility, no estimate can be provided for performance fees that may crystallise for the period ending 30 September 2019. The estimated daily unit price of the Fund includes a performance fee accrual equal to the amount that would be payable if it were the end of a performance fee calculation period. Further details of the performance fees can be found in the Fund's Product Disclosure Statement which is available at [www.magellangroup.com.au](http://www.magellangroup.com.au).

#### iii) Total Management And Performance Fees

The fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1 h)). The management and performance fees paid/payable by the Fund are as follows:

	% pa	30 June 2019 \$	% pa	11 August 2017 to 30 June 2018 \$
Management fees	1.35	25,422,766	1.35	15,989,742
Performance fees		3,154,035		877,123
<b>Total Fees Expensed In The Statement Of Profit Or Loss And Comprehensive Income</b>		<b>28,576,801</b>		<b>16,866,865</b>
<b>Total Fees Payable In The Statement Of Financial Position</b>		<b>5,019,021</b>		<b>2,951,870</b>

# Notes To The Financial Statements

for the year ended 30 June 2019

## 10. Related Parties (continued)

### d) Transactions With Related Parties

#### i) Unit Holdings In The Fund

Number of units held by each KMP, including their personally-related parties, in the Fund is as follows:

	30 June 2019						
	Final distribution DRP units allotted 31 July 2018	Interim distribution DRP units allotted 15 January 2019	UPP Offer Units allotted 13 March 2019 (A)	Units acquired/ (disposed) during year	Units held at end of year		Distribution paid/ payable at end of year (B)
	Number	Number	Number	Number	Number	%	\$
MFG	48,327	52,458	9,786	(302,709)	2,361,473	0.22	148,902
<b>Directors</b>							
Brett Cairns	1,366	1,483	9,786	-	84,833	(C)	4,752
Hamish Douglass (D)	263,944	286,507	19,572	-	14,516,803	1.38	861,826
John Eales	3,527	4,458	58,716	-	284,299	(C)	15,163
Robert Fraser	3,298	3,580	9,786	-	190,947	(C)	11,056
Paul Lewis	1,366	1,483	9,786	-	104,833	(C)	5,952
Hamish McLennan	1,363	1,479	9,786	-	84,647	(C)	4,741
Kirsten Morton (D)	523	568	6,524	-	35,240	(C)	1,902
Karen Phin	1,366	1,483	9,786	-	84,833	(C)	4,752
	30 June 2018						
	Units allotted 12 October 2017 (E)	Loyalty units allotted 15 January 2018 (F)	Interim distribution DRP units allotted 16 January 2018	Units acquired/ (disposed) during period	Units held at end of period		Distribution paid/ payable at end of period (B)
	Number	Number	Number	Number	Number	%	\$
MGT Investment Corp Pty Limited (G)	1,613,070	-	-	(1,613,070)	-	-	-
MFG	-	-	-	2,553,611	2,553,611	0.24	1,268,427
<b>Directors</b>							
Brett Cairns	66,666	4,166	1,366	-	72,198	(C)	4,166
Hamish Douglass	13,666,668	-	280,112	-	13,946,780	1.33	828,403
John Eales	213,432	4,166	-	-	217,598	(C)	12,931
Robert Fraser	166,700	4,166	3,417	-	174,283	(C)	10,228
Paul Lewis	86,666	4,166	1,366	-	92,198	(C)	5,366
Hamish McLennan	66,500	4,156	1,363	-	72,019	(C)	4,156
Kirsten Morton	26,000	1,625	-	-	27,625	(C)	1,609
Karen Phin	66,666	4,166	1,366	-	72,198	(C)	4,166

(A) The UPP Offer, announced on 29 January 2019, gave eligible unitholders of the Fund the opportunity to acquire up to \$15,000 of new, fully paid ordinary units of the Fund without incurring any brokerage, at a price of \$1.5327 (refer Note 8 i)).

(B) Represents the current year interim distribution paid and final distribution payable, comprising cash paid and DRP units issued.

(C) Holding less than 0.1%.

(D) On 5 October 2018, Mr Douglass resigned as a Director of MAM and Ms Morton was appointed as a Director of MAM.

(E) The Offer comprised a broker firm/general public offer and a priority offer. The priority offer was available to existing shareholders of MFG and unitholders in Magellan funds as at 1 August 2017. Under the priority offer the Directors' participation was capped at \$100,000, or 66,666 units per Director.

(F) Loyalty units vested to unitholders, who subscribed under the priority offer, on 11 December 2017 (refer Note 8).

(G) On 13 October 2017, MGT Investment Corp Pty Limited ("MGTI"), a wholly owned company of MFG, subscribed for 39,747,290 Class A units of the Fund to facilitate the issue of the loyalty units to eligible unitholders under the priority offer. After the additional loyalty units vested to eligible unitholders on 11 December 2017, the remaining 1,613,070 units were initially retained as an investment by MGTI, and subsequently transferred to MFG (refer Note 8).

# Notes To The Financial Statements

for the year ended 30 June 2019

## 10. Related Parties (continued)

- d) **Transactions With Related Parties (continued)**  
 ii) **Other Transactions With Related Parties**

	Note	30 June 2019 \$'000	11 August 2017 to 30 June 2018 \$'000
Cash contribution from MFG to offset the dilutionary impact of the DRP for the interim and final distributions	2 a)	505	414
Cash contribution from MFG to offset the dilutionary impact of UPP	8 iii)	14,576	-
Subscription for 39,747,290 Class A units by MGTI to facilitate the issuance of loyalty units to priority offer unitholders	8 ii)	-	59,620

The subscription for Class A units were on the same terms and conditions that applied to other unitholders.

## 11. Capital And Financial Risk Management

### a) Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The investment objectives of the Fund are to achieve attractive risk-adjusted returns over the medium to long-term, whilst reducing the risk of permanent capital loss, in accordance with its investment strategy (as detailed in the current Product Disclosure Statement). The Fund's investing activities expose it to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

Financial risk management is carried out under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings.

### b) Concentration Risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. The Fund holds a concentrated portfolio of investments, and the returns of the Fund may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and also increases the risk of poor performance.

The Fund's concentration risk is managed in accordance with the portfolio risk controls for the Fund, which are approved by MAM's Investment Committee.

### c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

### i) Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the return of the Fund may increase or decrease by different amounts.

# Notes To The Financial Statements

for the year ended 30 June 2019

## 11. Capital And Financial Risk Management (continued)

### c) Market Risk (continued)

#### i) Equity Price Risk (continued)

An increase of 5% in the market price of each of the Fund's investments held at balance date, assuming all other variables remain constant, would have had the following impact on the Fund's net profit and unitholders' equity.

	30 June 2019 \$'000	30 June 2018 \$'000
Impact on unitholders' equity and net profit	99,762	67,018

A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect on the Fund's net profit and unitholders' equity.

#### ii) Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Fund may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, forward foreign currency contracts, outstanding broker settlements, and outstanding receipts of income from foreign companies.

The Fund may hedge some or all of the capital component of the foreign currency exposure of the Fund, arising from investments in overseas markets, back to Australian Dollars. However there is no guarantee that any or all of the Fund will be hedged at any point in time.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at balance date is:

	30 June 2019 \$'000	30 June 2018 \$'000
Assets and liabilities denominated in:		
United States Dollars	739,278	1,015,795
British Pounds	85,407	3,178
Euros	168,895	29
Swiss Francs	88,723	59,945

The changes in profit or loss and unitholders' equity that would arise from a 5% increase or decrease in the Australian Dollar relative to each currency to which the Fund is exposed (based on assets and liabilities) are as follows:

	30 June 2019		30 June 2018	
	5% increase A\$'000	5% decrease A\$'000	5% increase A\$'000	5% decrease A\$'000
Assets and liabilities denominated in:				
United States Dollars	(35,204)	38,909	(48,371)	53,463
British Pounds	(4,067)	4,495	(151)	167
Euros	(8,043)	8,889	(1)	2
Swiss Francs	(4,225)	4,670	(2,855)	3,155

# Notes To The Financial Statements

for the year ended 30 June 2019

## 11. Capital And Financial Risk Management (continued)

### c) Market Risk (continued)

#### iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian and US Dollar cash balances held by the Fund, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have had the following impact on the Fund's net profit and unitholders' equity, at balance date:

	30 June 2019 \$'000	30 June 2018 \$'000
Australian Dollar cash balances	10	1
US Dollar cash balances	240	381

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on interest income earned. The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Responsible Entity's judgement. The cash balances held by the Fund at balance date may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund does not hold other significant cash balances exposed to interest rates in other currencies. In addition the Fund did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

#### d) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash reserves to meet its normal operating requirements and holding investments that are traded in active markets and can be readily disposed. The majority of the Fund's listed securities are considered readily realisable as they are listed on stock exchanges around the world.

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$42,404,000 (June 2018: \$34,683,000) and derivative liabilities of nil (June 2018: \$22,076,000) within 30 days. The Fund had cash and receivables totalling \$252,204,000 (June 2018: \$406,198,000) to cover these liabilities and derivative assets of \$20,072,000 (June 2018: nil).

In addition, from 16 July 2018, the fund had access to a \$200 million multi-currency uncommitted line of credit, which is available for both funding the unit buy-back (refer Note 8 ii)) and investment purposes. This floating rate facility, provided by Northern Trust ("NT"), may be drawn at any time either in Australian Dollars, United States Dollars, or another currency agreed with NT. The facility may be terminated by either party without notice and any amount drawn under the facility is repayable on demand within five business days. A nominal line fee applies for the provision of the facility and covenants under this facility are not considered onerous. The facility remains undrawn.

#### e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition, the credit rating and financial positions of the brokers used by the Fund are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

The Fund uses derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. The Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive. At balance date, the market value of the forward foreign currency contracts was \$20,072,000 positive (June 2018: \$22,076,000 negative).

# Notes To The Financial Statements

for the year ended 30 June 2019

## 11. Capital And Financial Risk Management (continued)

### e) Credit Risk (continued)

The Responsible Entity has appointed NT as the Fund's custodian. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's senior debt is rated, at balance date, by Standard and Poor's as A+ and by Moody's as A2 (June 2018: Standard and Poor's A+ and Moody's A2).

At balance date the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement Of Financial Position.

## 12. Segment Information

An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as Dr Brett Cairns.

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment being Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

## 13. Auditor's Remuneration

The following amounts were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund, Ernst & Young Australia:

	30 June 2019 \$	30 June 2018 \$
<b>Audit Services</b>		
Audit and review of financial reports	35,000	52,000
Other assurance services	1,364	37,600
<b>Non-Audit Services</b>		
Taxation	7,700	10,000
<b>Total Auditor's Remuneration of Ernst &amp; Young Australia</b>	<b>44,064</b>	<b>99,600</b>

## 14. Contingent Assets, Contingent Liabilities And Commitments

Other than any performance fees for the six months to 30 September 2019 (refer Note 10 c) ii)), the Fund has no contingent liabilities or commitments at 30 June 2019 (30 June 2018: nil).

The Fund has a contingent asset for the amount receivable from MFG where the Fund offers a discount to the NAV per unit on units issued under the DRP in future periods, in accordance with the terms of the MFG Subscription and Commitment Deed. It is not practical to estimate the future amounts receivable to the Fund as there is uncertainty as to the level of participation in the DRP, the NAV per unit and whether the DRP will be offered (refer Note 2 a)).

## MAGELLAN GLOBAL TRUST

# Notes To The Financial Statements

for the year ended 30 June 2019

### 15. NAV Per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement Of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 8).

	30 June 2019 \$ (A)	30 June 2018 \$ (B)
NAV per unit	1.7995	1.6082

<sup>(A)</sup> The NAV per unit at 30 June 2019 differs from the NAV per unit of \$1.8297 as at 28 June 2019 reported to the ASX on 1 July 2019 primarily due to the final distribution for the year ended 30 June 2019 (refer Note 2). The Fund's ex-distribution date was 1 July 2019 as reported to the ASX on 26 June 2019.

<sup>(B)</sup> The NAV per unit at 30 June 2018 differs from the NAV per unit of \$1.6091 as at 29 June 2018 reported to the ASX on 2 July 2018 due to the following:

- the Fund's investments were valued by reference to the quoted market bid price at balance date. For unit pricing purposes, the investments were valued using the closing price (refer Note 6).
- accruals for fees and minor expenses of the Fund.

### 16. Events Subsequent To The End Of The Year

In the latest release to the ASX on 26 August 2019, the Fund reported a NAV per unit as at 23 August 2019 of \$1.8221.

Other than the items disclosed throughout this Annual Financial Report and the above there have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future years. Asset prices move daily and daily unit prices are available on the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

# MAGELLAN GLOBAL TRUST

## Directors' Declaration

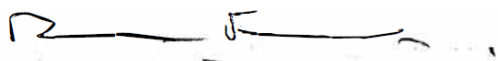
for the year ended 30 June 2019

In the opinion of the Directors,

- a) the financial statements and notes of Magellan Global Trust as set out on pages 9 to 29 are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the financial position of the Fund as at 30 June 2019 and of its performance as represented by the results of its operations and cash flows for the year ended on that date; and
  - ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



**Robert Fraser**  
Chairman

Sydney, 30 August 2019



## Independent Auditor's Report to the members of Magellan Global Trust

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Magellan Global Trust (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Magellan Global Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### Why significant

#### 1. Investment existence and valuation

The Fund has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2019, the value of these listed equities, was \$1,995,243,000 which equates to 88% of the total assets of the Fund.

As detailed in Fund's accounting policy, described in Note 6 of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

#### 2. Management and performance fees

Management and performance fees, paid to the investment manager, Magellan Asset Management Limited, are the most significant expense for the Fund.

The Fund's accounting policy for management and performance fees is described in Note 10c to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the criteria have been met and the liability has been crystallised.

As at 30 June 2019, management and performance fees totalled \$28,577,000 which equates to 88% of total expenses. Of this amount, performance fees (excluding GST recovered) totalled \$3,154,000 which equates to 10% of total expenses.

The assessment of performance fee arrangements can be complex and judgmental.

The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees relating to future periods, resulted in this being a key audit matter. The disclosure of these amounts is included in Note 10c to the financial report.

### How our audit addressed the key audit matter

Our procedures included:

Assessing the effectiveness of the controls relating to the recognition and valuation of investments;

Obtaining and considering the assurance reports on the controls of the Fund's custodians and administrators in relation to investment management services and considering the auditor's qualifications and objectivity and results of their procedures;

Agreeing all investment holdings, including cash accounts, to third party confirmations at 30 June 2019;

Agreeing the fair value of all investments in the portfolio held at 30 June 2019 to independent pricing sources for listed securities; and

Assessing the adequacy of the disclosures in Note 6 to the financial report in accordance with Australian Accounting Standards.

Our procedures included:

Assessing the effectiveness of the controls in relation to the calculation of management, performance and performance fees;

Obtaining and considering the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the year ended 30 June 2019 and considering the auditor's qualifications and objectivity and results of their procedures.

Recalculating management and performance fees, on a sample basis, in accordance with contractual arrangements;

Assessing the performance fee calculations, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant agreement.; and

Assessing the adequacy of the disclosures in Note 9c to the financial report in accordance with Australian Accounting Standards.

### **Information Other than the Financial Report and Auditor's Report**

The Directors of Magellan Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in Fund's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Ernst & Young

Rita Da Silva  
Partner

Sydney, 30 August 2019

# MAGELLAN GLOBAL TRUST

## Unitholder Information

### Distribution of Unitholders

The distribution of unitholders of the Fund as at 23 August 2019 is as follows:

Distribution of holdings	Number of unit holders	Number of units	Percentage of units on issue %
1-1,000	870	444,882	0.036
1,001-5,000	3,373	9,821,409	0.792
5,001-10,000	4,354	33,175,390	2.676
10,001-100,000	25,432	749,516,498	60.464
100,001 and over	1,024	446,641,741	36.032
<b>Total</b>	<b>35,053</b>	<b>1,239,599,920</b>	<b>100.00</b>
Number of holders with less than a marketable parcel of units	146	12,158	0.001

### Twenty Largest Unitholders

The names of the 20 largest unitholders in the Fund as at 23 August 2019 are listed below:

Holder Name	Number of units	Percentage of units on issue %
Nulis Nominees (Australia) Limited	53,264,178	4.297
Navigator Australia Ltd	40,336,182	3.254
HSBC Custody Nominees (Australia) Limited	38,265,186	3.087
Netwealth Investments Limited	29,288,821	2.363
Citicorp Nominees Pty Limited	17,156,485	1.384
Netwealth Investments Limited	15,038,559	1.213
Midas Touch Investments P/L	14,394,293	1.161
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	11,045,290	0.891
Australian Executor Trustees Limited (IPS Super)	8,365,864	0.675
Australian Executor Trustees Limited (No.1 Account)	6,914,879	0.558
Mutual Trust Pty Ltd	3,372,046	0.272
Investment Custodial Services Limited	3,128,245	0.252
Avanteos Investments Limited	3,062,916	0.247
Nota Bene Investments Pty Ltd	2,833,333	0.229
Magellan Financial Group Limited	2,361,473	0.191
J P Morgan Nominees Australia Pty Limited	1,974,722	0.159
Citicorp Nominees Pty Limited	1,804,680	0.146
Invia Custodian Pty Limited	1,789,073	0.144
Mrs Deborah Anne Kilmister	1,333,332	0.108
Navigator Australia Limited	1,320,946	0.107
<b>Total Units Held By The 20 Largest Unitholders</b>	<b>257,050,503</b>	<b>20.737</b>
<b>Total Units On Issue</b>	<b>1,239,599,920</b>	

### Units

All issued units carry one vote per unit and the right to distributions.

# MAGELLAN GLOBAL TRUST

## Corporate Information

### **Directors Of The Responsible Entity**

Brett Cairns (Chief Executive Officer)  
John Eales  
Robert Fraser (Chairman)  
Paul Lewis  
Hamish McLennan  
Kirsten Morton (Chief Financial Officer)  
Karen Phin

### **Company Secretary Of The Responsible Entity**

Marcia Venegas

### **Registered Office**

Level 36, 19 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9235 4888  
Fax: +61 2 9235 4800  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

### **Auditor**

Ernst & Young  
200 George Street  
Sydney NSW 2000

### **Unit Registrar**

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600  
Fax: +61 2 9279 0664  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### **Securities Exchange Listing**

Australian Securities Exchange  
ASX Code: MGG

### **Website**

<http://www.magellangroup.com.au>

### **Corporate Governance Statement**

The Corporate Governance Statement for the Fund can be found on the Magellan website at <http://www.magellangroup.com.au> under Reports and ASX releases for the Fund.