

8 November 2023

ASX Limited  
ASX Market Announcements Office  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**MAGELLAN FINANCIAL GROUP LTD  
2023 AGM CHAIRMAN'S ADDRESS**

Please find attached the Executive Chairman's Business Update for the 2023 Annual General Meeting of Magellan Financial Group Ltd.

**Authorised by**

Marcia Venegas | Company Secretary

For further information, please contact:

**Magellan Financial Group Ltd**

Rebecca Smith  
Investor Relations  
+61 2 9235 4888

Marcia Venegas  
Company Secretary  
+61 2 9235 4897

## **MAGELLAN FINANCIAL GROUP**

### **ANNUAL GENERAL MEETING**

**8 November 2023**

#### **EXECUTIVE CHAIRMAN'S BUSINESS UPDATE**

Thank you for giving me the time to address you all today at our 2023 Annual General meeting. Given my recent return to Australia from the UK after 27 years, I'm conscious many of you may not know me or my background. Briefly, I have worked in the funds management industry for over 30 years, the last 14 of which were as CEO of global businesses.

I was delighted to be appointed to the Board of Magellan, a company I had admired from afar. I have now stepped into the business as Executive Chair as the Board undertakes its search for the new CEO of Magellan. What attracted me to Magellan was the deep relationships it holds with its clients, its strong focus on the art of active investment management and a history of innovation and growth. For today's presentation, I will provide an update on governance and our people followed by an update on the business before moving onto my initial thoughts on the business and the opportunities that lie ahead, including my immediate priorities. Following my presentation, we will move to Q&A starting with addressing pre-submitted questions before opening to the floor for questions.

Before I begin, I would like to address the leadership changes announced recently which saw David George step down from his role in the business. This was a necessary change agreed by David and the Board as we start to focus more prominently on our forward growth agenda.

The Board and I are grateful to David for his contribution to the business during what was a very challenging period.

During his time, David focused on stabilising the business in the wake of changes to the investment team and leadership, rebasing our cost base to reflect the changed conditions, set about refining our strategy to diversify the business, finding more effective ways for the investment team to operate, and launching and seeding new products.

David and I spoke about the immediate priorities for the business to move forward along its growth plans. Through these conversations it was clear to us both that the business would be better suited by a new leader whose expected tenure would be aligned to the needs of the business, and had a proven track record in the recruitment of new investment teams, especially through the skillset of negotiating and acquiring founder led firms. I thank David for his candour and openness in these conversations and wish him the best for his future career.

Whilst the initiatives undertaken by David have set a strong foundation, it is important we now turn our attention towards activities to grow and deliver on our strategic objectives.

#### **Governance & Board Update**

##### *Governance*

The Board and I are eager to restore Magellan as one of Australia's leading fund managers and I am personally committed to leading Magellan until such time as a new CEO is appointed.

A necessary step in setting up Magellan for the future was to complete the Board renewal process

commenced in 2022 and bring a broad range of skillsets required for the future.

Over the past 12 months Magellan has welcomed:

- David Dixon,
- Deborah Page,
- Cathy Kovacs,
- And, myself

as new directors to the Board.

I would also like to thank Rob Fraser and Colette Garnsey for their tireless commitment and the wealth of experience they have brought to MFG.

I am extremely pleased with the latest additions to the Board and the wealth of experience and knowledge the new Directors bring – specifically, we have added expertise in the areas of investment management, technology, private markets and acquisitions. We also recognise the importance of retaining historical corporate knowledge and it is for this reason that I felt it was important to ask John Eales to remain on the Board and seek re-election as a Director.

The combination of fresh perspectives, while retaining essential corporate knowledge through John and Hamish, positions the Board well to guide the company forward.

The Board now comprises five non-executive directors and myself as Executive Chair. This arrangement will be in place whilst we conduct the search for a new Chief Executive Officer. To maintain independence for our committees, and in line with good corporate governance, I will step off the Audit & Risk and Remuneration & Nominations committees for the period that I remain Executive Chair.

I strongly believe the Board now has the right mix of skills, experience, and diversity for the business going forward. I am also pleased that our gender diversity remains in line with our target of 33%. These changes position Magellan well to accelerate the implementation of our strategy and drive the Company's growth plans.

### *People*

Turning to our people.

In my 3 months within the business, I have had the opportunity to meet with pretty much all of our 113 people. My initial observation is they are an exceptional group of people, and importantly, they have shown an unwavering commitment to delivering for our clients and shareholders despite the recent challenges.

It was, however, evident that the last 18 months has been tough on our employees. In particular there was continued anxiety and stress associated with the Employee Share Purchase Plan Loans that are still outstanding for approximately 60% of staff. Anything that distracts employees to this extent is detrimental to business outcomes and that is why I was determined to address this.

As a result, we announced on the 25th of October that additional retention payments of approximately \$7.7 million will be made to current employees with outstanding ESPP Loans. This will

effectively close out the loans for the majority of staff by September 2025. This was a critical step to take to ensure our people remain focused on delivering for our clients and shareholders, and I appreciate the strong support in resolving this from many of the shareholders I have spoken to subsequently.

Another employee related priority is replacing the equity participation mechanism that staff had through the ESPP with a more traditional equity participation model that is aligned to short term and long-term shareholder outcomes. It was hard to engage staff on this change until such time as the ESPP Loans were resolved. Having achieved that, I am committed to implementing the new Employee Accountability and Alignment Model by the end of June 2024 and expect to bring it to shareholders for approval at our next AGM. This equity participation plan will provide employees with short term and long-term equity based incentives that are aligned to delivering positive outcomes for shareholders. In designing this, we are engaging with proxy houses and institutional shareholders to ensure it reflects both market standard practices and the specific needs of our business. An employee incentive plan is pivotal to retaining and attracting talent to our business, which is central to Magellan's forward growth plans, and is necessary to establish Magellan as a home for exceptional talent.

Finally, I have been pleased with the successful launch of Magellan's refreshed values -

Our People;

1. Put clients first
2. Take ownership
3. Are authentic
4. Succeed together

Corporate values drive behaviour and underpin the outcomes of a business and thus it was imperative that new values reflecting our future direction were created. These values were designed in consultation with staff and we have held workshops across the organisation to bring these to life. At the heart of these values lies Magellan's unwavering commitment to excellence for our clients and each other, which in turn will drive shareholder outcomes.

Now turning to an update on the business.

## Business Update

### *Key Metrics*

As at 31 October 2023, Magellan had funds under management of A\$34.3 billion. This reflects a substantial decrease in funds under management compared to the heights of recent years, however, Magellan remains significant within the global landscape of fund managers, and I believe has the foundations upon which to rebuild.

I know this is a cause of concern for you, our shareholders, and I want you to know I am focused on it. Over the last 3 months, I have made it a priority to meet with clients and advisors, both existing and those that have left, to understand what can be done to improve the situation.

Other key financial metrics for the FY23 financial year included:

- Profit before tax and before performance fees of the Funds Management business of \$212 million;
- Adjusted net profit after tax for the group of \$174 million;
- Adjusted diluted earnings per share (EPS) of 95.5 cents per share;
- Total ordinary and special dividends of 116.7 cents per share (franked at 85%), comprising ordinary dividends of 86.7 cents per share and a special dividend of 30.0 cents per share.

These financial metrics indicate that, notwithstanding the significant challenges we have faced, Magellan remains a profitable business, one with considerable potential. Alongside the announcement of our intention to make additional retention payments to staff we also announced revised cost guidance for our Funds Management business from \$95 - \$100 million, to \$97.5 to \$102.5 million for FY24 - this reflects the FY24 impact of the additional retention program I outlined earlier.

### *Financial Strength*

Turning to the financial strength of the business, one of the enduring strengths of Magellan since its founding has been its strong balance sheet. Our strong balance sheet has consistently enabled the company to co-invest alongside our clients, capitalise on attractive opportunities and will provide us with the firepower to attract new talent and return the business to growth.

At 30 June 2023, Magellan had \$945 million in cash, financial assets and investments in associates as well as access to an undrawn debt facility. Net cash flow from operating activities in FY23 was \$187 million. This is a significant support for our business as we have addressed our challenges and is viewed positively by our clients.

The Board remains committed to disciplined capital management but also recognise that our strong balance sheet provides flexibility to execute on our strategy. We will continually review the company's capital requirements in line with our objectives of ensuring capital efficiency and delivering attractive sustainable returns to shareholders.

### *Business Update (cont.)*

Finally on performance of our key strategies. As at 31 October 2023, all three of our established investment strategies are outperforming their respective benchmarks over 1 year and since inception. It is also pleasing that the Airlie Australian Share Fund is outperforming its benchmark over all time horizons.

Across each of our strategies, including our newer products, the focus of our investment teams continues to be to deliver sustained long-term investment performance for our clients.

Now that I've touched on where we've been over the last few months, as well as the business' performance over FY23, I wanted to share my initial observations of Magellan.

### *Magellan's DNA*

Having spent most of my career offshore, I have always admired Magellan from afar. Founders, Hamish Douglass and Chris Mackay, built and fostered an entrepreneurial culture which saw Magellan deliver new and innovative solutions for clients. From being one of the first fund managers in Australia to offer a Global Equities strategy all the way back in 2006, to pioneering the development of the

Active ETF in 2015, and more recently becoming a foundational investor in the highly successful Barrenjoey Capital Partners, this innovative and entrepreneurial spirit is embedded in Magellan's DNA.

### *Industry Opportunity*

Why is this important? I am a firm believer that the impact of technology on the funds management industry in the coming years will be profound and those that adopt and evolve with this disruption, will thrive. Whilst the financial services sector has seen significant disruption and innovation over the past two decades, the funds management industry has lagged behind other sectors in terms of advancements in technology. The risk is even more acute with the rapid development in the field of Artificial Intelligence. Although we are starting to see the initial impacts of this in our industry now, it is only the beginning. Technology, along with other evolving investor preferences, such as a focus on ESG and social investing, coupled with more pronounced economic cycles and the requirement for a dynamic regulatory environment that this will all bring, have set the stage for the Funds Management industry to experience rapid and significant transformation in the coming years.

Magellan has a significant opportunity to embrace its culture of innovation and to take advantage of this changing landscape by providing intelligent solutions for our clients through innovation. The potential applications of this are far-reaching – ranging from enhancing our investment processes, to transforming client interactions, to optimising our own business processes and operations, and even new areas of investments that aren't even in the design stage currently.

These opportunities excite me and I am particularly pleased that we have been able to add the extensive financial services experience of Cathy Kovacs to the Board, who in her most recent executive role, was responsible for driving Westpac's strategic initiatives towards the future of financial services and managing a portfolio of investments in early stage innovative and disruptive fintech businesses. Cathy's direction and guidance will be invaluable as the team embrace its culture of innovation to drive growth and, together with the rest of the Board, who bring extensive experience in M&A and private markets, open up a lot of new opportunities for Magellan.

Now turning to my broad strategic vision for Magellan.

### *Strategic Vision*

#### *Purpose & Ambitions*

I am a firm believer that there is and continues to be an important role played by active management in the investment management industry. Our purpose as an active manager is two-fold – firstly to protect and grow the wealth of our clients, and doing so by investing in areas and allocating capital to businesses that build a better world for society and the planet we live in. The growth in recent years of passive investment strategies, and in Australia's particular case, the insourcing of management and the subsequent allocation to passive strategies by the superannuation industry, drives an even greater need for strong local active managers. This is essential to maintaining a balanced ecosystem and ensuring the most efficient allocation of capital through economic cycles. From this perspective, I believe there will always be demand for active investing.

I should also be clear that the broad strategy to diversify the business outlined at last year's AGM remains unchanged. Whilst not necessarily targeting \$100 billion in assets under management – AUM really is an outcome of delivering for our clients rather than a strategic goal – the underlying premise of the strategy remains – that is, to leverage our strong existing platform across investments, distribution and operations to diversify the business and increase the strong investment talent we have in the business enabling us to deliver on our commitment to grow the wealth of our clients.

Importantly, we are positioning Magellan for the next phase of its evolution – from a founder led business into a more diversified global fund manager of scale that delivers exceptional investment performance for our clients.

At the heart of this strategy lies a commitment to being a client-led organisation, a quality of Magellan that has been ingrained in the organisation's ethos since its founding. As our shareholders are aware, our industry is fundamentally based on trust and that is why it is paramount that we always prioritise our duty to our clients. Placing the client at the core of our business ensures that we always have their best interests in mind and it means we align our investment strategies and decisions with the direction our clients are heading in. This commitment is key to our own success and growth.

With clients at the top, the very next tier of importance, in my view, is our people. Key to achieving strong outcomes for our clients is best-in-class talent, so it is essential that Magellan becomes the home of the best talent in the market. With this in mind, we will nurture and develop our own in-house talent and capabilities, whilst we look to build upon the existing investment capabilities by strategically acquiring talented teams or boutiques that add to the intellectual capacity of the business as a whole.

### *Investing in Attractive Areas of Growth*

We are actively in discussion with teams and talent that recognise Magellan's extensive platform and distribution capabilities to fuel their own future growth. In this endeavour, we must also consider global trends and opportunities, such as technological disruption, societal and demographic shifts, and changes to allocation by our clients driven by climate change as we evaluate these opportunities.

I believe if we get these two things right – focusing on our clients, and becoming a home for the best investment talent – we stand in a strong position to deliver growth and attractive returns for you, our valued shareholders.

Turning now to what I see as our immediate priorities.

### *Immediate Priorities*

#### *Clients*

As I've mentioned, our chief focus is our clients and it goes without saying that we must, as an organisation, restore trust, confidence and value to our clients. We are making progress on this journey, however, there is more to do. Over the last 3 months I have spoken to many of our clients or our client advisers and I am encouraged by their support for us as a business. There is much we can do, as our recent challenges have been an unwanted distraction against the successful management of their portfolios. They prefer to hear from us on our investment decisions, rather than on our corporate changes.

Another key area of focus has been the Magellan Global Fund Closed Class, listed under the ASX ticker MGF. Magellan Asset Management Limited or MAM, as Responsible Entity of the Fund, has announced that it remains committed to the development of a proposal for the conversion of the Closed Class Units into the Open Class Units. This is a significant piece of work that the team is undertaking and MAM looks forward to providing investors further details in due course. If a conversion proposal was implemented, subject to unitholder and regulatory approvals, it would lead to the Closed Class Units converting into the Open Class Units and would permanently address the discount to Net Asset Value that has been prevalent for the last 2 years for this class of unitholders.



It is also important we increase our focus on sales effort in our newer products. As shareholders may be aware, during FY23 we announced:

- I. our new Energy Transition Investment Strategy,
- II. the relaunch of our Magellan Core Series and
- III. the launch of our new Airlie Small Companies Fund.

While it will take time for these investment strategies to develop track records and grow client acceptance, these represent attractive products in areas of growth, and I'm excited to see these products increasingly in front of our clients and initial feedback and support is encouraging, as they are important levers of future growth.

It is also critical that we deliver on our existing ESG commitments and continue to build upon them in the future, within our funds but also at the Corporate level. These objectives underpin our commitment to responsible and sustainable investment practices, and demonstrate our dedication to reducing risk in our portfolios for our clients. We are making good progress on the ESG front, but there remains a lot more we can do before we can truly be a leader in this space.

### *Colleagues*

Moving to our 'Colleagues' .

With the launch of our refreshed 'Magellan Values' earlier in the year, it is now time to embed these values across the organisation. As noted earlier, it has been pleasing to see workshops held across the business where our staff have been able to engage on these values and share what the values mean to them and what it means to work at Magellan. These values guide our decision making, set the tone for our corporate culture and establish trust with our clients, who are increasingly seeking to invest with organisations that share their values and principles.

I am also eager to continue working with our senior executives and leverage my background in leadership and as a CEO of global funds management businesses to develop and nurture this group. By providing guidance and support to the senior executives, and the organisation as a whole, we can speed up and streamline decision-making across the group.

As mentioned previously, we are also committed to the development of our new Employee Accountability and Alignment model by 30 June 2024. This model is all about providing our employees with short term and long-term equity incentives that align their interests with shareholders. This is an important step in transitioning from a founder-led business to a more mature corporate. We're introducing traditional equity-based incentives to align our staff with investment and business outcomes by continuing to reward short term success whilst aligning them to the long term growth and sustainability of our organisation. Notably, we are actively engaging with our shareholders, clients and other stakeholders, to gather feedback on the model's design. We'll be able to share more details about this at the FY24 results.

### *Capabilities*

Now, turning to our capabilities.

One of our near-term priorities will be enhancing our global distribution footprint. One of Magellan's significant strengths is its market-leading distribution and marketing team which has relationships with clients globally. Bolstering this distribution effort internationally will position us for growth as we



diversify the business.

It is also critical we do not stand still from a product development perspective. Our approach in this regard will be to continue to innovate and identify opportunities in segments where we anticipate future client demand to grow. Our key question here should not be 'what do our clients want now?', but rather, 'what will our clients want three or five years from now?'. To this end I am introducing a Strategic Product Committee, bringing together our senior leaders in our distribution, investment and corporate functions, who will own the product and investment capabilities we develop in the future.

Whilst Executive Chair, I will also conduct a review of governance structures based on my experience leading global funds management businesses, leaning on the extensive experience of my Board colleagues in this area. I think this is an area where we can improve.

Finally, as I mentioned earlier, the disruption of the funds management industry through technology presents a significant opportunity for Magellan across our capabilities, including in our operations. Implementing technological solutions to our operational functions should, in time, streamline our processes, reduce costs, and mitigate risks, but will also empower our team to make more informed, data-driven decisions. I am excited by the opportunities in this space.

### In Conclusion

The priorities I have outlined here reflect my early views on where Magellan should be directing its attention over the next 12 months to return to growth.

Before we move to Q&A, it is worth making some closing remarks.

Magellan's extensive platform provides us with a competitive strength that is not easily replicable. We have a unique opportunity to leverage this and drive growth by introducing innovative products and offerings that meet our clients' current and future needs. Being led by our clients, and becoming a home for the best investment talent are key pillars of this strategy.

As I mentioned earlier, we are actively exploring opportunities to invest in high quality teams and capabilities in areas where we see potential for future growth.

Our financial strength and robust balance sheet provide us with strategic optionality and the capacity to execute our strategic vision.

Each of these characteristics excite me for the next chapter of Magellan's growth as we continue on the journey to restore Magellan as one of Australia's leading fund managers.

Finally, I would like to again thank retired directors Karen Phin and Robert Fraser and retiring director Colette Garnsey for their commitment and contribution to Magellan over the years.

I would also like to take the opportunity to thank our people for their commitment and contribution throughout the year, and to extend my thanks to all my fellow Directors for their continued support.

Importantly I would like to thank you – our shareholders – for your continued support of Magellan. I acknowledge and appreciate we have tried your patience over the last 2 years. The significant reduction in the share price, driven by the large shift in client assets we manage, has created a very difficult position for our long-standing shareholders. We are committed to improving the business performance through the acceleration of our strategic plans. We recognise, however, it will be a long path back to recovery and we thank you for your support and commitment as we embark on this.