

# Magellan High Conviction Trust (Managed Fund)



TICKER: MHHT | APIR: MGE1055AU | ARSN: 634 789 754

AS AT 31 JULY 2024

## PORTFOLIO MANAGERS

NIKKI THOMAS, CFA AND ALAN PULLEN

### INVESTMENT OBJECTIVE AND PHILOSOPHY

**Objectives:** To achieve attractive risk-adjusted returns over the medium to long-term.

Aims to deliver 10% p.a. net of fees over the economic cycle.

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

### PORTFOLIO CONSTRUCTION

A concentrated portfolio of 10-20 high quality companies meaningfully diversified in risk exposure and correlations seeking to achieve strong risk-adjusted, not benchmark-relative returns.

Cash and cash equivalents exposure between 0 - 50%.

The trust may, from time to time, hedge some or all of the capital component of the foreign currency exposure of the trust arising from investments in overseas markets back to Australian Dollars.

### INVESTMENT RISKS

All investments carry risk. While it is not possible to identify every risk relevant to an investment in the trust, we have provided details of risks in the relevant Product Disclosure Statement or offer document. You can view the PDS for the trust on Magellan's website [www.magellangroup.com.au](http://www.magellangroup.com.au).

## MAGELLAN HIGH CONVICTION TRUST (MANAGED FUND): KEY PORTFOLIO INFORMATION

TICKER	TRUST SIZE	BUY/SELL SPREAD <sup>1</sup>	MANAGEMENT AND PERFORMANCE FEES <sup>2</sup>	INCEPTION DATE
MHHT	AUD \$450.0 million	0.07% / 0.07%	1.50% p.a. and performance fee of 10% of excess return <sup>^</sup>	11 October 2019

<sup>^</sup> 10.0% of the excess return of the Trust above the Absolute Return Performance Hurdle of 10% per annum. Additionally, Performance Fees are subject to a high water mark.

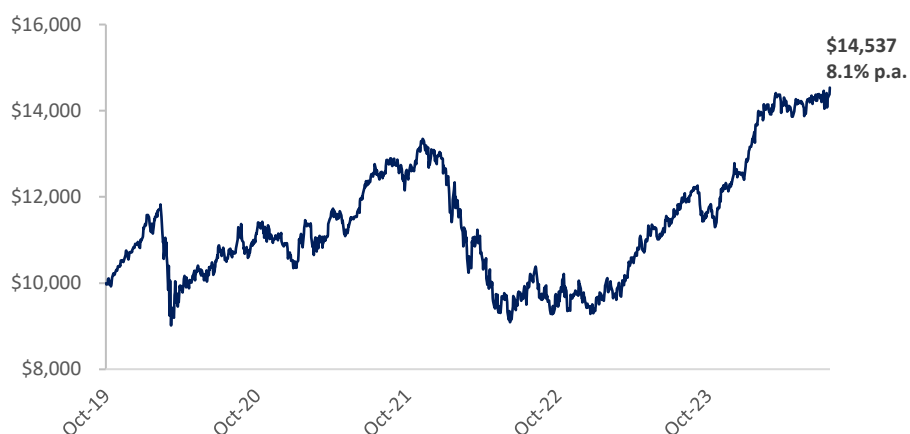
### PERFORMANCE<sup>3</sup>

	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	Since Inception (% p.a.)
MHHT	2.1	4.8	24.2	5.1	8.1

CALENDAR YEAR RETURNS	CYTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (part year)
MHHT	15.8	34.6	-27.7	21.2	-1.6	8.2

Past performance is not a reliable indicator of future performance.

### PERFORMANCE CHART GROWTH OF AUD \$10,000<sup>3</sup>



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### TRUST CHARACTERISTICS<sup>4</sup>

	3-YEAR	AVERAGE	HIGH	LOW
Cash Weight		4.4%	18.7%	1.1%
Number of Stocks		13	16	10
Hedging Weight		0.3%	10.1%	0.0%

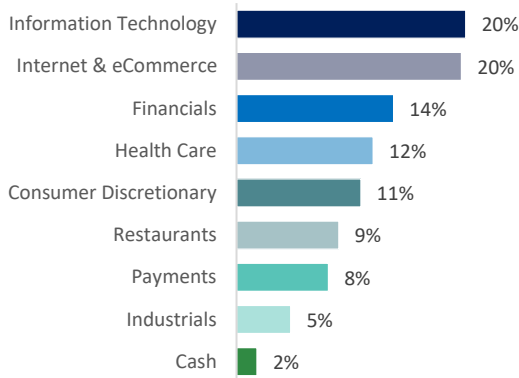
<sup>1</sup> Only applicable to investors applying for units and withdrawing units directly with the Responsible Entity.

<sup>2</sup> Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

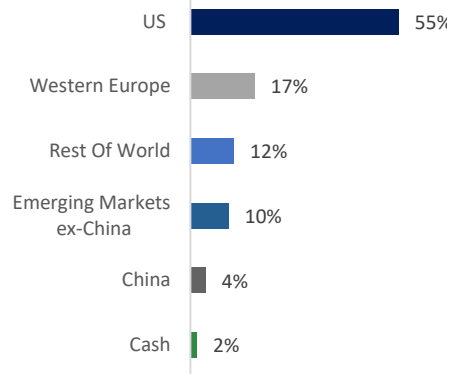
<sup>3</sup> Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

<sup>4</sup> Trust characteristics averages are calculated using the last day of each month in the 3-year period.

## SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>5</sup>



## GEOGRAPHIC EXPOSURE BY SOURCE OF REVENUE<sup>5</sup>



## TOP 5 HOLDINGS (ALPHABETICAL ORDER)

STOCK	SECTOR <sup>5</sup>
Amazon.com Inc	Internet & eCommerce
Booking Holdings Inc	Consumer Discretionary
Intercontinental Exchange Inc	Financials
Microsoft Corporation	Information Technology
Visa Inc	Payments

## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>6</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Amazon.com Inc	4.0
Microsoft Corporation	3.2
Intercontinental Exchange Inc	2.9
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Ulta Beauty Inc	-1.5
Lowe's Companies Inc	-0.6
Diageo Plc	-0.6

## MONTHLY SUMMARY

The portfolio rose in July and is over 9% higher (after fees) over the past six months. Strong index gains, led by large cap tech, disguised markedly different returns underneath. July saw some rotation within markets, with a pause on enthusiasm for Generative AI, as recognition this will evolve slowly at first was priced. Thus, some of our strongest stocks this calendar year (Amazon, ASML, Microsoft) fell from highs in July while those that will benefit from lower interest rates (Brookfield Corporation, Intercontinental Exchange) rallied strongly. Our defensive healthcare holdings UnitedHealth and HCA also did well.

Chipotle Mexican Grill ran ahead of fundamental value, in our view, after it announced its 50-for-1 share split. We trimmed our position into that and the stock was weak in July post-split. We maintain a high conviction in the growth opportunity and execution skill of its management team. Booking Holdings, Yum Brands and Ulta Beauty revealed evidence of the deteriorating US consumer. Ulta was weak as Sephora continued to gain share in US beauty and the category slowed. Ulta reports results in August and we anticipate it may cut its guidance for the year. While disappointing in the short term, as we misjudged the impact Sephora was having, the business is well run, highly cash generative and has a unique customer proposition, which we believe is undervalued at these prices. No new stocks were added in the month.

While economic data has revealed a slowing of inflation without signs of a recession until recently, there is evidence that tight monetary policy is affecting US consumers too, adding to downside economic risks, while making US policy rate cuts near term more certain. The Bank of Japan raised its overnight call rate on 31 July to 0.25% from 0-0.1%, a large move that surprised investors and led to sharp moves lower in markets in August as the Yen 'carry trade' unwound. We remain vigilant for opportunity to compound returns and buy great companies when fear is high.

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

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

<sup>6</sup> Shows how much the stock has contributed to the trust's gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

## IMPORTANT INFORMATION

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