



Annual Financial Reports

for the year ended 30 June 2016

MAGELLAN GLOBAL FUND: ABN 18 387 878 844

MAGELLAN GLOBAL FUND (HEDGED): ABN 72 263 210 345

MAGELLAN HIGH CONVICTION FUND: ABN 20 120 243 491

MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279

MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): ABN 79 874 701 620

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Responsible Entity's Report

for the year ended 30 June 2016

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds") present their report on the Funds for the year ended 30 June 2016.

1.0 Directors

The following persons were Directors of Magellan Asset Management Limited during the year and up to the date of this report:

Name	Directorship	Appointed
Brett Cairns	Executive Chairman	22 Jan 2007
Hamish Douglass	Chief Executive Officer	21 Nov 2006
Robert Fraser	Independent Non-executive Director	23 Apr 2014
Paul Lewis	Independent Non-executive Director	20 Dec 2006
Hamish McLennan	Independent Non-executive Director	01 Mar 2016
Karen Phin	Independent Non-executive Director	23 Apr 2014

1.1 Principal activity

The Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 36, 19 Martin Place, Sydney, New South Wales 2000.

Magellan Global Fund (MGF) is a quality-focused, long-only unit trust that invests in a concentrated portfolio of global equities which spans sectors including financial services, consumer and retail, health care, pharmaceutical, telecommunications, computer hardware and software and internet related products and services. The investment objectives of MGF are 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 6 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Global Fund (Hedged) (MGFH) has the same investment strategy as MGF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially hedged. The investment strategy is detailed in the Product Disclosure Statement, issued 6 July 2016.

Magellan High Conviction Fund (MHCF) is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities which spans sectors including financial services, retail, health care, computer hardware and software and internet related products and services. The investment objectives of MHCF are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, managing a higher tolerance in volatility in investment returns, with the ability to manage foreign exchange exposures. The fund is targeted towards more sophisticated higher net worth retail investors. The fund's investment strategy is detailed in the Product Disclosure Statement, issued 6 July 2016.

Magellan Infrastructure Fund (MIF) invests in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as roads and airports, water and sewage, energy, logistics, communications infrastructure and real estate in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 6 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) (MIFU) invests in infrastructure securities listed on any stock exchange. MIFU aims 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 6 July 2016. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Responsible Entity's Report

for the year ended 30 June 2016

1.2 Significant changes in state of affairs

There were no significant changes during the year in the investment strategies of the Funds.

1.3 Review of operations

a) Financial results for the year

The performance of the Funds, as represented by the results of their operations for the year ended 30 June, was as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
Results										
Total net investment income (\$'000)	90,330	1,812,393	1,561	7,206	(336)	58,601	165,718	93,201	48,313	24,465
Total expenses (\$'000)	148,376	135,016	4,026	1,292	4,770	7,091	18,002	13,760	6,193	2,318
Net operating profit/(loss) (\$'000)	(58,046)	1,677,377	(2,465)	5,914	(5,106)	51,510	147,716	79,441	42,120	22,147
Distributions										
Distribution paid and payable to unitholders (\$'000)	643,672	880,000	4,953	2,212	20,580	11,273	72,919	19,984	16,181	5,419
Distribution paid and payable (cents per unit)	15.2344	24.3397	2.0000	2.0000	10.4415	6.7959	9.1339	2.8556	6.1024	4.0750
Redemption unit price (ex-distribution) (\$)	1.7197	1.8738	1.2205	1.2512	1.3034	1.4260	1.2367	1.1294	1.5780	1.4017
Indirect cost ratio										
Management fee (%)	1.35	1.35	1.35	1.35	1.50	1.50	1.06	1.06	1.06	1.06
Performance fee (%)	0.31	0.42	-	0.13	0.01	1.83	0.56	0.45	0.59	0.21
Total indirect cost ratio (%)	1.66	1.77	1.35	1.48	1.51	3.33	1.62	1.51	1.65	1.26
Unit prices (net asset value) (ex-distribution) (\$)	1.7214	1.8757	1.2217	1.2525	1.3047	1.4274	1.2386	1.1311	1.5804	1.4038

The Total Indirect Cost Ratio (ICR) is the ratio of the Funds' management costs over their average gross assets attributable to unitholders, expressed as a percentage, for the year ended 30 June. Management costs, accrued within the Funds' unit prices on a daily basis, include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

Responsible Entity's Report

for the year ended 30 June 2016

1.3 Review of operations (continued)

a) Financial results for the year (continued)

The performance returns for the 12 months to 30 June shown in the table below have been calculated using redemption unit prices for the Funds, which are after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded monthly to produce longer period returns and are in accordance with the Financial Services Council Standard 6.00 Product Performance – Calculation of Returns.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	%	%	%	%	%	%	%	%	%	%
Performance										
Growth return ^(A)	(8.2)	14.6	(2.5)	10.7	(8.6)	25.9	9.5	9.4	12.5	16.5
Distribution return ^(B)	8.1	14.9	1.6	1.8	7.3	6.0	8.3	2.9	4.8	3.6
Total return ^(C)	(0.1)	29.5	(0.9)	12.5	(1.3)	31.9	17.8	12.3	17.3	20.1

^(A) The Growth return for the year ended 30 June is calculated as a percentage by dividing the end of year unit price (ex-distribution) by the prior year end redemption unit price (ex-distribution) minus 1.

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

^(C) The Total return for the year ended 30 June is calculated as a percentage by dividing the end of year redemption unit price (cum-distribution) by the prior year end redemption unit price (ex-distribution) minus 1.

Distributions

The distributions shown in the table on page 4 were declared for the year ended 30 June 2016. The distributions were paid on 13 July 2016. The distributions shown in the table for MIF and MIFU comprise an interim dividend for the six months to 31 December 2015 and final distribution for the year ended 30 June 2016. The interim distributions were paid on 7 January 2016.

b) Strategy and future outlook

The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with fund outlook commentary.

1.4 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategies as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report in Section 1.3 under the Review of Operations. The methods of operating the Funds are not expected to change in the foreseeable future, however the results of the Funds' operations may be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and past returns should not be used to predict future returns.

Responsible Entity's Report

for the year ended 30 June 2016

1.5 Interest in the Funds

The movement in units on issue in the Funds during the year ended 30 June 2016 is disclosed in note 7 a) to the financial statements.

As at 30 June 2016, the net assets attributable to unitholders of each Fund were as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Net assets attributable to unitholders	7,273,143	6,781,352	302,530	138,517	257,154	236,758	988,057	791,126	418,757	186,566

1.6 Events subsequent to the end of the year

There have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

1.7 Indemnification and insurance of Directors and Officers

The Directors and Officers of 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, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, 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.

1.8 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Corporations 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.

1.9 Auditor

Ernst & Young continues in office as auditor. A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7. Refer to note 13 for details on the auditor's remuneration.

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



Brett Cairns
Executive Chairman

Sydney, 1 September 2016

Auditor's Independence Declaration



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Auditor's independence declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged), (the "Schemes")

As lead auditor for the audit of the Schemes for the financial year ended 30 June 2016, 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
Ernst & Young

Rita Da Silva

Rita Da Silva
Partner

1 September 2016

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Investment income										
Interest income	1,134	887	681	198	29	48	1,431	1,350	50	47
Dividend and distribution income	132,096	97,468	4,220	1,085	4,692	2,436	31,619	25,388	11,332	5,168
Net change in fair value of investments										
- held for trading	-	-	5,133	(7,264)	3,225	592	6,973	(39,234)	-	(4)
- designated at fair value through profit or loss	(72,255)	1,583,371	(8,279)	13,186	(9,301)	51,939	125,963	105,286	36,915	17,494
Net gains / (losses) on foreign exchange settlements, contracts and cash	29,355	130,667	(194)	1	1,019	3,586	(268)	411	16	1,747
Other income	-	-	-	-	-	-	-	-	-	13
Total net investment income	90,330	1,812,393	1,561	7,206	(336)	58,601	165,718	93,201	48,313	24,465
Expenses										
Management and administration fees	106,278	91,371	3,430	1,021	4,105	3,020	9,568	7,746	3,203	1,506
Performance fees	24,193	28,562	8	95	16	3,702	5,070	3,368	1,796	294
Transaction costs	767	1,274	43	27	33	47	169	66	80	32
Withholding tax on dividends	17,138	13,809	545	149	616	322	3,195	2,580	1,114	486
Total expenses	148,376	135,016	4,026	1,292	4,770	7,091	18,002	13,760	6,193	2,318
Net operating profit/(loss)	(58,046)	1,677,377	(2,465)	5,914	(5,106)	51,510	147,716	79,441	42,120	22,147
Finance costs attributable to unitholders										
Distributions of income and capital to unitholders	(643,672)	(880,000)	(4,953)	(2,212)	(20,580)	(11,273)	(72,919)	(19,984)	(16,181)	(5,419)
Increase/(Decrease) in net assets attributable to unitholders	701,718	(797,377)	7,418	(3,702)	25,686	(40,237)	(74,797)	(59,457)	(25,939)	(16,728)
Profit / (loss) for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Financial Position

as at 30 June 2016

	Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Assets											
Cash and cash equivalents	3	1,298,609	1,195,592	49,745	22,672	24,849	25,493	106,078	94,772	50,277	20,888
Receivables	4	18,255	17,699	812	284	259	407	8,239	6,823	3,546	1,509
Investments	5 a)	6,621,561	6,472,714	257,474	118,577	253,402	223,334	940,159	723,465	378,915	170,172
Total assets		7,938,425	7,686,005	308,031	141,533	278,510	249,234	1,054,476	825,060	432,738	192,569
Liabilities											
Investments	5 b)	-	-	-	483	-	-	-	13,485	-	-
Payables	6	665,282	904,653	5,501	2,533	21,356	12,476	66,419	20,449	13,981	6,003
Total liabilities		665,282	904,653	5,501	3,016	21,356	12,476	66,419	33,934	13,981	6,003
Net assets attributable to unitholders	7 b)	7,273,143	6,781,352	302,530	138,517	257,154	236,758	988,057	791,126	418,757	186,566

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the year ended 30 June 2016

Under Australian Accounting Standards, the Funds' net assets attributable to unitholders are classified as a liability. As a result the Funds have no equity for financial reporting purposes and there were no changes in equity at the start or end of the current or prior years.

Statements of Cash Flows

for the year ended 30 June 2016

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Note										
Cash flows from operating activities										
Interest received	1,119	1,006	654	161	25	48	1,437	1,223	45	51
Dividends and distributions received	134,877	109,715	4,223	1,166	4,833	2,736	28,430	23,492	9,366	4,252
Other income received	-	-	-	-	1	-	-	-	-	13
Management, administration and performance fees paid	(130,463)	(112,791)	(3,042)	(1,001)	(4,911)	(5,746)	(14,524)	(8,519)	(4,982)	(1,451)
Withholding tax paid	(17,138)	(13,849)	(545)	(170)	(616)	(322)	(3,195)	(2,704)	(1,114)	(545)
Other expenses paid	(851)	(2,025)	(108)	(80)	(47)	(92)	(212)	(115)	(131)	(63)
Net cash inflows/(outflows) from operating activities	8 (12,456)	(17,944)	1,182	76	(715)	(3,376)	11,936	13,377	3,184	2,257
Cash flows from investing activities										
Purchase of investments	(2,731,106)	(2,937,169)	(208,810)	(102,498)	(138,097)	(130,059)	(407,083)	(121,523)	(256,302)	(97,794)
Proceeds from sale of investments	2,530,834	3,355,217	65,538	34,191	100,306	84,959	347,356	129,922	84,075	15,847
Net cash flows from foreign exchange hedging activities	-	-	244	(6,625)	2,242	(72)	(39,748)	(24,162)	-	-
Net foreign exchange gains	18,023	86,164	181	152	1,303	3,651	976	515	794	1,528
Net cash inflows/(outflows) from investing activities	(182,249)	504,212	(142,847)	(74,780)	(34,246)	(41,521)	(98,499)	(15,248)	(171,433)	(80,419)
Cash flows from financing activities										
Receipts from issue of units	2,017,700	1,649,462	213,155	107,216	63,532	81,488	281,288	185,751	226,987	110,527
Payments for redemption of units	(986,256)	(1,049,165)	(42,538)	(11,690)	(21,620)	(12,114)	(169,656)	(101,376)	(22,704)	(14,890)
Distributions paid	(731,554)	(164,153)	(1,879)	(268)	(7,087)	(2,336)	(13,681)	(9,751)	(5,932)	(1,672)
Net cash inflows from financing activities	299,890	436,144	168,738	95,258	34,825	67,038	97,951	74,624	198,351	93,965
Net increase/(decrease) in cash and cash equivalents	105,185	922,412	27,073	20,554	(136)	22,141	11,388	72,753	30,102	15,803
Cash and cash equivalents at the beginning of the year	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668
Effect of exchange rate fluctuations on cash and cash equivalents	(2,168)	45,475	-	1	(508)	478	(82)	99	(713)	417
Cash and cash equivalents at end of year	3 1,298,609	1,195,592	49,745	22,672	24,849	25,493	106,078	94,772	50,277	20,888

The Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies

The financial reports cover the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), as individual entities, for the year ended 30 June 2016.

The Funds are registered managed investment schemes under the *Corporations Act 2001*. In accordance with the Funds' Constitutions, they commenced on the date that the first unit was issued, which is set out as follows:

Fund	Date of Commencement
Magellan Global Fund	1 July 2007
Magellan Infrastructure Fund	1 July 2007
Magellan Global Fund (Hedged)	28 June 2013
Magellan High Conviction Fund	28 June 2013
Magellan Infrastructure Fund (Unhedged)	28 June 2013

The Funds terminate on the day immediately preceding the 80th anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each Fund's Constitution.

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

The financial reports were authorised for issue by the Directors of the Responsible Entity on 1 September 2016. The Directors have the power to amend and reissue the financial reports.

a) Basis of preparation

The financial reports are general purpose financial reports and have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and other mandatory professional reporting requirements and the Funds' Constitutions.

The financial reports are presented in Australian dollars. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

Compliance with IFRS

The financial reports comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy, accounting standards and interpretations

i) New and amended standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2015. None of the new standards or amendments affected any of the amounts or the disclosures in the current or prior year.

ii) Accounting Standards and interpretations issued but not yet effective

The Australian and International Accounting Standards issued, but not yet mandatory, for the reporting period ended 30 June 2016 have not been adopted by the Funds in the preparation of these financial reports. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Funds, is set out below:

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018)**

AASB 9 contains new requirements for 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 current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost, which are discussed at note 1 h). Financial assets will only be able to be measured at amortised cost where very specific conditions are met.

At 30 June 2016, no material financial impact is expected on adoption of AASB 9 as the Funds currently classify financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. In addition the Funds do not apply hedge accounting. The Funds continue to evaluate the disclosure requirements of this standard.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

The Funds have undertaken an assessment of the impact of AASB 15. Based on the assessment completed to date, the Funds do not expect any material change to the timing or manner of revenue recognition as their key revenues being interest income, dividend and distribution income and investment gains, are excluded from the scope of AASB 15. The Funds will continue to assess the disclosure requirements of AASB 15 so as to understand the extent of any impact on the current systems, processes and controls.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact to the financial statements in future reporting periods.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

b) Foreign currency translation

The functional and presentation currency of the Funds 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 currency 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 the 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 the Statements of Profit or Loss and Other Comprehensive Income. 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 the Statements of Profit or Loss and Other Comprehensive Income.

c) Investment income

Dividend and distribution income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax. Foreign dividends and trust distributions received are recognised net of withholding tax in the Statements of Cash Flows, with the foreign withholding tax recorded as an expense in the Statements of Profit or Loss and Other Comprehensive Income.

Net changes in fair value of investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss and are recognised in the Statements of Profit or Loss and Other Comprehensive Income.

Interest income

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

d) Expenses

All expenses are recognised in the Statements of Profit or Loss and Other Comprehensive Income on an accruals basis. Management, administration and performance fees are set out in note 9 c).

e) Distributions

The Funds have a contractual obligation under the Funds' Constitutions to distribute all their distributable income to unitholders, by cash or reinvestment. Distributions are recognised as finance costs attributable to unitholders in the Statements of Profit or Loss and Other Comprehensive Income. A distribution payable is recognised in the Statements of Financial Position where the amount remains unpaid at reporting date.

f) Income tax

Under current income tax legislation, the Funds are not subject to income tax provided the net taxable income of the Funds is fully distributed to unitholders. Net realised tax losses are not distributed to unitholders but are retained in the Funds to be offset against any future assessable income or realised gains.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain would be included in net taxable income. Realised capital losses can only be utilised to offset any realised capital gains. Net realised capital losses are retained in the Funds to be offset against any future realised capital gains.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

f) Income tax (continued)

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statements of Profit or Loss and Other Comprehensive Income. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed onto unitholders.

g) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services, management and administration fees has been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 75% and are also eligible to recover GST on offshore transactions. Management, administration and performance fees and other expenses have been recognised in the Statements of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). 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 Statements of Financial Position as a receivable or payable. Cash flows are included in the Statements of Cash Flows on a gross basis.

h) Financial assets and liabilities

The Funds classify their financial assets into one of the four following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. Financial liabilities are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost. The classification of financial assets and liabilities depends on the purpose for which the assets are acquired and liabilities are incurred.

Financial assets and liabilities designated at fair value

The category of financial assets and financial liabilities designated at fair value through profit or loss comprises:

- Financial instruments held for trading.
Derivative financial instruments held by the Funds are classified as held for trading. Further detail available in note 1 k).
- Financial instruments designated at fair value through profit or loss upon initial recognition.
The Funds have designated all equity securities as fair value through profit or loss. The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Funds as set out in the Funds' Product Disclosure Statements.

Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Funds is the transaction price. Transaction costs are expensed immediately in the Statements of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statements of Profit or Loss and Other Comprehensive Income.

Financial assets classified as loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses (if any). Refer to note 4 for further details.

Financial liabilities, other than those at fair value through the Statements of Profit or Loss and Other Comprehensive Income, are measured at amortised cost using the effective interest rate. Refer to note 6 for further details.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

h) Financial assets and liabilities (continued)

Measurement (continued)

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 Funds is the current bid price, and the quoted market price for financial liabilities is the current asking price.

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 use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Further details are at note 10.

Financial assets and financial liabilities are derecognised when the Funds no longer control the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold or the liability discharged.

i) Cash and cash equivalents

Cash includes cash at bank and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

j) Receivables

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund unsettled at the end of the reporting period, 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, which in the case of the Funds is cost, and adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts.

k) Derivatives

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable.

Derivatives are recognised at fair value and changes in the fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income and included in 'net change in fair value of investments – held for trading'. The derivatives are included in the Statements of Financial Position as a current asset when the fair value at balance date is positive and classified as a current liability when the fair value at balance date is negative.

l) Payables

Payables comprise trade creditors and accrued expenses owing by the Funds at balance date which are unpaid and includes redemptions of units in the Fund unsettled at the end of the reporting period. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables are recognised at fair value. A distribution payable to unitholders of the Funds is recognised for the amount of any net profit, capital or tax credits distributable to unitholders in accordance with the Funds' Constitutions but not distributed at balance date.

Notes to the Financial Statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

m) Net assets attributable to unitholders

The units issued by the Funds are classified as liabilities in the Statements of Financial Position as the Funds' Constitutions require the net income of the Funds to be distributed to unitholders of the Funds. Changes in net assets attributable to unitholders are recognised in the Statements of Profit or Loss and Other Comprehensive Income as finance costs.

Applications received for units in the Funds are recorded net of entry fees. Redemptions from the Funds are recorded gross of exit fees. The Funds recognise the units issued or redeemed when settled, which is trade date.

n) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously Refer to note 10 g) for further detail.

o) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and consequently amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

p) Critical accounting estimates and judgements

The preparation of the Funds' 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 to further detail in note 10 f)). As most investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgement or complexity nor are the Funds' liabilities.

q) Including different registered scheme financial reports in a single document

The Funds have applied Australian Securities & Investments Commission's Class Order 06/441, which allows registered schemes with a common Responsible Entity to include their financial statements in adjacent columns in a single financial report.

Notes to the Financial Statements

for the year ended 30 June 2016

2. Distributions to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
Interim distribution paid to unitholders \$'000	-	-	-	-	-	-	8,341	5,987	2,730	1,025
Final distribution payable to unitholders \$'000	643,672	880,000	4,953	2,212	20,580	11,273	64,578	13,997	13,451	4,394
Total distribution to unitholders \$'000	643,672	880,000	4,953	2,212	20,580	11,273	72,919	19,984	16,181	5,419
Total distribution cents per unit	15.2344	24.3397	2.0000	2.0000	10.4415	6.7959	9.1339	2.8556	6.1024	4.0750

The final distribution in respect of the year ended 30 June 2016 for each Fund was declared on 23 June 2016, paid on 13 July 2016 and classified as a payable in each of the Statements of Financial Position. The distributions in the above table represent distributions of income with the exception of the \$4,953,000 30 June 2016 distribution for Magellan Global Fund (Hedged) which was comprised of \$1,046,000 in distributable income and a \$3,907,000 return of capital.

a) Distribution Reinvestment Plan (DRP)

A DRP operated in each Fund during the years ended 30 June 2016 and 30 June 2015. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective Fund at the Issue Price (as defined in the respective Fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution.

The DRP issue price of each Fund is as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
DRP issue price (final distribution - units issued 1 July)	\$ 1.7214	\$ 1.8757	\$ 1.2217	\$ 1.2525	\$ 1.3047	\$ 1.4274	\$ 1.2386	\$ 1.1311	\$ 1.5804	\$ 1.4038

	Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
DRP issue price (interim distribution - units issued 1 January)	\$ 1.2006	\$ 1.1155	\$ 1.5181	\$ 1.3697

Notes to the Financial Statements

for the year ended 30 June 2016

3. Cash and cash equivalents

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank - denominated in A\$	65,041	27,994	48,915	22,602	5,695	619	104,551	88,824	15,344	2,812
Cash at bank - denominated in foreign currency	1,233,568	1,167,598	830	70	19,154	24,874	1,527	5,948	34,933	18,076
Total cash and cash equivalents	1,298,609	1,195,592	49,745	22,672	24,849	25,493	106,078	94,772	50,277	20,888

4. Receivables

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Dividend receivable	-	1,100	-	20	-	69	5,638	4,913	2,228	1,118
Interest receivable	44	28	64	38	4	1	147	148	8	2
Recoverable GST and foreign withholding tax	9,333	10,517	170	78	107	137	1,208	1,310	255	130
Due from brokers	-	-	-	-	5	-	-	-	-	-
Applications receivable	8,878	6,054	578	148	143	200	1,246	452	1,055	259
Total receivables	18,255	17,699	812	284	259	407	8,239	6,823	3,546	1,509

Notes to the Financial Statements

for the year ended 30 June 2016

5. Investments

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
a) Investment assets										
<i>Financial assets designated at fair value through profit or loss</i>										
Australian listed equity securities	168,196	212,884	6,474	3,950	-	-	148,824	127,334	62,271	29,861
International listed equity securities	6,453,365	6,259,830	246,750	114,627	251,755	222,671	758,099	596,131	316,644	140,311
Total financial assets designated at fair value	6,621,561	6,472,714	253,224	118,577	251,755	222,671	906,923	723,465	378,915	170,172
Held for trading financial assets										
<i>Derivatives</i>										
Forward foreign currency contracts	-	-	4,250	-	1,647	663	33,236	-	-	-
Total held for trading financial assets	-	-	4,250	-	1,647	663	33,236	-	-	-
Total investment assets	6,621,561	6,472,714	257,474	118,577	253,402	223,334	940,159	723,465	378,915	170,172
b) Investment liabilities										
<i>Held for trading financial liabilities</i>										
Forward foreign currency contracts	-	-	-	483	-	-	-	13,485	-	-
Total investment liabilities	-	-	-	483	-	-	-	13,485	-	-

Fair value disclosures

An overview of the fair value measurements relating to investments held at fair value through Profit or Loss is included in note 10 f).

Notes to the Financial Statements

for the year ended 30 June 2016

6. Payables

	Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable		643,672	880,000	4,953	2,212	20,580	11,273	64,578	13,997	13,452	4,394
Management fees payable	9 c) i)	8,982	8,722	349	160	350	315	930	714	381	169
Performance fees payable	9 c) ii)	-	2,478	3	-	-	825	45	1,421	7	247
Due to brokers		7,744	-	-	118	404	-	281	3,959	-	1,114
Redemptions payable		4,884	13,453	196	43	22	63	585	358	141	79
Total payables		665,282	904,653	5,501	2,533	21,356	12,476	66,419	20,449	13,981	6,003

Notes to the Financial Statements

for the year ended 30 June 2016

7. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016 No. of Units '000	30 June 2015 No. of Units '000	30 June 2016 No. of Units '000	30 June 2015 No. of Units '000	30 June 2016 No. of Units '000	30 June 2015 No. of Units '000	30 June 2016 No. of Units '000	30 June 2015 No. of Units '000	30 June 2016 No. of Units '000	30 June 2015 No. of Units '000
a) Units on issue										
Units on issue at beginning of year	3,615,489	3,275,582	110,603	34,374	165,881	111,252	699,827	618,920	132,981	61,412
Units issued during the year	1,111,416	899,812	170,981	85,861	45,258	63,414	239,492	173,686	146,985	82,291
Units redeemed during the year	(501,779)	(559,905)	(33,942)	(9,632)	(14,044)	(8,785)	(140,986)	(92,779)	(14,801)	(10,722)
Units on issue at end of year	4,225,126	3,615,489	247,642	110,603	197,095	165,881	798,333	699,827	265,165	132,981

Terms and conditions of units

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

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held at the end of the half year for interim distributions and the end of the year for final distributions;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
b) Changes in net assets attributable to unit holders										
Opening balance	6,781,352	5,360,980	138,517	38,889	236,758	126,071	791,126	638,304	186,566	73,844
Applications	2,020,524	1,648,223	213,585	107,114	63,475	81,684	282,082	185,602	227,783	110,630
Redemptions	(977,687)	(1,059,464)	(42,691)	(11,728)	(21,579)	(12,042)	(169,879)	(101,589)	(22,767)	(14,952)
Reinvestment of distributions and management fee rebates	150,672	34,236	537	540	4,186	808	9,931	9,352	1,236	316
Increase/(Decrease) in net assets to unitholders	(701,718)	797,377	(7,418)	3,702	(25,686)	40,237	74,797	59,457	25,939	16,728
Closing balance	7,273,143	6,781,352	302,530	138,517	257,154	236,758	988,057	791,126	418,757	186,566

Notes to the Financial Statements

for the year ended 30 June 2016

8. Notes to the Statements of Cash Flows

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
a) Reconciliation of cash flows from operating activities										
Net operating profit/(loss)	(58,046)	1,677,377	(2,465)	5,914	(5,106)	51,510	147,716	79,441	42,120	22,147
Adjusted for:										
Income entitlements reinvested	-	(13)	-	(13)	-	-	(2,700)	(1,916)	(690)	(350)
Net changes in fair value of investments:										
- held for trading	-	-	(5,133)	7,264	(3,225)	(592)	(6,973)	39,234	-	4
- designated at fair value through profit or loss	72,255	(1,583,371)	8,279	(13,186)	9,301	(51,939)	(125,963)	(105,286)	(36,915)	(17,494)
Net losses/(gains) on foreign currency transactions and cash settlements	(28,946)	(129,692)	204	8	(991)	(3,547)	400	(284)	20	(1,723)
Fee rebates reinvested into units in the Funds	2,226	2,262	204	-	-	-	1,274	1,047	45	-
Changes in operating receivables and payables										
- Net (increase)/decrease in receivables and other assets	2,273	10,613	(99)	(26)	96	216	(658)	(407)	(1,368)	(676)
- Net increase/(decrease) in payables and other liabilities	(2,218)	4,880	192	115	(790)	976	(1,160)	1,548	(28)	349
Net cash inflow/(outflow) from operating activities	(12,456)	(17,944)	1,182	76	(715)	(3,376)	11,936	13,377	3,184	2,257
b) Non-cash investing and financing activities										
Investments purchased via reinvestment of income entitlements	-	13	-	13	-	-	2,700	1,916	690	350
Fee rebates reinvested into units in the Funds	2,226	2,262	204	-	-	-	1,274	1,047	45	-
Distributions reinvested into units in the Funds	148,446	31,974	333	540	4,186	808	8,657	8,305	1,191	316

Notes to the Financial Statements

for the year ended 30 June 2016

9. Related parties

a) Responsible entity

The Responsible Entity of the Funds is MAM. MAM is a wholly owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Funds. Refer to note 9 c) for detail on Responsible Entity's fees.

MAM provides Responsible Entity / investment management services to the Funds.

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 Funds. The Responsible Entity is responsible for managing the activities of the Funds and considered to be a KMP. The Funds do not employ personnel in their own right.

(i) Directors

The Directors of MAM, the Responsible Entity of the Funds, 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, Mr Robert Fraser, Mr Paul Lewis. Mr Hamish McLennan and Ms Karen Phin.

(ii) Other key management personnel (Other KMP)

In addition to the Directors, the following persons also had authority for strategic direction and management of the Funds directly or indirectly, during the year:

Name	Position	Employer
Nerida Campbell	Chief Operating Officer	MAM
Frank Casarotti	Head of Distribution	MAM
Kirsten Morton ^(A)	Chief Financial Officer	MAM
Gerald Stack	Head of Investments	MAM

(A) Ms Morton has been determined as a KMP in the year ended 30 June 2016.

Remuneration of key management personnel

The Directors of the Responsible Entity and Other KMP are all employees of MAM and are not compensated by the Funds. AASB 124 *Related Party Disclosures* requires compensation provided by the Funds or on behalf of the Funds to be disclosed. MAM pays a portion of the compensation to its employees in relation to managing the affairs of the Funds. MAM has not made any determination as to what proportion of its employees' compensation relates to the Funds. MAM compensated KMP as follows:

Short term benefits Salary		Short term benefits Cash bonus		Post-employment benefits		Long-term benefits		Other benefits		Total remuneration paid to KMP	
30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
4,222,302	3,240,485	3,992,887	3,485,338	125,348	96,398	50,804	40,342	116,980	152,538	8,508,321	7,015,101

Notes to the Financial Statements

for the year ended 30 June 2016

9. Related parties (continued)

c) Responsible Entity fees

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

(i) Management and administration fees

The Responsible Entity is entitled to receive management fees from the Funds. The Responsible Entity also charges an administration fee of 0.10% to each of the Funds from which the operating expenses of the Funds, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs are paid. Management and administration fees are calculated and payable monthly, based on the net asset value (before fees) of the Funds at the end of that month.

The management and administration fees paid/payable by the Funds during the year are net of any applicable reduced input tax credits – refer to note 1 g).

(ii) Performance fees

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar year. Except for Magellan High Conviction Fund (MHCF), the Responsible Entity's entitlement to a performance fee is dependent on a fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark. The Responsible Entity is entitled to a performance fee in respect of MHCF, where performance exceeds an absolute return hurdle only. Performance fees crystallise at the end of a calculation period, or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. Further details of the performance fees can be found in the Funds' Product Disclosure Statements.

The management, administration and performance fees paid/payable by the Funds during the year are set out on the following page.

Notes to the Financial Statements

for the year ended 30 June 2016

9. Related parties (continued)

c) Responsible Entity fees (continued)

	30 June 2016		30 June 2015	
	% pa	\$	% pa	\$
Magellan Global Fund				
Management fee	1.25	98,405,823	1.25	84,603,276
Administration fee	0.10	7,872,466	0.10	6,768,274
Total management and administration fees	1.35	106,278,289	1.35	91,371,550
Performance fee		24,192,689		28,561,623
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		130,470,978		119,933,173
Total management, administration and performance fees payable per the Statement of Financial Position		8,982,374		11,200,156
Magellan Global Fund (Hedged)				
Management fee	1.25	3,176,135	1.25	945,353
Administration fee	0.10	254,091	0.10	75,628
Total management and administration fees	1.35	3,430,226	1.35	1,020,981
Performance fee		7,632		95,163
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		3,437,858		1,116,144
Total management, administration and performance fees payable per the Statement of Financial Position		351,452		160,111
Magellan High Conviction Fund				
Management fee	1.40	3,832,907	1.40	2,819,409
Administration fee	0.10	272,351	0.10	201,386
Total management and administration fees	1.50	4,105,258	1.50	3,020,795
Performance fee		16,285		3,702,308
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		4,121,543		6,723,103
Total management, administration and performance fees payable per the Statement of Financial Position		350,253		1,139,537
Magellan Infrastructure Fund				
Management fee	0.95	8,657,032	0.95	7,007,800
Administration fee	0.10	911,267	0.10	737,663
Total management and administration fees	1.05	9,568,299	1.05	7,745,463
Performance fee		5,070,227		3,367,945
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		14,638,526		11,113,408
Total management, administration and performance fees payable per the Statement of Financial Position		974,416		2,134,728
Magellan Infrastructure Fund (Unhedged)				
Management fee	1.25	2,898,486	1.25	1,362,986
Administration fee	0.10	305,104	0.10	143,473
Total management and administration fees	1.35	3,203,590	1.35	1,506,459
Performance fee		1,795,564		293,685
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		4,999,154		1,800,144
Total management, administration and performance fees payable per the Statement of Financial Position		388,325		416,490

Notes to the Financial Statements

for the year ended 30 June 2016

9. Related parties (continued)

Related party transactions

The number of units held and related transactions during the year by each KMP, including their personally-related parties, in the Funds are as follows:

	30 June 2016					30 June 2015				
	Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable	Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable
	Number	Number	Number	%	\$	Number	Number	Number	%	\$
Magellan Global Fund										
Magellan Financial Group Limited	5,624,390	-	48,967,816	1.2	7,459,950	-	4,783,545	43,343,426	1.2	10,549,668
Directors										
Hamish Douglass ^(B)	162,261	-	1,412,701	^(C)	215,216	44,128	-	1,250,440	^(C)	304,354
Paul Lewis	105,204	-	469,497	^(C)	71,525	12,856	-	364,293	^(C)	88,668
Other Key Management Personnel										
Nerida Campbell	7,234	-	62,983	^(C)	9,595	1,967	-	55,749	^(C)	13,569
Gerald Stack	7,401	-	64,435	^(C)	9,816	2,013	-	57,034	^(C)	13,882
Magellan Global Fund (Hedged)										
Magellan Financial Group Limited	7,981	-	507,819	0.2	10,156	-	-	499,838	0.5	9,997
Magellan High Conviction Fund										
Magellan Financial Group Limited	817,284	-	17,983,460	9.1	1,877,744	-	-	17,166,176	10.3	1,166,591
Directors										
Hamish Douglass	72,354	-	1,592,076	0.8	166,237	36,971	-	1,519,722	0.9	103,278
Magellan Infrastructure Fund										
Magellan Financial Group Limited	64,240	-	2,370,596	0.3	219,925	19,273	-	2,306,356	0.3	67,626
Directors										
Paul Lewis	1,134	-	41,846	^(C)	3,882	1,088	-	40,712	^(C)	1,194
Other Key Management Personnel										
Gerald Stack	2,063	-	76,113	^(C)	7,061	1,979	-	74,050	^(C)	2,171
Magellan Infrastructure Fund (Unhedged)										
Magellan Financial Group Limited	51,000	-	1,566,503	0.6	102,736	10,984	-	1,515,503	1.1	65,123

(A) Includes the re-investment of 30 June 2014 and 30 June 2015 distributions in the years ended 30 June 2015 and 30 June 2016 respectively.

(B) In addition to the above holdings, Mr Douglass and Mr Casarotti selected a Magellan Global Fund product via their superannuation funds and currently have holdings of 428,891 units in the Magellan Global Select fund and 242,961 units in the Magellan Wholesale Global Share fund at a value of \$596,116 and \$526,885 respectively as at 30 June 2016 (June 2015: 417,532 and 236,792 units at a value of \$580,745 and \$513,270 respectively).

(C) Less than 0.1%.

Transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unitholders.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management

a) Financial risk management

The Funds' investment portfolios primarily comprise listed equity investments. Each Fund's investment objective is to seek long term capital growth through investing in undervalued securities globally. The Funds' investment objectives are described in their respective Product Disclosure Statements. The Funds' investing activities expose them to various types of risks: market risks, credit risk and liquidity risk.

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

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

b) Concentration risk

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

The Funds' concentration risk is managed in accordance with the Portfolio Risk Controls for each Fund, which are approved by the 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 portfolios is sufficient to ensure the Funds' returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolios 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 returns of the Funds may increase or decrease by different amounts.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

c) Market risk (continued)

i) Equity price risk (continued)

Sensitivity analysis

An increase of 5% in the market price of each of the Funds' investments held at 30 June, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Impact on net operating profit and net assets attributable to unitholders	331,078	323,636	12,661	5,929	12,588	11,134	45,346	36,173	18,946	8,509

A decrease of 5% in the market price of each of the Funds' investments would have had an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

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 Funds 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 currency risk of Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) is managed on an unhedged basis and therefore the returns of these funds are exposed to changes in exchange rates relative to the Australian dollar. In exceptional circumstances the Responsible Entity may elect to hedge currency exposure in these funds to a major currency. No such hedging activities were undertaken in respect of these funds during the years ended 30 June 2015 and 30 June 2016.

The Responsible Entity of the Magellan High Conviction 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.

Magellan Global Fund (Hedged) and Magellan Infrastructure Fund are managed on a currency hedged basis using forward foreign currency contracts. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund invest in financial assets denominated in currencies other than the Australian dollar, and are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund use forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian dollar.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. Where it is a strategy of the fund to substantially eliminate currency exposure, the appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the funds to any individual foreign currency is greater than 5% of the net assets of the respective fund.

The Funds' total net exposure to fluctuations in foreign currency exchange rates in the Statements of Financial Position is:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
US dollars	6,632,723	6,194,010	8,817	(1,084)	129,882	135,720	24,877	(1,574)	140,546	60,377
Euro	249,836	425,702	176	212	8	53	2,361	(3,439)	111,313	50,174
British pounds	435,287	629,279	1,500	177	29,088	32,623	13,048	658	47,112	17,988
Swiss francs	368,019	187,479	116	(41)	1	1	1,071	(4,241)	16,493	9,100
Canadian dollars	-	-	-	-	-	-	1,721	910	17,820	9,687
New Zealand dollars	-	-	-	-	-	-	271	333	11,723	7,926
Chilean pesos	-	-	-	-	-	-	(699)	(390)	8,114	3,802

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Sensitivity analysis

A 5% increase or decrease in the Australian dollar relative to each currency to which the Funds had significant exposure, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016		30 June 2016		30 June 2016		30 June 2016		30 June 2016	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
Assets and liabilities denominated in:										
US dollars	(315,844)	349,091	(420)	464	(6,185)	6,836	(1,185)	1,309	(6,693)	7,397
Euro	(11,897)	13,149	(8)	9	-	-	(112)	124	(5,301)	5,859
British pounds	(20,728)	22,910	(71)	79	(1,385)	1,531	(621)	687	(2,243)	2,480
Swiss francs	(17,525)	19,369	(6)	6	-	-	(51)	56	(785)	868
Canadian dollars	-	-	-	-	-	-	(82)	91	(849)	938
New Zealand dollars	-	-	-	-	-	-	(13)	14	(558)	617
Chilean pesos	-	-	-	-	-	-	33	(37)	(386)	427

	30 June 2015		30 June 2015		30 June 2015		30 June 2015		30 June 2015	
	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000	5% increase in A\$'000	5% decrease in A\$'000
Assets and liabilities denominated in:										
US dollars	(294,953)	326,001	52	(57)	(6,463)	7,143	75	(83)	(2,875)	3,178
Euro	(20,272)	22,405	(10)	11	(3)	3	164	(181)	(2,389)	2,641
British pounds	(29,966)	33,120	(8)	9	(1,553)	1,717	(31)	35	(857)	947
Swiss francs	(8,928)	9,867	2	(2)	-	-	202	(223)	(433)	479
Canadian dollars	-	-	-	-	-	-	(16)	18	(377)	417
New Zealand dollars	-	-	-	-	-	-	(43)	48	(461)	510
Chilean pesos	-	-	-	-	-	-	19	(21)	(181)	200

Notes to the Financial Statements

for the year ended 30 June 2016

10. 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 Funds' exposure to interest rate risk relates to cash balances.

Sensitivity analysis

Based on the Australian and US dollar cash balances held by the Funds at 30 June 2016, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Australian dollar cash balances	65	28	49	23	6	1	105	89	15	3
US dollar cash balances	1,234	66	-	-	19	1	1	1	35	-
Impact on net operating profit and net assets attributable to unitholders	1,299	94	49	23	25	2	106	90	50	3

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

The level of cash held by the Funds may vary from time to time, depending on the level of recent capital flows into and out of the Funds, and on the Responsible Entity's judgement. The cash balances held by the Funds as at 30 June 2016 may therefore not be typical of the amounts of cash generally held by the Funds.

None of the Funds hold other significant cash balances exposed to interest rates in other currencies. In addition the Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

d) Liquidity risk

Liquidity risk is the risk that the Funds 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 Funds maintaining sufficient cash and cash equivalents to meet their normal operating requirements. In addition, the Funds' Constitutions and Product Disclosure Statements allow the Responsible Entity, Magellan Asset Management Limited, to suspend capital withdrawals from the Funds for up to 28 days, at its discretion, if withdrawal requests would require the disposal of 5% or more of the Trust Property of the Funds, the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Funds.

At 30 June, the Funds had an obligation to settle payables with cash and cash equivalents as set out in the table below:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Payables	665,282	904,653	5,501	2,533	21,356	12,476	66,419	20,449	13,981	6,003
Cash and cash equivalents	1,298,609	1,195,592	49,745	22,672	24,849	25,493	106,078	94,772	50,277	20,888

At 30 June 2016, the Funds' financial liabilities comprised payables which mature in less than a month (June 2015: less than one month) (refer note 6).

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

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 Funds minimise 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 Funds, are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) do not hold derivatives. Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund, use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive.

At 30 June 2016 the market values of forward foreign currency contracts were: Magellan Global Fund (Hedged) \$4,250,000 (June 2015: (\$483,000)), Magellan High Conviction Fund \$1,646,000 (June 2015: \$663,000) and Magellan Infrastructure Fund \$33,236,000 (June 2015: (\$13,485,000)).

The Responsible Entity has appointed The Northern Trust Company (NT) as the Funds' custodian. In acting as custodian, NT is required to comply with the relevant provisions of the Corporations Act, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements. The credit quality of NT's senior debt is rated, as at 30 June 2016, by Standard and Poors as AA- and by Moody's as A2 (June 2015: A+ and A2 respectively).

At 30 June 2016 and 30 June 2015, the Funds' maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statements of Financial Position.

i) Ageing analysis of receivables

At 30 June 2016, the Funds' receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2015: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2015: 30 to 90 days). Foreign withholding tax is due within 2 to 5 years dependent on the jurisdiction (June 2015: 2 to 5 years). No amounts are impaired or past due at 30 June 2016 or 30 June 2015.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

f) Fair value measurements

The Funds classify the fair value measurements of financial assets and financial liabilities using the three 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 bid price 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 Funds' or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

The following table presents the fair value measurement hierarchy the Funds' financial assets and liabilities:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000	30 Jun 2016 \$'000	30 Jun 2015 \$'000
Assets measured at fair value										
Level 1: Investments - valued using quoted price ^(A)	6,621,561	6,472,714	253,224	118,577	251,755	222,671	906,923	723,465	378,915	170,172
Level 2: Forward foreign currency contracts	-	-	4,250	-	1,647	663	33,236	-	-	-
Total financial assets	6,621,561	6,472,714	257,474	118,577	253,402	223,334	940,159	723,465	378,915	170,172
Liabilities measured at fair value										
Level 2: Forward foreign currency contracts	-	-	-	483	-	-	-	13,485	-	-
Total financial liabilities	-	-	-	483	-	-	-	13,485	-	-

^(A) All Australian and international equity securities held by the Funds are Level 1 assets.

The Funds do 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 Funds' policies are to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

Notes to the Financial Statements

for the year ended 30 June 2016

10. Capital and financial risk management (continued)

g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities that are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association (ISDA) master netting agreements, meet the criteria for offsetting in the Statements of Financial Position as the Funds have a currently legally enforceable right to offset recognised amounts. All other forwards are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

For the year ended 30 June 2016 and 30 June 2015, forward foreign currency contracts, presented in the table in note 10 f) are the financial assets and financial liabilities covered by these master netting agreements.

11. Contingent assets, contingent liabilities and commitments

The Funds have no contingent assets, contingent liabilities or commitments at 30 June 2016 (June 2015: nil).

12. Events subsequent to the end of the year

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports that have significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future years.

13. Auditor's remuneration

During the year, the following amounts were paid or payable by the Responsible Entity on behalf of the Funds for services provided by the auditor of the Funds, Ernst & Young:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
Audit services										
Audit and review of the financial reports	21,500	20,500	21,500	40,500	21,500	20,500	21,500	20,500	21,500	20,500
Non-audit services										
Non-audit services - taxation services	10,500	10,000	10,500	16,800	10,500	10,000	10,500	10,000	10,500	10,000
Total auditor's remuneration	32,000	30,500	32,000	57,300	32,000	30,500	32,000	30,500	32,000	30,500

Directors' Declaration

for the year ended 30 June 2016

In the opinion of the Directors, the financial statements and notes of:

Magellan Global Fund
Magellan Global Fund (Hedged)
Magellan High Conviction Fund
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 8 to 36;

a) are in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the financial position of the Funds as at 30 June 2016 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
- ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and

c) note 1 a) confirms that the financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns
Executive Chairman

Sydney, 1 September 2016

Independent Auditor's Report



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Independent auditor's report to the unitholders of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged)

We have audited the accompanying financial report of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged) ("the Schemes"), which comprises the statements of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report



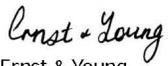
Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

Opinion

In our opinion:

- a. the financial report of the Schemes is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Schemes' financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).


Ernst & Young


Rita Da Silva
Partner
Sydney

1 September 2016

Corporate Information

Directors of the Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
Robert Fraser
Paul Lewis
Hamish McLennan
Karen Phin

Company Secretary of the Responsible Entity

Geoffrey Stirton

Registered Office

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