



MAGELLAN
ASSET MANAGEMENT LIMITED

Interim Financial Report

for the half year ended 31 December 2014

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 half year ended 31 December 2014

The Directors of Magellan Asset Management Limited (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 half year ended 31 December 2014.

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 ^(A)	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
Karen Phin	Independent Non-executive Director	23 Apr 2014

^(A) On 1 January 2015, Dr Brett Cairns became Executive Chairman.

1.1 Principal activity

The Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 7, 1 Castlereagh Street, 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 that spans sectors including financial services, consumer and retail, healthcare, technology and media, industrials and infrastructure. 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 current Product Disclosure Statement, issued 16 June 2014 and the Constitution. 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 16 June 2014 and the Constitution.

Magellan High Conviction Fund (MHCF) is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities that spans sectors including financial services, consumer and retail, healthcare, technology and media, and infrastructure. 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 current Product Disclosure Statement, issued 16 June 2014 and the Constitution.

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 airports, distribution, toll roads, water utilities, integrated power and communications infrastructure, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 1 January 2015 and the Constitution. 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 current Product Disclosure Statement, issued 1 January 2015 and the Constitution.

Responsible Entity's Report

for the half year ended 31 December 2014

1.2 Significant changes in state of affairs

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

1.3 Review of operations

a) Financial results for the half year

The performance of the Funds, as represented by the results of their operations for the half year ended 31 December, was as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Results										
Total net investment income	1,095,664	670,351	3,915	416	37,653	15,100	65,280	43,404	16,858	2,064
Total expenses	73,343	34,630	460	25	4,283	1,784	6,589	3,986	788	138
Net operating profit	1,022,321	635,721	3,455	391	33,370	13,316	58,691	39,418	16,070	1,926
Distribution paid and payable to unitholders for the half year	-	-	-	-	-	-	5,987	5,215	1,024	-
Distribution - cents per unit	-	-	-	-	-	-	0.9400	0.9100	1.0000	-
Performance										
Growth return	18.1%	15.2%	7.3%	-	21.5%	17.7%	7.9%	7.5%	13.7%	-
Distribution return	-	-	-	-	-	-	1.0%	1.0%	0.8%	-
Total return	18.1%	15.2%	7.3%	0.0%	21.5%	17.7%	8.9%	8.5%	14.5%	-
Redemption unit price as at 31 December	\$ 1.9317	\$ 1.7481	\$ 1.2127	\$ 1.1169	\$ 1.3751	\$ 1.1762	\$ 1.1138⁽²⁾	\$ 0.9350⁽²⁾	\$ 1.3676⁽²⁾	\$ 1.1318
Indirect cost ratio ⁽¹⁾										
Management fee	1.35%	1.35%	1.35%	1.35%	1.50%	1.50%	1.06%	1.06%	1.06%	1.06%
Performance fee	0.45%	0.45%	0.27%	-	1.96%	2.63%	0.30%	0.10%	0.06%	0.59%
Total indirect cost ratio	1.80%	1.80%	1.62%	1.35%	3.46%	4.13%	1.36%	1.16%	1.12%	1.65%
The unit prices of the Funds at 31 December	\$ 1.9336	\$ 1.7498	\$ 1.2139	\$ 1.1180	\$ 1.3765	\$ 1.1774	\$ 1.1155 ⁽²⁾	\$ 0.9364 ⁽²⁾	\$ 1.3697 ⁽²⁾	\$ 1.1335

⁽¹⁾ The ICRs are calculated for the 12 month period ended 31 December

⁽²⁾ Ex-distribution

Responsible Entity's Report

for the half year ended 31 December 2014

a) Financial results for the half year (continued)

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6.00 Product Performance – Calculation of Returns.

The Total Indirect Cost Ratio (ICR) is the ratio of the Funds' management costs over their average gross assets attributable to unitholders for the calendar year ended 31 December, expressed as a percentage. Management costs include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Funds' unit prices on a daily basis.

b) Strategy and future outlook

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. 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 Interest in the Funds

The movement in units on issue in the Funds during the half year ended 31 December 2014 is disclosed in note 4 b) to the financial statements.

As at 31 December 2014, 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)	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Net assets attributable to unitholders	6,759,470	5,360,980	61,310	38,889	203,716	126,071	709,831	638,304	140,189	73,844

1.5 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategy 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.

1.6 Environmental regulation

The Funds' operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

1.7 Events subsequent to end of the half year

There have been no matters or circumstances arising after the end of the half 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.

Responsible Entity's Report

for the half year ended 31 December 2014

1.8 Indemnification and insurance of Directors and officers

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (and where approved by the Directors, employees, former employees and the auditor and former auditors of the Company) out of the property of the Responsible Entity against:

- a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgment is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the *Corporations Act 2001*; and
- b) liabilities incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

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.

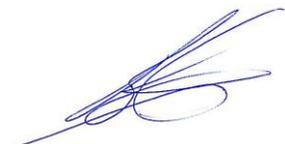
1.9 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and consequently amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

1.10 Auditor's Independence Declaration

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

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



Brett Cairns
Executive Chairman

Sydney,
19 February 2015

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")

In relation to our review of the financial report of the Schemes for the financial half year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Rita Da Silva
Partner
Sydney
19 February 2015

Statements of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2014

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)		
	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Investment Income											
Interest income		516	724	49	2	18	36	542	131	24	9
Dividend and distribution income		34,809	30,092	259	19	843	523	9,810	8,334	1,668	278
Net change in fair value of investments											
- held for trading	1 c)	-	-	(3,948)	(213)	-	-	(28,520)	(19,489)	(3)	-
- designated at fair value through profit or loss		980,233	637,389	7,552	605	34,597	14,516	83,252	59,531	14,080	1,779
Net gains / (losses) on foreign exchange settlements, contracts and cash		80,106	2,146	3	3	2,195	25	196	(5,103)	1,076	(2)
Other income		-	-	-	-	-	-	-	-	13	-
Total net investment income		1,095,664	670,351	3,915	416	37,653	15,100	65,280	43,404	16,858	2,064
Expenses											
Management fees		41,666	30,357	322	22	1,273	620	3,626	2,721	591	69
Performance fees		26,074	26	95	-	2,877	1,070	1,939	444	46	40
Transaction costs		594	425	7	1	24	27	34	71	18	10
Withholding tax on dividends		5,009	3,822	36	2	109	67	990	750	133	19
Total expenses		73,343	34,630	460	25	4,283	1,784	6,589	3,986	788	138
Net operating profit		1,022,321	635,721	3,455	391	33,370	13,316	58,691	39,418	16,070	1,926
Finance costs attributable to unitholders											
Distributions to unitholders	2	-	-	-	-	-	-	(5,987)	(5,215)	(1,024)	-
Increase in net assets attributable to unitholders	4 b)	(1,022,321)	(635,721)	(3,455)	(391)	(33,370)	(13,316)	(52,704)	(34,203)	(15,046)	(1,926)
Profit / (loss) for the half year		-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the half year		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half 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 31 December 2014

	Note	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Assets											
Cash and cash equivalents		767,267	227,705	7,500	2,117	21,385	2,874	62,778	21,920	12,694	4,668
Receivables		22,234	29,488	166	235	178	425	5,434	6,531	703	723
Investments	3	6,021,651	5,309,389	54,087	37,916	185,652	126,215	660,919	627,180	129,201	71,747
Total assets		6,811,152	5,566,582	61,753	40,268	207,215	129,514	729,131	655,631	142,598	77,138
Liabilities											
Investments		-	-	14	-	-	-	10,716	-	-	-
Payables		51,682	205,602	429	1,379	3,499	3,443	8,584	17,327	2,409	3,294
Total liabilities		51,682	205,602	443	1,379	3,499	3,443	19,300	17,327	2,409	3,294
Net assets attributable to unitholders	4 b)	6,759,470	5,360,980	61,310	38,889	203,716	126,071	709,831	638,304	140,189	73,844

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

Statements of Changes in Equity

for the half year ended 31 December 2014

The Funds' net assets attributable to unit holders are classified as a liability under AASB 132 Financial Instruments: Presentation. As such the Funds have equity for financial reporting purposes and no changes in equity at the start or end of the current or prior period.

Statements of Cash Flows

for the half year ended 31 December 2014

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities										
Interest received	626	888	36	2	18	34	456	172	25	7
Dividends and distributions received	40,095	30,874	283	14	1,032	456	9,424	6,320	1,266	78
Other income received	-	-	-	-	-	-	-	-	13	-
Management and performance fees paid	(38,974)	(43,785)	(295)	(16)	(1,167)	(481)	(3,038)	(2,148)	(529)	(46)
Other expenses paid	(321)	(524)	(8)	(2)	(24)	(51)	(13)	(75)	(23)	(13)
Net cash inflows/(outflows) from operating activities	1,426	(12,547)	16	(2)	(141)	(42)	6,829	4,269	752	26
Cash flows from investing activities										
Purchase of investments	(1,464,806)	(1,479,893)	(24,016)	(5,828)	(68,058)	(120,128)	(44,822)	(176,816)	(52,730)	(28,512)
Proceeds from sale of investments	1,745,284	617,159	14,768	387	43,540	31,603	87,976	96,043	8,337	1,106
Net cash flows from foreign exchange hedging activities	-	-	(3,778)	52	-	-	(16,216)	(43,612)	-	-
Net foreign exchange gains/(losses)	43,695	3,169	42	-	1,069	13	316	(4,404)	572	85
Net cash inflows/(outflows) from investing activities	324,173	(859,565)	(12,984)	(5,389)	(23,449)	(88,512)	27,254	(128,789)	(43,821)	(27,321)
Cash flows from financing activities										
Receipts from issue of units	882,745	1,141,273	23,173	6,061	47,682	92,518	78,465	95,735	55,771	28,683
Payments for redemption of units	(540,055)	(235,347)	(4,552)	(243)	(4,380)	(616)	(65,505)	(42,915)	(4,462)	(133)
Distributions paid	(164,153)	(62,663)	(268)	-	(2,336)	-	(6,267)	(4,446)	(834)	-
Net cash inflows/(outflows) from financing activities	178,537	843,263	18,353	5,818	40,966	91,902	6,693	48,374	50,475	28,550
Net increase/(decrease) in cash and cash equivalents	504,136	(28,849)	5,385	427	17,376	3,348	40,776	(76,146)	7,406	1,255
Cash and cash equivalents at the beginning of the half year	227,705	148,121	2,117	-	2,874	-	21,920	89,797	4,668	-
Effect of exchange rate fluctuations on cash and cash equivalents	35,426	90	(2)	-	1,135	12	82	13	620	-
Cash and cash equivalents at the end of the half year	767,267	119,362	7,500	427	21,385	3,360	62,778	13,664	12,694	1,255

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

Notes to the Financial Statements

for the half year ended 31 December 2014

1. Summary of Significant Accounting Policies

The interim 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 six months ended 31 December 2014.

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 interim financial reports were authorised for issue by the Directors of the Responsible Entity on 19 February 2015. The Directors have the power to amend and reissue the financial reports.

a) Basis of preparation

The interim financial reports are general purpose financial reports and have been prepared in accordance with AASB 134: *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements. They are presented in Australian dollars. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

The interim financial reports do not include all the information and disclosures normally included in the Funds' annual financial reports. Accordingly, this report should be read in conjunction with the 30 June 2014 Annual Reports.

b) Changes in accounting policy, accounting standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2014.

i) New and amended standards and interpretations

In the half year ended 31 December 2014, the Funds adopted the following new and amended Australian Accounting Standards and interpretations as of 1 July 2014:

- **AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities**
AASB 2012-3 amends AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. The adoption of this amendment has not had any effect on the financial position or performance of the Funds nor any additional disclosures.

Notes to the Financial Statements

for the half year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

b) Changes in accounting policy, accounting standards and interpretations (continued)

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 31 December 2014 have not been adopted by the Funds in the preparation of these interim financial statements.

The 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 and AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (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 2 k) in the Funds' financial statements for the year ended 30 June 2014. Financial assets will only be able to be measured at amortised cost where very specific conditions are met. At 31 December 2014, 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. The Funds continue to evaluate the impact of this and disclosure requirements.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2017) (AASB 15)**

AASB 15 supercedes 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.

As AASB 15 was only recently issued, on 23 December 2014, a preliminary assessment of its impact on the Funds has been performed at the date of this report. This assessment has involved a review of the Funds' existing revenue recognition policies to determine whether revenue recognition will be materially affected by AASB 15. The Funds will continue to evaluate the requirements of this standard which will involve a review of the Funds' current contracts and arrangements to determine whether any arrangements qualify as a contract under AASB 15, along with any additional disclosure requirements so as to understand the extent of any impact on the current systems, processes and controls. Based on the assessment completed to date, no material change is expected to the timing or manner of revenue recognition in the Funds as their key revenues, being dividend and distribution income and interest income are excluded from AASB 15.

There are no other standards that are not yet effective that are expected to have a material impact on the Funds in future reporting periods.

c) Derivatives

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives that hedge the fair value of the underlying exposure to financial assets denominated in currencies other than the Australian dollar can qualify as a fair value hedge under AASB 139.

Notes to the Financial Statements

for the half year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

c) Derivatives (continued)

Fair value hedge

Derivatives that qualify as a fair value hedge, under AASB 139, are measured at fair value. Changes in fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The foreign currency component of the change in the fair value of the hedged asset or liability is offset against the change in the fair value of forward exchange contracts. Consequently, there is no impact on the total "net change in fair value of investments" recognised in the Statements of Profit or Loss and Other Comprehensive Income in the reporting period.

Magellan Global Fund Hedged (MGFH) had derivatives that qualified as fair value hedges, under AASB 139, for the period 1 July 2013 to 31 June 2014. These were included in the Statement of Financial Position as a current asset or current liability as the duration of the derivative, and underlying hedged asset or liability, was less than 12 months. MGFH discontinued hedge accounting from 1 July 2014. Refer to note 5 a) for further details. As a result, prior period comparatives which included derivatives qualified for hedge accounting under AASB 139 are unchanged and derivatives held by MGFH from 1 July 2014, that no longer qualify for hedge accounting are accounted for as set out below.

Derivatives that do not qualify for hedge accounting

Derivative instruments that do not qualify for hedge accounting under AASB 139 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 are included in 'net change in fair value of investments'. 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.

d) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with the Class Order, unless otherwise indicated.

e) Critical accounting estimates and judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the interim 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. The main areas where a higher degree of judgement or complexity arises, or areas where assumptions and estimates are significant to the Funds' interim financial statements, are those set out in note 2 p) of the Funds' financial statements for the year ended 30 June 2014.

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

The registered schemes 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 half year ended 31 December 2014

2. Distributions to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Interim distribution to unitholders \$'000	-	-	-	-	-	-	5,987	5,215	1,024	-
Cents per unit	-	-	-	-	-	-	0.94	0.91	1.00	-

The interim distributions for MIF and MIFU were declared on 13 December 2014 and paid on 5 January 2015, and were classified as Payables on the Statements of Financial Position at 31 December 2014.

Notes to the Financial Statements

for the half year ended 31 December 2014

3. Investments

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
(a) Investment assets										
Financial assets designated at fair value through profit or loss										
Australian listed equity and stapled securities	-	-	-	-	-	-	122,607	127,368	24,115	14,890
International listed equity securities	6,021,651	5,309,389	54,087	37,760	185,652	126,215	538,312	498,232	105,086	56,857
Total financial assets designated at fair value through profit or loss	6,021,651	5,309,389	54,087	37,760	185,652	126,215	660,919	625,600	129,201	71,747
Held for trading financial assets										
Derivatives										
Forward foreign currency contracts	-	-	-	156	-	-	-	1,580	-	-
Total held for trading financial assets	-	-	-	156	-	-	-	1,580	-	-
Total investment assets	6,021,651	5,309,389	54,087	37,916	185,652	126,215	660,919	627,180	129,201	71,747
(b) Investment Liabilities										
Held for trading financial liabilities										
Forward foreign currency contracts	-	-	14	-	-	-	10,716	-	-	-
Total investment liabilities	-	-	14	-	-	-	10,716	-	-	-

Fair value disclosures

An overview of the risk exposures and fair value measurement relating to investments held at fair value through the Statements of Profit or Loss and Other Comprehensive Income, is included in note 5 b).

Notes to the Financial Statements

for the half year ended 31 December 2014

4. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 No. of Units	30 Jun 2014 No. of Units	31 Dec 2014 No. of Units	30 Jun 2014 No. of Units	31 Dec 2014 No. of Units	30 June 2014 No. of Units	31 Dec 2014 No. of Units	30 June 2014 No. of Units	31 Dec 2014 No. of Units	30 June 2014 No. of Units
a) Units on issue										
Units on issue as at beginning of year	3,275,582,141	2,344,526,411	34,373,843	-	111,251,807	-	618,919,902	519,298,445	61,411,928	-
Units issued during the half year	531,080,810	1,271,362,051	20,101,467	35,515,192	40,321,083	112,877,922	80,059,789	168,649,917	44,542,675	62,579,474
Units redeemed during the half year	(310,174,386)	(340,306,321)	(3,952,656)	(1,141,349)	(3,543,166)	(1,626,115)	(62,040,376)	(69,028,460)	(3,504,741)	(1,167,546)
Units on issue at the end of the half year	3,496,488,565	3,275,582,141	50,522,654	34,373,843	148,029,724	111,251,807	636,939,315	618,919,902	102,449,862	61,411,928

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 on the distribution date;
- 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)	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000	31 Dec 2014 \$'000	31 Dec 2013 \$'000
b) Changes in net assets to unit holders										
Opening balance	5,360,980	3,558,946	38,889	-	126,071	-	638,304	453,301	73,844	-
Applications	881,412	1,138,535	23,094	6,061	47,712	92,546	78,381	85,075	55,615	28,712
Redemptions	(537,217)	(232,388)	(4,547)	(243)	(4,245)	(616)	(65,360)	(42,529)	(4,445)	(166)
Reinvestment of distributions and management fee rebates	31,974	13,651	419	-	808	-	5,802	6,222	129	-
Increase in net assets attributable to unitholders	1,022,321	635,721	3,455	391	33,370	13,316	52,704	34,203	15,046	1,926
Closing balance	6,759,470	5,114,465	61,310	6,209	203,716	105,246	709,831	536,272	140,189	30,472

Notes to the Financial Statements

for the half year ended 31 December 2014

5. Capital and Financial Risk Management

a) Market Risk -Currency

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 into 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.

The Responsible Entity of Magellan Global Fund (Hedged) adopted hedge accounting under AASB 139, from 1 July 2013, to designate some forward foreign currency contracts entered into during the reporting period as a fair value hedge (refer to note 1 c)). The adoption of hedge accounting by Magellan Global Fund (Hedged) did not impact the results reported in the Statement of Profit or Loss and Other Comprehensive Income, however the accounting treatment of the hedging instruments (forward foreign currency contracts) changed from 1 July 2014 and the fair value movements on these derivatives were recognised within 'net change in fair value of investments – held for trading' in the Statement of Profit or Loss and Other Comprehensive Income. At 30 June 2014, the net fair value of the financial assets and financial liabilities being hedged was \$27,987,000, while the principal amount of the forward foreign currency contracts that qualified as fair value hedges was (\$27,964,426). The net fair value of the forward foreign currency contracts that qualified as fair value hedges, at 30 June 2014, was \$221,217. The adoption of hedge accounting for the year ended 30 June 2014, resulted in a fair value net gain arising on the hedging instruments of \$418,867, and the fair value net loss on hedged items of (\$445,215).

Hedge accounting was discontinued by MGFH from 1 July 2014. There were no financial impacts as a result of discontinuing hedge accounting and in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, the prior year comparatives for the year ended 30 June 2014 are not restated. Rather, from 1 July 2014, MGFH has accounted for all derivatives as derivatives that do not qualify for hedge accounting and in accordance with the accounting policy set out in note 1 c). As a result, the fair value movements on the derivatives from 1 July 2014 are recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'net change in fair value of investments – fair value through profit or loss'. Up to 1 July 2014, the fair value movements on the derivatives were recognised within 'net change in fair value of investments – held for trading' in the Statement of Profit or Loss and Other Comprehensive Income.

Whilst the Magellan Infrastructure Fund also uses forward foreign currency contracts, these derivatives did not qualify for hedge accounting under AASB 139 during the half year ended 31 December 2014.

Notes to the Financial Statements

for the half year ended 31 December 2014

5. Capital and Financial Risk Management (continued)

b) Fair value disclosures

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 market observable inputs either directly or indirectly. 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 Funds' assets and liabilities measured and recognised at fair value:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Assets measured at fair value										
Level 1: Investments - valued using quoted price ^(A)	6,021,651	5,309,389	54,087	37,760	185,652	126,215	660,919	625,600	129,201	71,747
Level 2: Forward foreign currency contracts	-	-	-	156	-	-	-	1,580	-	-
Total financial assets	6,021,651	5,309,389	54,087	37,916	185,652	126,215	660,919	627,180	129,201	71,747
Liabilities measured at fair value										
Level 2: Forward foreign currency contracts	-	-	14	-	-	-	10,716	-	-	-
Total financial liabilities	-	-	14	-	-	-	10,716	-	-	-

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

There have been no transfers between any of the three levels in the hierarchy during the half 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.

The Funds do not hold any level 3 assets.

Notes to the Financial Statements

for the half year ended 31 December 2014

6. Contingent Assets, Contingent Liabilities and Commitments

The Funds have no contingent assets, contingent liabilities or commitments at 31 December 2014 (June 2014: nil).

7. Events Subsequent to the End of the Year

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

Directors' Declaration

for the half year ended 31 December 2014

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

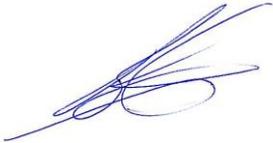
Magellan Global Fund
Magellan Global Fund (Hedged)
Magellan High Conviction Fund
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 9 to 21;

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 31 December 2014 and of their performance as represented by the results of their operations and their cash flows for the half year ended on that date; and
- ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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.

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



Brett Cairns
Executive Chairman

Sydney, 19 February 2015

Independent Auditor's Report



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Report on the Half-Year Financial Report

To the Unitholders of Magellan Global Fund, Magellan Infrastructure Fund, Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged) and the Magellan High Conviction Fund (the "Schemes")

We have reviewed the accompanying half-year financial report of the Schemes, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Schemes' financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Report



Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Schemes is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Schemes' financial position as at 31 December 2014 and of their performance for half-year ended on that date;
and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
19 February 2015

Corporate Information

Directors of the Responsible Entity

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

Company Secretary of the Responsible Entity

Geoffrey Stirton

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