

# Magellan High Conviction Fund

ARSN: 164 285 947



MAGELLAN HIGH CONVICTION FUND CLASS A | APIR: MGE0005AU

MAGELLAN HIGH CONVICTION FUND CLASS B | APIR: MGE9885AU

AS AT 31 JANUARY 2024

## PORTFOLIO MANAGERS

NIKKI THOMAS, CFA AND ALAN PULLEN

### INVESTMENT OBJECTIVE AND PHILOSOPHY

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

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

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

### PORTFOLIO CONSTRUCTION

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

Cash and cash equivalents exposure between 0 - 50%.

The fund may, from time to time, 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.

### INVESTMENT RISKS

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

## MAGELLAN HIGH CONVICTION FUND: KEY PORTFOLIO INFORMATION

CLASS	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES <sup>1</sup>	INCEPTION DATE
A	AUD \$177.1 million	0.07% / 0.07%	1.50% p.a. and performance fee of 10% of excess return <sup>^</sup>	1 July 2013
B	AUD \$39.3 million	0.07% / 0.07%	0.78% p.a. and performance fee of 20% of excess return <sup>^^</sup>	15 November 2017

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

<sup>^^</sup> 20.0% of the excess return of Class B units of the Fund above the Absolute Return Performance hurdle of 10% per annum. Additionally, Performance Fees are subject to a high water mark. The performance fee for Class B Units is subject to a cap of 2.22% per annum.

### PERFORMANCE<sup>2</sup>

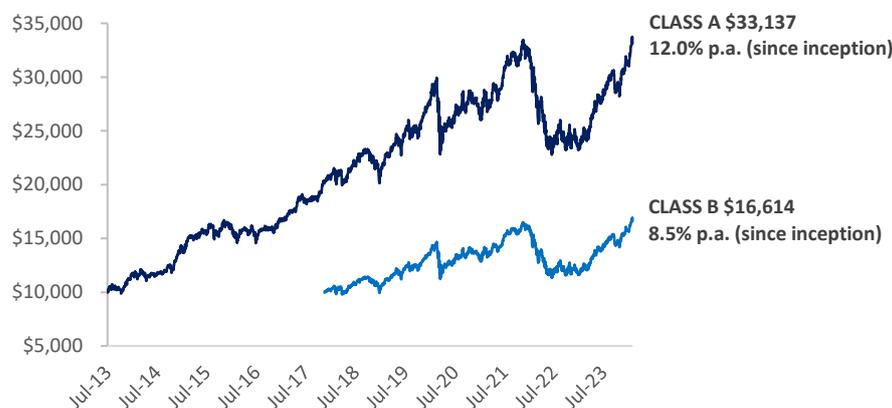
	1 MONTH (%)	3 MONTHS (%)	1 YEAR (%)	3 YEARS (% p.a.)	5 YEARS (% p.a.)	7 YEARS (% p.a.)	10 YEARS (% p.a.)	Since Inception (% p.a.)	OUTPERFORMANCE CONSISTENCY <sup>+</sup>
Magellan High Conviction Fund - Class A	5.6	15.0	35.7	6.8	8.2	10.2	11.0	12.0	70%
Magellan High Conviction Fund - Class B	5.1	14.7	36.1	7.3	8.7	-	-	8.5	31%

	CYTD (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017* (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan High Conviction Fund - Class A	5.6	34.5	-27.8	20.8	-2.4	29.6	3.4	23.3	3.5	13.6	19.8	17.7
Magellan High Conviction Fund - Class B	5.1	35.5	-27.3	21.1	-1.9	29.2	3.3	1.0	-	-	-	-

Past performance is not a reliable indicator of future performance. \*Class B part year return, inception date 15-Nov-2017

### PERFORMANCE CHART GROWTH OF AUD \$10,000<sup>2</sup>



Past performance is not a reliable indicator of future performance.

### FUND CHARACTERISTICS<sup>3</sup>

	3-YEAR	AVERAGE	HIGH	LOW
Cash Weight		4.8%	18.4%	1.0%
Number of Stocks		12	15	10
Hedging Weight		0.3%	10.2%	0.0%

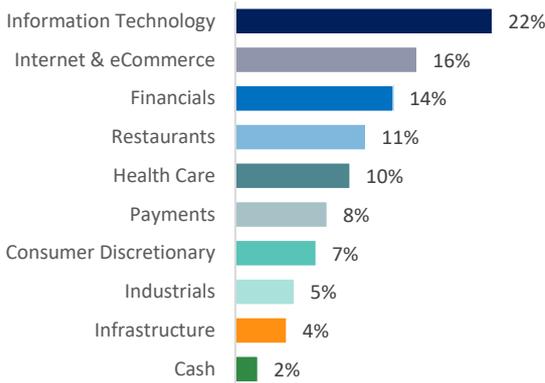
<sup>1</sup> Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

<sup>2</sup> Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

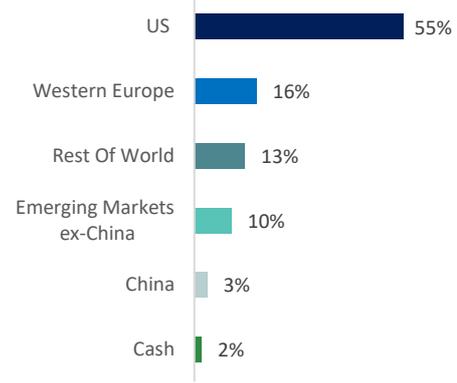
<sup>3</sup> Fund characteristics averages are calculated using the last day of each month in the 3-year period.

<sup>+</sup> Outperformance consistency indicates the percentage of positive excess returns for rolling 3 year returns since inception.

## SECTOR EXPOSURE BY SOURCE OF REVENUE<sup>4</sup>



## GEOGRAPHIC EXPOSURE BY SOURCE OF REVENUE<sup>4</sup>



## TOP 5 HOLDINGS (ALPHABETICAL ORDER)

STOCK	SECTOR <sup>4</sup>
Amazon.com Inc	Internet & eCommerce
ASML Holding NV	Information Technology
Intercontinental Exchange Inc	Financials
Microsoft Corporation	Information Technology
Visa Inc	Payments

## TOP CONTRIBUTORS/DETRACTORS 1 YEAR<sup>5</sup>

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Microsoft Corporation	7.0
Amazon.com Inc	4.9
Booking Holdings Inc	4.3
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Alibaba	-0.5
WEC Energy Group Inc	-0.3
UnitedHealth Group Inc	-0.2

## MONTHLY SUMMARY

January was a positive month for global investors based in Australia as the MSCI World Index rose and the AUD fell. Below the index level, performances were quite disparate with Japan very strong and China very weak. At a sector level, performances were heavily influenced by corporate reporting calendars, with larger moves often associated with those companies that reported their quarterly results and provided management guidance on the outlook. Economic growth is weak in China, Europe and Australia but proving resilient in the US, albeit softening in some segments. The global inflation fight looks well progressed and resilience to the rising rates has been the hallmark of this tightening cycle.

The portfolio had a strong month of performance with large positive moves in ASML, HCA Healthcare, Microsoft and Safran benefiting the portfolio the most. The first three delivered excellent results and even better growth prospects, while Safran (yet to report its results) continues to benefit from the return of travel. UnitedHealthcare entered the portfolio mid-month and detracted as the stock dipped 5% into month end as a competitor warned on profits due to normalising of its Medical Loss Ratio as utilisation of health insurance picks up in the US. This is already baked into our and UNH's expectations and does not alter our expectation of strong double-digit earnings and cash flow growth from the company in 2024. WEC Energy was down 4% and so also dragged on performance as utilities generally were pressured by rising regulatory risks and sustained higher real interest rates.

*Stock contributors/detractors are based in local currency terms unless stated otherwise.*

<sup>4</sup> Sectors are internally defined. Geographical exposure is calculated on a look through basis based on underlying revenue exposure of individual companies held within the portfolio. Exposures may not sum to 100% due to rounding.

<sup>5</sup> Shows how much the stock has contributed to the fund's gross return for the period in AUD. Excludes non-disclosed positions established in the latest quarter.

## IMPORTANT INFORMATION

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