

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 OCTOBER 2023

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.

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

MAGELLAN HIGH CONVICTION FUND: KEY PORTFOLIO INFORMATION

CLASS	FUND SIZE	BUY/SELL SPREAD	MANAGEMENT AND PERFORMANCE FEES ¹	INCEPTION DATE
A	AUD \$165.5 million	0.07% / 0.07%	1.51% p.a. and performance fee of 10% of excess return [^]	1 July 2013
B	AUD \$36.8 million	0.07% / 0.07%	0.78% p.a. and performance fee of 20% of excess return ^{^^}	15 November 2017

[^] 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.

^{^^} 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.

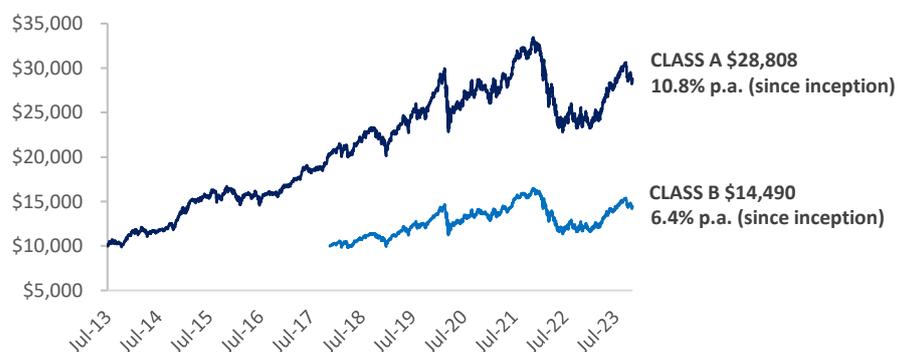
PERFORMANCE²

	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 ⁺
Magellan High Conviction Fund - Class A	0.8	-1.5	17.2	1.0	5.0	8.9	10.6	10.8	72%
Magellan High Conviction Fund - Class B	0.9	-1.3	18.2	1.7	5.5	-	-	6.4	33%

	CYTD (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017* (%)	2016 (%)	2015 (%)	2014 (%)	2013 (part year)
Magellan High Conviction Fund - Class A	23.5	-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	24.3	-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 \$10,000²



Past performance is not a reliable indicator of future performance.

FUND CHARACTERISTICS³

	3-YEAR	AVERAGE	HIGH	LOW
Cash Weight		5.5%	18.4%	1.0%
Number of Stocks		12	15	10
Hedging Weight		0.3%	10.2%	0.0%

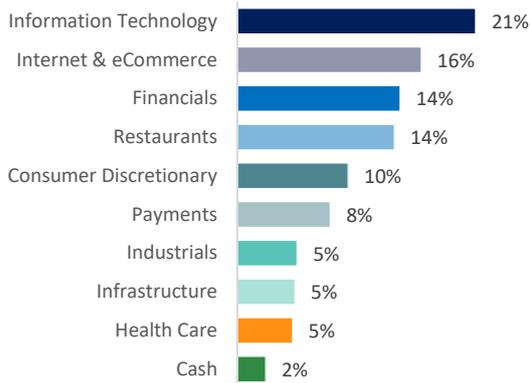
¹ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

² 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.

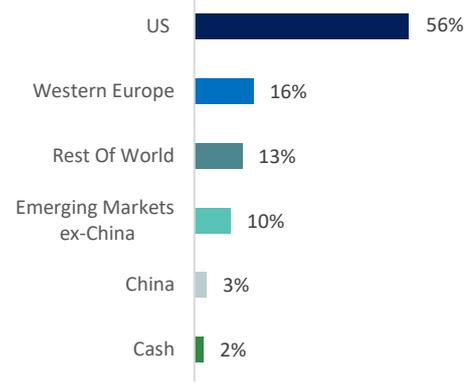
³ Fund characteristics averages are calculated using the last day of each month in the 3-year period.

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

SECTOR EXPOSURE BY SOURCE OF REVENUE⁴



GEOGRAPHICAL EXPOSURE BY SOURCE OF REVENUE⁴



TOP 5 HOLDINGS (ALPHABETICAL ORDER)

STOCK	SECTOR ⁴
Amazon.com Inc	Internet & eCommerce
Intercontinental Exchange Inc	Financials
Microsoft Corporation	Information Technology
Visa Inc	Payments
Yum! Brands Inc	Restaurants

TOP CONTRIBUTORS/DETRACTORS 1 YEAR⁵

TOP 3 CONTRIBUTORS	CONTRIBUTION TO RETURN (%)
Microsoft Corporation	4.5
Booking Holdings Inc	4.1
Alphabet	2.4
TOP 3 DETRACTORS	CONTRIBUTION TO RETURN (%)
Alibaba	-0.6
Netflix Inc	-0.6
ASML Holding NV	-0.4

MONTHLY SUMMARY

During October the major market influences were the Hamas/Israeli war, ongoing increases in 10-year bond yields, an incredibly strong US 3Q GDP growth number (over 8% nominal) and the bulk of quarterly company result releases. Investors are oscillating between the risks of tighter financial conditions with sustained high interest rates and the possibilities of resilient, albeit slower, economic growth while inflation falls sufficiently to allow an easing of financial conditions. We continue to see evidence of slowing discretionary spending and slowing inflation, while results revealed the early evidence of the surge in spend and usage associated with AI.

In October, the portfolio rose, benefiting from good underlying company performances and an AUD fall of 1.9%. Price gains were led by Microsoft, Chipotle Mexican Grill and Amazon, with each company reporting excellent quarterly results and strong outlooks. Price declines were widespread in markets across all regions. In the portfolio, falls between 5% and 10% in the month were seen in Booking, Lowe's and HCA Healthcare. Booking and Lowe's both fell on no specific news, with quarterly results due in November, as investors worried about discretionary spending slowing as consumers are affected by rising interest rates and perhaps a labour market deterioration ahead. HCA Healthcare reported solid results but shed light on a modest but unexpected loss from a recent acquisition. We saw small earnings cuts to capture this, and we expect management will offset through pricing actions and cost efficiencies in coming quarters. With the AUD/USD exchange rate dropping below 63c, we added a small currency hedge to moderate the potential drag to performance of a reversal.

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

⁴ 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.

⁵ 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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